

FRANCHISE DISCLOSURE DOCUMENT

	<p>STRONG PILATES US, INC. a Texas corporation Creative Cubes Level 5/111 Cecil St South Melbourne, Victoria, Australia, 3205 011-3-61-422-096-604 www.strongpilates.co</p>
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The franchise offered is for the development and operation of one or more fitness training studios that offer customers a Pilates-based workout infused with cardio via specially designed Pilates beds that include a built-in rowing machine, together with related services and products, under the name Strong Pilates.

The total investment necessary to begin operation of a single Strong Pilates Studio ranges from \$373,145 to \$811,500. This includes between \$170,025 and \$205,165 that must be paid to us or our affiliates. The total investment necessary to operate under a development agreement ranges from \$11,000 and \$27,000, which is in addition to the total investment necessary to operate a single Strong Pilates Studio. The additional investment necessary to operate under a development agreement includes between \$10,000 to \$25,000 that must be paid to us or our affiliates. The total investment necessary to sign a development agreement and begin operation of a Strong Pilates Studio under a franchise agreement ranges from \$384,145 to \$838,500.

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 the 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 government 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 Mark Francis Armstrong at Creative Cubes, Level 5/111 Cecil St., South Melbourne, Victoria, Australia, 3205, telephone: 011-3-61-422-096-604.

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, DC 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.

Date of Issuance: May 1, 2025

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 Exhibits G and H.
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 I 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 Strong Pilates Studio business in my area?	Item 12 and the “Development Area” and “Territory” provisions in the Development Agreement and Franchise Agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Strong Pilates Studio franchisee?	Item 20 or Exhibits G and H list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this Disclosure Document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

Business model can change. The Development Agreement and 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 Development Agreement and 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 Development Agreement or Franchise Agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your Development Agreement or 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 Development Agreement or Franchise Agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your Development Agreement or 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 Development Agreement and Franchise Agreement require you to resolve disputes with the franchisor by litigation only in Texas. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Texas than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Franchisor's Right to Buy Back Franchise.** The franchise agreement gives the franchisor a unilateral right to buy your business if franchisor changes ownership or undergoes a corporate reorganization or initial public offering before the franchise expires or is terminated. As a result, you may be required to sell your business for a price that might be below the value of the business if you sold to a third party instead.
4. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
5. **Short Operating History.** The 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.
6. **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.
7. **Spousal Liability.** At the Franchisor's request, your spouse must sign a document making 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 your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

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

DISCLOSURE DOCUMENT
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Strong is Strong Pilates US, Inc. To simplify the Disclosure Document, Strong Pilates US, Inc. is referred to as “Franchisor,” “Strong,” “we,” “us,” or “our”. “You” means the person or legal entity who buys the development rights and/or franchise, the “Developer” or “Franchisee”. If you are a corporation, limited liability company, partnership or any other type of legal entity, we will require certain equity owners (referred to as “Guarantors”) that we designate to personally guarantee, and be personally bound by, some or all of your obligations under the Development Agreement or the Franchise Agreement.

Us

We are a Texas corporation formed on February 3, 2023. Our principal place of business in the United States is Creative Cubes, Level 5/111 Cecil St., South Melbourne, Victoria, Australia, 3205. We maintain a principal mailing address in the United States at Brodie Lane, Suite 160, PMB1564, Austin, Texas 78748. We do business under our corporate name and under our trade names “Strong Pilates” and “Strong Pilates Studios”. We do not do business or intend to do business under any other name. Our agents for service of process are listed in Exhibit A.

We do not directly own or operate any Strong Pilates Studios as of the date of this Disclosure Document. We began offering franchises for the operation of Strong Pilates Studios with the issuance of this Disclosure Document. We have not offered franchises in any other line of business.

Our Parents, Predecessors and Affiliates

Our parent is Strong Pilates Holdings Pty Ltd., a proprietary limited company formed under the federal laws of Australia with a principal business address of 91 Brighton Road, Elwood, Victoria, Australia 3184.

We do not have any predecessors required to be disclosed in this Disclosure Document.

Our affiliate Strong Pilates IP Pty Ltd, a proprietary limited company formed under the federal laws of Australia with a principal business address of 91 Brighton Road, Elwood, Victoria, Australia 3184, owns the Strong Pilates IP (defined below) and has licensed it to we and our affiliates to operate and franchise Strong Pilates Studios around the world.

Our affiliate Strong Pilates Franchising Pty Ltd., a proprietary limited company formed under the federal laws of Australia with a principal business address of 91 Brighton Road, Elwood, Victoria, Australia 3184, has offered and sold franchises for Strong Pilates Studios in Australia since 2019 and in New Zealand since 2022.

Our affiliate Strong Pilates Canada Ltd., a corporation incorporated under the laws of Ontario with a principal business address of 40 King Street West, Suite 2100, Toronto, Ontario, Canada M5H 3C2, has offered master franchises and franchises for Strong Pilates Studios in Canada since July 2022.

Our affiliate Strong Pilates (Singapore) Pte. Ltd., a private company formed under the laws of Singapore with a principal business address of 100 Tras Street, #16-01, 100 AM, Singapore 079027, has offered franchises in Singapore and master franchises in Japan, South Korea, and Malaysia for Strong Pilates Studios since 2023.

Our affiliate Strong Pilates Franchising UK Limited, a private company formed under the laws of the UK with a principal business address of Farnham Road, Guildford, Surrey, United Kingdom, GU1, has offered franchises in the United Kingdom and certain countries in Europe since 2024.

The Franchise Offered

The Strong Pilates franchise system (the “System”) relates to the establishment and operation of fitness training studios that offer customers a Pilates-based workout infused with cardio via specially designed Pilates beds that include a built-in biking or rowing machine (each, a “Bikeformer Machine” or “Rowformer Machine”), together with related services and products (each, a “Strong Pilates Studio”) at certain premises approved by us (the “Premises”) and within a specified geographical area (the “Territory”) in association with certain registered and unregistered trademarks, trade names, certification marks and other commercial symbols and related logos, including the trademark “STRONG & Design”, together with such other trade names, trademarks, symbols, logos, distinctive names, certification marks, logo designs, insignia of origin or other intellectual property which may be designated for use in the System from time to time (the “Trade Marks” or “Intellectual Property”).

We are also developing a Pilates-based recovery module that is available for franchisees with space at their Strong Pilates Studio to offer this service. Currently, the Pilates-based recovery module is anticipated to be an optional offering for franchisees.

We offer a franchise agreement (“Franchise Agreement”) which grants you the right to develop and operate a single franchised Strong Pilates Studio at a designated site (the “Premises”) within a designated area (the “Territory”) for an initial term of 10 years. Our form of Franchise Agreement is attached to this Disclosure Document as Exhibit B.

In certain limited instances where you have experience and a high net worth with available cash on hand, we may offer you a development agreement (the “Development Agreement”) which grants you the right to enter into multiple Franchise Agreements to construct, own and operate multiple Strong Pilates Studios within a particular geographic area (the “Development Area”). Our form of Development Agreement is attached to this Disclosure Document as Exhibit C. You must enter into a separate Franchise Agreement for each Strong Pilates Studio you establish under the terms of a development schedule attached to the Development Agreement (the “Development Schedule”). The number of Strong Pilates Studios to be developed under each Development Agreement varies depending on factors such as the size, income and population density of the Strong Pilates Studio Development Area, which will be determined before you sign your Development Agreement. You must sign the form of Franchise Agreement attached as Exhibit B for the first Strong Pilates Studio described in the Development Schedule when you sign the Development Agreement. You must sign the then-current form of Franchise Agreement for each additional Strong Pilates Studio described in the Development Schedule.

We typically require you to sign a confidentiality agreement with us before we begin material discussions with you regarding the franchise offering. Our form of confidentiality agreement is attached as Exhibit D. We may also require you to complete a franchise application and provide us with certain information and documentation regarding you and your equity owners that will be Guarantors and guaranty performance under the Development Agreement or Franchise Agreement. Our form of franchise application is attached as Exhibit E.

Strong Pilates Studios will typically be located in retail strip or in-line shopping centers, and non-traditional locations, in high traffic urban and suburban areas, preferably near large residential communities, office

buildings and other commercial areas, and typically need approximately 2,500 to 3,000 square feet.

Prospective Strong Pilates Studio franchisees are typically newly formed entities or individuals wanting to own and operate one or more franchised Pilates studios. Prospective Strong Pilates Studio franchisees typically have some prior experience in the fitness business sector.

Strong Pilates Studio franchisees may offer approved products and services to any potential customer that enters into their Strong Pilates Studios.

Market and Competition

Strong Pilates Studios will mainly compete with other fitness-oriented or Pilates-oriented businesses within the Development Area or Territory. The business of a franchised Strong Pilates Studio will depend heavily on the demand for fitness-oriented exercise in the Development Area or Territory, and may be partly seasonal with fluctuations prior to the summer. You may also compete with Strong Pilates Studios operated by us, our affiliates and our other franchisees.

Industry Specific Laws

The fitness industry is heavily regulated in the United States by federal, state, and local governments.

To operate the Strong Pilates Studio, you will need to determine and understand the laws that apply in the Development Area or Territory and then implement compliance procedures, as needed, to ensure the Strong Pilates Studio fully complies with all applicable laws and regulations.

The fitness business may be regulated at the federal, state and/or local level with respect to health, safety and sanitation, health club business licensing and permits, and in connection with the offering of long term customer memberships. You will need to consider whether applicable state and local agencies will regulate the Strong Pilates Studio, or require you to obtain a permit or license to operate. Some jurisdictions may limit the length of customer contracts, provide for specific provisions to be included in customer contracts, mandate the format or font size for the customer contract, and/or provide customers the right to terminate their contracts for any reason. Certain states may require a surety bond or fee to be paid for health clubs/fitness gyms - these fees vary by state. These bond are intended to protect consumers from loss of prepaid memberships fees. The amount of the bond varies depending on the revenue of the business and the volume of pre-paid memberships. Bonds are typically year-to-year, and renewable on an annual basis. Some states and local jurisdictions may also have enacted laws requiring fitness centers to have a staff person available during all hours of operation, and in some cases this person may be required to be certified in basic cardiopulmonary resuscitation, or have other specialized training. In addition, some states have laws requiring a fitness center to have an automated external defibrillator and other first aid equipment on the premises, and some may require you to take other safety measures.

Many of the laws that apply to business generally, like the Americans with Disabilities Act, federal wage and hour laws, and the Occupation, Health and Safety Act, also apply to Strong Pilates Studios and other fitness establishments. Development and operation of the Strong Pilates Studio will also be subject to compliance with applicable zoning, land use and environmental regulations as well as federal and state minimum wage laws governing such matters as working conditions, overtime and other employee matters. It is likely that a significant number of the Strong Pilates Studio's personnel will be paid at rates related to the federal minimum wage and, accordingly, further increases in the federal, state or local minimum wage will affect labor costs.

The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards that limit emissions of ozone, carbon monoxide and particulate matters, including emissions. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

We recommend that you check with their state and local agencies to determine which laws apply to the operation of a Strong Pilates Studio in the Territory. you should consider these laws and regulations when evaluating the purchase of a master franchise or single franchise.

ITEM 2 **BUSINESS EXPERIENCE**

Michael Peter Ramsey - President:

Michael has been our President since our formation in February 2023. Michael has also been Secretary of our Parent Strong Pilates Holdings Pty Ltd. since November 2019. Since February 2015, Michael has also been Director of The Functional Group Pty Ltd. From January 2018 to January 2020, Michael was Head Melbourne Ambassador for Adidas. From August 2017 to December 2022, Michael was Founder & Director at Surf Yoga HIIT, trading as Journey Retreats. Michael has also provided marketing consultancy services for various businesses as a self-employed consultant since 2017. All positions held in Melbourne, Victoria, Australia.

Mark Francis Armstrong – Chief Executive Officer and Secretary:

Mark has been our Chief Executive Office and Secretary since our formation in February 2023. Mark has also been Secretary of our Parent Strong Pilates Holdings Pty Ltd. since November 2019. Since February 2015, Mark has also been Director of The Functional Group Pty Ltd. All positions held in Melbourne, Victoria, Australia.

Heather Ann Christie – Director of Operations:

Heather has been our Director of Operations since February 2023 in Hermosa Beach, California. From January 2020 to November 2022, Heather was Chief Operating Officer for F45 Training in Austin, Texas. From October 2017 to January 2020, Heather was Head of Support for F45 Training in Austin, Texas.

Kat Hegarty, General Manager

Kat has been the General Manager of Strong Pilates Franchising Pty Ltd. since June 2022, with principal responsibility for managing the staff and daily operations of the business. From 2017 to 2022, Kat was a Director and then Senior Vice President of Branded Products of F45 Training, where she was responsible for managing F45 Training’s corporate partnerships and overseeing the daily operations of the Challenge program. Prior to F45 Training, Kat was a Business Development Manager at Boston Scientific and spent time as a Managing Director of F45 Training Torrensville in Adelaide, Australia. All positions held in Adelaide, South Australia, Australia.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Franchise Agreement:

Initial Franchise Fee:

Upon execution of the Franchise Agreement for a single Strong Pilates Studio, you must pay to us an initial, nonrecurring, non-refundable initial franchise fee in the amount of \$59,000 (the “Franchise Fee”). Except in connection with a failure to complete initial training (see below), the Franchise Fee is not refundable once paid. During our last fiscal year, we sold franchises for a reduced Franchise Fee of \$25,000 in connection with the execution of a Development Agreement for multiple Strong Pilates Studios.

Strong Academy Fee:

Prior to appearing for our Strong Academy initial training program for your Strong Pilates Studio, you must pay to us an initial, nonrecurring, non-refundable Strong Academy Fee in the amount of \$9,000 (the “Strong Academy Fee”). The Strong Academy Fee is not refundable once paid.

Failure to Complete Initial Training under a Franchise Agreement:

Under the Franchise Agreement, if in our opinion, acting reasonably, your participation in the Initial Training Program reveals an inability to adequately manage and operate the Strong Pilates Studio after being provided with a reasonable opportunity to rectify any deficiencies to our satisfaction, we may terminate the Franchise Agreement. If we terminate the Franchise Agreement, we will refund to you 1/2 of the Franchise Fee which will be the only amount(s) to be refunded or paid by us to you. Provided that as a condition of any such refund you will have first delivered to us a release of us, our directors and officers, our respective affiliates and the directors and officers of each of them, to the extent permitted by applicable law, from all obligations under the Franchise Agreement of any such persons, in a form satisfactory to us.

Opening Support Reimbursements:

We do not charge you a fee for our Initial Training Program, but we will send up to 2 of our operations representatives to travel to your Strong Pilates Studio for on-site pre-opening and opening training, supervision and assistance for up to one week in the aggregate immediately before your scheduled opening date and after your Strong Pilates Studio opens for business. We estimate your opening support reimbursement cost will range from \$2,000 to \$4,000 depending on your location and transportation costs. The opening support reimbursements are not refundable once paid.

Initial Strong Equipment Purchases:

At least 4 months before you intend to install equipment in your Strong Pilates Studio, you must purchase the Rowformer Machines and Bikeformer Machines from us or our affiliate at a cost ranging from \$92,000 to \$123,000 (low cost based on starting with minimum of 11 Rowformer Machines and 4 Bikeformer

Machines and high cost based on starting with recommended 14 Rowformer Machines and 6 Bikeformer Machines, and subject to manufacturer cost changes of approximately 3% to 5% each calendar year). The ranges are based on a purchase price of \$6,000 for each Rowformer Machines and \$6,500 for each Bikeformer Machine plus shipping, taxes, tariffs and duties. These are Nominated Products as described in Item 8.

You must also purchase an initial fitness Equipment package from us or our affiliate in an amount ranging from \$2,500 to \$3,000 plus shipping and taxes (actual amount will depend on our third party vendor's costs). The current set of Strong Equipment you purchase from us or our affiliates includes Pilates rings, balance cushions, dumbbell rack, face towel and various sizes of dumbbells from 2kg to 20kg.

You must also purchase certain initial technology Equipment from us or our affiliate in an amount of approximately \$1,000 plus shipping and taxes (actual amount will depend on our third party vendor's costs). The current set of technology Equipment you purchase from us or our affiliates includes a Raspberry Pi system, clicker, SD card, and HDMI cable.

The U.S. government has recently instituted new tariffs on certain shipments from overseas, which may also increase prices for these items.

None of the initial Strong equipment purchases are refundable once paid.

Initial Strong Merchandise Purchases:

Before you open your Strong Pilates Studio, you must also purchase certain Strong Merchandise from us or our affiliate in an amount ranging from \$4,525 to \$6,165 plus shipping and taxes (actual amount will depend on our third party vendor's costs and whether you select a summer or winter add-on package). The current set of Strong Merchandise you purchase from us or our affiliates includes unisex t-shirts, men's muscle tank shirts, women's cropped t shirts, towels, water bottles, long grip socks and short grip socks.

These are all Nominated Products as described in Item 8.

None of the initial Strong merchandise purchases are refundable once paid.

Grand Opening Ad Expenditures:

Beginning 90 days before you open your Strong Pilates Studio and continuing until 30 days after you open your Strong Pilates Studio, you must spend a minimum of \$25,000 on grand opening promotions ("Grand Opening Ad Expenditures"). The grand opening promotion must be conducted as we require. If we direct, you must pay us or third parties approved by us, part or all of the Grand Opening Ad Expenditures. If we require that you pay us or third parties all or part of the Grand Opening Ad Expenditures, then we or the third party will conduct grand opening advertising and promotions on your behalf. If we require that you pay us the Grand Opening Ad Expenditures, then you must make payment to us four months before the opening date of your Strong Pilates Studio.

If paid to us, none of the grand opening ad expenditures are refundable once paid.

Development Agreement

If you sign the Development Agreement, you must pay us a separate Development Fee equal to \$5,000 multiplied by the total number of Strong Pilates Studios to be developed under the Development Agreement.

In most cases, you must sign the Franchise Agreement for your first Strong Pilates Studio at the same time you sign the Development Agreement, and you must pay the Development Fee and the full initial franchise fee for your first Strong Pilates Studio at that time.

The Development Fee is not refundable once paid.

ITEM 6 OTHER FEES

The following fees are payable by you to us under the Franchise Agreement. None of these fees are refundable once paid unless expressly noted below:

Type of Fee	Amount	Due Date	Remarks
Franchise Royalty Fee	8% of Revenue (See Note 1).	Payable to us each month (seven days after the last date for each month during the term of the Franchise Agreement in respect of the Revenue for the previous month, payable by direct deposit). Notwithstanding the above, the Franchise Royalty Fee is not payable by you from the date of the Franchise Agreement, for the first 3 months following the opening date of your Strong Pilates Studio.	
Technology Fee	An amount we set for each calendar year based on our then current estimated costs and payable in installments on a monthly basis; currently \$250 per month per Strong Pilates Studio, but capped at \$1,500 per month during the term of the	Payable to us on a monthly basis following the opening date of your Strong Pilates Studio.	The Technology Fee is for technology-based expenditures with respect to the Strong Software and other systems related to the development and operation of Strong Businesses, and may include a lead management system, TV technology, Intranet, Website and other software services. Strong may increase the Technology Fee with 60 days' notice to reflect changes to the cost of providing Technology to the Network.

Type of Fee	Amount	Due Date	Remarks
	Franchise Agreement.		
Local Marketing Spend	Minimum of 1.5% of Revenue.	Payable by you on a monthly basis.	This is a minimum amount you must spend yourself in your geographic area on approved local marketing and advertising initiatives.
Marketing Fund/ Marketing Fund Contribution	2% of Revenue	Payable to us each month (seven days after the last date for each month during the term of the Franchise Agreement in respect of the Revenue for the previous month, payable by direct deposit). Your obligation to pay us the Marketing Fund Contribution commences three months following the opening date of your Strong Pilates Studio.	We created the Marketing Fund in September 2024.
New Term Fee	\$10,000, plus our actual out-of-pocket expenses.	Payable to us at time of new term.	
Training and Seminars	If we require your attendance at education programs/training sessions sponsored or held by us, we may charge you a fee for such attendance, up to \$5,000.	Payable at time of training to us and/or third parties.	Training and seminars will be at your cost, including all travel, accommodation and meal expenses. In addition, Franchise must, at your own cost: (i) ensure that your Manager is approved by us prior to commencing management of the Strong Pilates Studio; (ii) ensure that your Manager attends and completes the Initial Training Program, Strong Academy, and any other required training program; (iii) ensure that your Manager obtains any accreditations specified by us; and (iv) train each of your Workers in the operation of the Strong Pilates Studio.
Strong Academy Fee	\$9,000.00 plus any applicable actual tax for a private studio Strong Academy	Payable to us prior to the commencement of the Strong Academy and as invoiced	Your Workers that Strong considers necessary to efficiently operate the Business must, at a time and in the manner we consider necessary complete the Strong Academy to the satisfaction of Strong.

Type of Fee	Amount	Due Date	Remarks
			Strong may increase the Strong Academy Fee by giving 60 days' notice to the Franchisee to reflect changes to the cost of providing the Strong Academy.
Meetings and Conferences	Our then current fee, capped at \$1,500 per day per person.	Payable to us and/or third parties at time of meeting.	You or your Manager must, at your cost, attend meetings and conferences, which may be anywhere within the United States.
Minimum Performance Criteria	Your actual meeting attendance costs plus cost of any additional required training, capped at \$1,500 per day per person.	Payable to us and/or third parties at time of meeting/training.	If you fail to achieve the Minimum Performance Criteria (as described below in Section 18), you and your Manager must attend a meeting held by Strong, at your cost, to discuss the performance of the Strong Pilates Studio. Strong may also require any or all of you, your Manager and your Workers (as defined below in Section 9.D) to undertake additional training, at your cost.
Maintain and Upgrade the Strong Pilates Studio	Actual cost of upgrades.	From time to time. Payments made to approved contractors and/or third parties.	You must complete any day-to-day maintenance issues and comply with our reinvestment criteria specified in the Brand Standards Manual. You must also complete a Premise Upgrade (as defined in the Franchise Agreement) within two months after receiving a notice from Strong to do so. A complete Fit Out is required as part of the Premises Upgrade.
Purchase of all Equipment, Supplies and Inventory	Actual cost of equipment, supplies and inventory.	Payments made at the time of the purchases to Strong or suppliers approved or designated by Strong.	You must maintain adequate inventory of certain Approved Products, Approved Supplies, and Equipment, as specified by Strong from time to time. You must make upgrades to equipment as required.
Modifications to the Franchise System	Actual cost.	From time to time. Payments will either be made to Strong or third-party suppliers or contractors.	You will abide by all new standards and implementations required by Strong at your expense.

Type of Fee	Amount	Due Date	Remarks
Promotional Programs	Actual cost.	Payable as required.	You must participate in promotional activities and market research programs conducted or reasonably required by Strong and market and promote the Strong Pilates Studio locally at your cost.
Customer Loyalty Programs	Actual cost.	Payable to us as required.	You must participate in any customer loyalty program (“Customer Loyalty Program”) established and operated by Strong and purchase from Strong the cards, application forms and other materials for use in connection with same. We may pay for all or a portion of these programs through the Technology Fee.
Customer Complaints	Actual cost.	Payable to us and/or customers as required.	You must redress, all customer complaints at your own cost. If Strong acts to redress a customer complaint due to the failure of you to satisfactorily redress the complaint, you must pay the reasonable costs incurred by Strong in attempting to redress the complaint.
Strong Merchandise	Actual cost.	Payable to us or Approved Suppliers from time to time.	We require that you purchase our branded merchandise from us or Approved Suppliers. We reserve the right to charge fees on the sale of such approved merchandise, including without limitation, Franchise Royalty Fees or a Marketing Contribution.
Bookkeeping, Accounting and Audit	Actual cost.	Payable to us, nominated accountants, or third parties as required.	You will abide by all standards required by Strong for transaction records at your expense. If you fail to provide required financial and other reports, Strong may prepare same at your costs. In addition, Strong may require you to conduct an inventory review of the Strong Pilates Studio at your own cost. If an inspection of your books including an inventory review or solvency audit discloses a breach, error or irregularity, you must pay for the costs of the inspection/audit and pay amounts due in respect of any understatement.
Transfer Fee	40% of the Initial Franchise Fee	Payable to us at the time of transfer.	

Type of Fee	Amount	Due Date	Remarks
	charged by us to incoming franchisees as at the date of transfer. You must also pay our out-of-pocket expenses in connection with the transfer.		
Termination	Actual cost.	Payable to us and our Related Parties, trade creditors, suppliers and other creditors within 5 Business Days after the end of the Strong Pilates Studio.	Payment of all outstanding amounts and costs to fulfill other obligations at the end of the Strong Pilates Studio or incidental to termination of the Franchise Agreement or any related agreement.
Temporary Operation	Actual cost.	Payable to us as required.	If Strong manages the Strong Pilates Studio, you must pay reasonable fees prescribed by Strong for managing the Strong Pilates Studio and any travelling, accommodation or other expenses in relation to management.
Legal and Other Fees	Actual cost.	Reimburse us on demand.	
Indemnity	Actual cost.	Payable to us and other indemnified parties as required.	
Late Fees and Interest Rate	An amount equal to the lesser of 1.5% of overdue balance or the maximum rate allowed by law	Payable to us on demand.	If you fail to pay any amount to Strong, you must pay interest on that amount at the rate of 12% per annum, calculated daily and compounding monthly, from the time the amount should have been paid until it is paid.
Power of Attorney	Actual cost.	Payable as to us on demand.	If you and your Guarantor(s) breach any provision of the Franchise Agreement or any related agreement or at the end of the Strong Pilates Studio the Attorney (as defined in the Franchise Agreement) may, in the name and at the cost of either you or the Guarantor(s), do anything required to be done that you and your Guarantor(s) have not done. This includes the execution and delivery of

Type of Fee	Amount	Due Date	Remarks
			documents, transfers, assignments, deeds, forms, notices or other instruments.

Notes:

None of these fees are refundable once paid unless expressly noted above.

1. “**Revenue**” means the aggregate of prices charged or chargeable by you and all other income and remuneration received or receivable by you in the operation of the Strong Pilates Studio and: (a) includes the proceeds of your business interruption insurance policy and any promotional fees, commissions or other income received from any suppliers of products or services; but (b) excludes (i) the amount of any tax imposed by any federal, provincial, municipal or governmental authority directly on sales and collected from customers if such tax is added to the selling price and actually paid by you to such governmental authority; and (ii) any sales credits such as the sale price of any products returned by customers of the Strong Pilates Studio where cash or allowances have been refunded or made to the customer.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Made
Initial Franchise Fee ⁽¹⁾	\$59,000	As arranged	On Signing of the Development Agreement or Franchise Agreement	Us
Strong Academy Fee ⁽²⁾	\$9,000	As arranged	Before Strong Academy	Us
Real Property/Site Lease ⁽³⁾	\$25,000 to \$100,000	As arranged	As agreed	Third Parties
Design/Planning	\$5,000 to \$18,000	As arranged	As arranged	Contractor/ Architect
Leasehold Improvements ⁽⁴⁾	\$75,000 to \$250,000	As arranged	As agreed	Contractor/ Architect
Furniture, Fixtures, and Equipment ⁽⁵⁾	\$25,000 to \$100,000	As arranged	As agreed	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Made
Rowformer Machines and Bikeformer Machines ⁽⁶⁾	\$92,000 to \$123,000	As arranged	As agreed	Us or our affiliates
Signage, Strong Equipment, Strong Merchandise and other Approved Products ⁽⁷⁾	\$9,000 to \$14,000	As arranged	As agreed	Us, or our affiliates, or Vendors
Soft Costs ⁽⁸⁾	\$2,625 to \$5,250	As arranged	As agreed	Vendors
Insurance ⁽⁹⁾	\$2,520 to \$5,250	As arranged	As agreed	Insurance Company
Computer System and Software ⁽¹⁰⁾	\$500 to \$3,000	As arranged	As agreed	Us and Vendors
Initial Training and Opening Assistance Costs and Reimbursements ⁽¹¹⁾	\$7,500 to \$12,500	As arranged	Before training	Us and Vendors
Security and Utility Deposits ⁽¹²⁾	\$1,000 to \$4,500	As arranged	As agreed	Vendors and Utility Companies
Business Licenses, including Bonds for Health and Fitness Clubs ⁽¹³⁾	\$20,000 to \$53,000	As arranged	As agreed	Licensing Authority
Grand Opening Ad Expenditure ⁽¹⁴⁾	\$25,000	As arranged, but starting 90 days before opening date of the Strong Pilates Studio and continuing for 30 days after the opening date	As agreed	Us or Service Providers
Additional Funds – 3 months ⁽¹⁵⁾	\$15,000 to \$30,000	As arranged	As Agreed	Vendors
TOTAL FOR A SINGLE FRANCHISE AGREEMENT ⁽¹⁶⁾	\$373,145 to \$811,500 (excludes costs for the purchase of land)			
Development Agreement				
Development Fee ⁽¹⁷⁾	\$10,000 to \$25,000	Cashier's Check or EFT as arranged	Upon Signing Development Agreement	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to Made
Additional Funds – 3 months ⁽¹⁸⁾	\$1,000 to \$2,000	As Arranged	As Necessary	You Determine
TOTAL FOR A SINGLE FRANCHISE AGREEMENT AND A DEVELOPMENT AGREEMENT	\$384,145 to \$838,500 <i>(amounts are before any credits on Initial Franchise Fees)</i>			

Explanatory Notes related to the Franchise Agreement

1. Initial Franchise Fee. The initial franchise fee is \$59,000 for each Strong Pilates Studio and is payable in full to us when you sign the Franchise Agreement.
2. Strong Academy Fee. The Strong Academy Fee is \$9,000 for each Strong Pilates Studio and is payable to us in full as invoiced by us and prior to the opening date of your Strong Pilates Studio.
3. Site Lease. Preferred locations for the Strong Pilates Studios are in outside strip shopping centers in heavily-populated urban and suburban areas where you will have a small in-line retail store. We expect you will lease the premises for the Strong Pilates Studio. The cost of leasing real estate will vary, depending on location and other factors. The low number estimates initial lease acquisition costs and lease payments for a period of 4 months (consisting of 1 month before the anticipated opening and then an additional 3-month period) for a typical, small to medium sized Strong Pilates Studio located in a suburban area. The high number estimates initial lease acquisition costs and lease payments for a period of 4 months (consisting of 1 months before the anticipated opening and then an additional 3-month period) for a larger sized Strong Pilates Studio located in an urban area. If you sign a lease with lease payment commencement date and you are delayed in opening, you may have to start making lease payments two or more months before opening, which will increase your costs accordingly.

We do not typically recommend that you purchase the land and building for the Strong Pilates Studio. If you purchase land and/or a building, the cost will be substantially higher, and will vary depending on the market for real estate in the area. We do not provide any cost estimates for the purchase of land and/or the building for the Strong Pilates Studio.

4. Leasehold Improvements. The Strong Pilates Studio will be established in accordance with our current Strong Pilates Studio designs. Building costs are for our current in-line or end-cap Strong Pilates Studio designs, and costs will depend on whether you build out an existing premise or undergo new construction, and will vary by building size. Our current Strong Pilates Studio design consists of approximately 2,500 to 3,000 square feet of interior space, and that the lessor will provide a shell space that includes, at a minimum, a level concrete floor suitable for floor covering, demising walls, and air-conditioning, electricity, gas, sewers, bathroom facilities, and water and plumbing suitable for a retail business. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, storefront modifications, painting, cabinetry, and the like. Costs will vary depending

upon various factors, including: the geographic location of the business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of constructing or installing some of the improvements itself, provide you with credits towards future rent payments and/or a tenant improvement allowance. The lower amount assumes a smaller space within our design parameters in a suburban area and the higher amount assumes a larger space within our design parameters in an urban area without the landlord contributing to the build-out.

5. Furniture, Fixtures and Equipment. The furniture, fixtures and equipment costs are based on the current costs charged by our suppliers and vendors for the required or approved furniture, fixtures and equipment set forth in our Brand Standards for the buildout of the Strong Pilates Studio, including (without limitation) a front desk, customer space and lockers, seating, stereo, various trade dress and décor items, small wares, and other fixtures, furnishings and equipment. This estimate also includes the cost of the office furniture, filing cabinet and miscellaneous office supplies, and equipment. We do not currently purchase or resell the required or approved furniture, fixtures and equipment to you, but we may do so in the future. This estimate does not include the Rowformer Machines and Bikeformer Machines.

6. Rowformer Machines and Bikeformer Machines. The low estimate is for 4 Bikeformer Machines and 11 Rowformer Machines for the Strong Pilates Studio and the high estimate is for 6 Bikeformer Machines and 14 Rowformer Machines. This estimate is exclusive of shipping, taxes, tariffs and duties, which can be \$6,000 to \$10,000 depending on the location, applicable taxes, and applicable duties. Prices for Rowformer and Bikeformer machines are locked for a year, but are expected to increase between 3% and 5% each calendar year, before any new or amended US tariffs. If you do not order the machines within a year of the execution of the Franchise Agreement, prices will increase. In addition, the U.S. government has recently instituted new tariffs on certain shipments from overseas, which may also increase prices for these items.

7. Signage, Strong Equipment, Strong Merchandise and other Approved Products. Your signage costs will depend on whether you lease a free-standing, endcap or inline location, and whether you have architectural, municipal or lease restrictions on the signage you can use at the Strong Pilates Studio premises. In all cases, you are required to meet or exceed our specifications for signage unless you are restricted by local ordinance from meeting our specifications. Strong Equipment and Strong Merchandise includes the initial Approved Products you purchase from us or our affiliates (see Item 5) as well as other Approved Products such as disposables, chemicals, cleaning supplies, uniforms, gift cards and other promotional materials, merchandise and supplies. Please see Items 5 and 8 for additional details.

8. Soft Costs. Soft costs include permits; utility connection or “tap” fees plus all other fees imposed by federal, state, and/or local jurisdiction and which are necessary to obtain certificate of occupancy; architecture fees; meeting costs; title reports; legal services; soil analysis; printing of plans; and ancillary items.

9. Insurance. You must carry insurance as required in the Franchise Agreement. The amount in the table represents our best estimate of the premiums required for commercial general liability, business automobile liability, employee benefits liability, property, workers’ compensation and umbrella liability insurance during a Strong Pilates Studio’s first year of operation. However, the costs may vary from those described in the table.

10. Computer System and Software. Computer System and Software covers all of the initial components of our required Hardware and Software, including a laptop computer, printer and router that will run our Hardware and Software. See Items 8 and 11.

11. Initial Training and Opening Assistance Costs and Reimbursements. The amounts shown first include the estimated cost of travel, lodging, meal and incidental expenses for (a) your Manager and Workers to attend a weekend long Induction Program in Austin, Texas or in Los Angeles, California. Expenses will vary depending on the number of persons that attend the Induction Program, the distance traveled, method of travel and choice of accommodations. See Items 5 and 11. The amounts shown also include the estimated reimbursement costs you will pay to us for our opening support team we provide to you in connection with the opening of your Strong Pilates Studio.

12. Security and Utility Deposits. Security and utility deposits include estimated deposits for leased premises and equipment, telephone service and other utilities. The estimate in the chart above includes the first month's rent payment, security deposits and utility deposits (for example, telephone, electricity, gas and water). We have assumed the security deposit to the landlord will equal one month's rent, although this may vary from landlord to landlord. The estimates assume that rent commences upon the Strong Pilates Studio's opening. you, however, will need to lease a space in advance to build-out the Strong Pilates Studio. you may of course attempt to negotiate an abatement from the lessor for this period.

13. Business Permits and Licenses. The range given provides our best estimate of the costs you will incur for business permits and miscellaneous deposits, excluding utility deposits which are included elsewhere herein. Certain states may require a surety bond or fee to be paid for health clubs/fitness gyms - these fees vary by state. These bond are intended to protect consumers from loss of prepaid memberships fees. The amount of the bond varies depending on the revenue of the business and the volume of pre-paid memberships. Bonds are typically year-to-year, and renewable at between \$500 to \$5,000 on an annual basis.

14. Grand Opening. You must carry out a grand opening promotion for the Strong Pilates Studio as we require. You must spend \$25,000 on grand opening promotions, which must be conducted as we require. If we direct, you must pay us, or third parties approved by us, part or all of the grand opening expenditures. If we require that you pay us or third parties all or part of the Grand Opening Ad Expenditures, then we or the required third party will conduct the grand opening promotions on your behalf. If we require that you pay us all or part of the Grand Opening Ad Expenditures, then you must make such payment to us four months before the scheduled opening date. If we or a required third party do not conduct the opening promotions on your behalf, you must submit the grand opening advertising budget to us for approval at least 60 days before spending the Grand Opening Ad Expenditures. You must submit proof of the Grand Opening Ad Expenditures upon our request.

15. Additional Funds. Additional funds include expenses for wages, occupancy costs, professional expenses and other recurring expenses before the opening of the Strong Pilates Studio, and during the first three months of operation. The estimate assumes that you will employ an attorney to help you negotiate the lease for the Strong Pilates Studio premises. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and the establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Strong Pilates Studio. In addition, you may also form a corporation or other entity to operate the business. In compiling this chart, we relied on our experience and the experience of our affiliate's and personnel developing and operating 22 Strong Pilates Studios in Australia beginning in 2019. Neither we nor our affiliates have developed and opened a Strong Pilates Studio in the United States.

16. Total for a single Franchise Agreement. This total is an estimate of the initial investment and the expenses you will incur during the first 3 months of operations. As stated in Note 2, we have not included any real estate purchase costs. In compiling this chart, we relied on our experience and the experience of our affiliate's and personnel developing and operating 22 Strong Pilates Studios in Australia beginning in

2019. Neither we nor our affiliates have developed and opened a Strong Pilates Studio in the United States. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. You should also consider the then current status of any tariffs on products imported into the United States from Australia.

17. Development Agreement. If you enter into a Development Agreement, you will be charged a Development Fee equal to the total of \$5,000 multiplied by the total number of Strong Pilates Studios to be developed under the Development Agreement. The estimated low column of the chart shows the Development Fee for a Development Agreement with a Development Schedule that requires you to develop 2 Strong Pilates Studio (\$5,000 times 2). The estimated high column of the chart shows the Development Fee you would pay when signing a Development Agreement with a Development Schedule that requires you to develop 5 Strong Pilates Studios (\$5,000 times 4).

18. Additional Funds under Development Agreement. Because your primary obligations under the Development Agreement are to develop Strong Pilates Studios under Franchise Agreements and you will likely sign the first Franchise Agreement when you sign the Development Agreement and incur costs under the Franchise Agreement as you develop your first Strong Pilates Studio, your initial investment in connection with the Development Agreement consists of your Development Fee plus any additional professional and administrative fees and expenses related to reviewing and signing the Development Agreement.

19. No Strong or Affiliate Financing. We do not currently offer you any direct or indirect financing for your initial investment. See Item 10.

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

General

You must develop your Strong Pilates Studio in accordance with the System and all Brand Standards and at all times during the term of the Franchise Agreement operate your Strong Pilates Studio in compliance with the System and all Brand Standards.

The System and Brand Standards may be periodically modified and supplemented by us in our discretion. We will promptly notify you of any such modifications, and you must comply with such modifications or changes. In determining the period within which the modification or change must be implemented, we will take into account the reasons for the modification or change and the extent of any financial impact it may have on you.

Approved Products and Approved Services

Except as stated below, you are not obligated to lease or purchase goods, services, supplies, fixtures, equipment or inventory relating to the establishment or operation of the Strong Pilates Studio from us or our affiliates.

We will specify a list of products that are “Approved Products” and “Approved Services” and suppliers that are “Approved Suppliers” in the Brand Standards Manual, as modified by us from time to time, which Approved Suppliers which may include or be limited to us or our affiliates. “Approved Products” means the range, types and brands of products specified as approved in the Brand Standards Manual, or otherwise approved by us according to the terms of the Franchise Agreement, as amended or modified by us from

time to time, for supply in a Strong Pilates Studio and includes the merchandise and any uniforms required to be worn by an employee, contractor or subcontractor engaged by you to work in the Strong Pilates Studio or to perform specific tasks on your behalf. “Approved Services” means the types of services specified as approved in the Brand Standards Manual, or otherwise approved in writing by us, as amended or modified by us from time to time. “Approved Supplier” means a supplier approved by us to supply a particular Approved Product or Approved Service as specified in the Brand Standards Manual or otherwise approved in writing by us from time to time according to the terms of the Franchise Agreement, and which may include or be limited to us or us or our affiliates.

We may at any time by written notice to you, add a product to or remove a product from the list of Approved Products.

We may from time to time specify a list of suppliers that are Nominated Suppliers in the Brand Standards Manual. “Nominated Supplier” means an Approved Supplier nominated by us to supply a particular product as specified in the Brand Standards Manual or otherwise in writing by us from time to time. You must purchase and use only Approved Products and offer and sell Approved Products to Customers as specified in the Brand Standards Manual or otherwise in writing by us. Any product to be supplied by you that is not an Approved Product must be equal in quality to the product it substitutes, suitable for the purpose for which it is intended and consistent with, and not prejudicial to, the Image or the Brand Standards.

Required Equipment

You must: (a) purchase or lease each item of the furniture, fixtures and equipment (“Equipment”) listed in the Brand Standards Manual prior to the Commencement Date; (b) purchase or lease any item of Equipment subsequently listed in the Brand Standards Manual, or specified in writing by us to you, within 14 days; and (c) reimburse us for the cost of any Equipment supplied by us as part of the Fit Out of your Strong Pilates Studio.

If you wish to purchase or lease a piece of equipment for use in the Strong Pilates Studio and that piece of equipment is not specified in the Brand Standards Manual, you must: (a) provide to us the details of that piece of equipment and the means by which you intend to acquire it; and (c) only acquire the equipment after it has received the written consent of us, which consent must not be unreasonably withheld. Each item of Equipment must be new unless we consent in writing to the purchase of a second-hand item of Equipment, which consent will not be unreasonably withheld. We will also specify a list of Approved Equipment Suppliers, which may include or be limited to us or us or our affiliates. “Approved Equipment Supplier” means a supplier approved by us to supply the Equipment as specified in the Brand Standards Manual or otherwise approved in writing by us from time to time according to the terms of the Franchise Agreement.

Currently, the following Approved Products and Approved Services, including Equipment, are only available from us or a single source supplier (including an Approved Equipment Supplier):

Product or Service	Supplier
Rowformer Machines and Bikeformer Machines (see below)	Us or our Affiliate
Strong Equipment includes Pilates rings, balance cushions, dumbbell rack, face towel and various sizes of dumbbells from 2kg to 20kg.	Us or our Affiliate

Strong Merchandise includes unisex t-shirts, men’s muscle tank shirts, women’s cropped t shirts, towels, water bottles, long grip socks and short grip socks	Us or our Affiliate
Hapana CRM software system	*Us or Hapana

**We typically contract with these Nominated Vendors and pay for the licenses through the Technology Fee, but may require you to contract with these Nominated Vendors and pay them directly for their Approved Products or Approved Services.*

Rowformer Machines and Bikeformer Machines

You must purchase or lease from us or our affiliates the minimum and maximum number of Rowformer Machines and Bikeformer Machines for use in your Strong Pilates Studio only at the Premises as required by us and specified in the Brand Standards Manual and pursuant to such agreement or other documents as may be required by us from time to time.

Currently, unless otherwise agreed to by us as determined on a case-by-case basis and in our discretion, the minimum amount of Rowformer Machines and Bikeformer Machines is 15, and there is no maximum amount, both of which may change from time to time. Normally, a Strong Pilates Studio would start with a minimum of 4 Bikeformer Machines and 11 Rowformer Machines, but may start with up to 8 Bikeformer Machines and 14 Rowformer Machines.

As of the date of this Disclosure Document, we and our affiliates will have the exclusive rights to purchase the Rowformer Machines and Bikeformer Machines from Hardt Fit LLC in the United States and certain other jurisdictions, and we will sell or lease the Rowformer Machines and Bikeformer Machines to you for the sole purpose of operating a Strong Pilates Studio. We add a markup of between 0% to 15% of our actual costs depending on the item.

You must (a) perform, observe and comply with the terms, conditions and covenants of such agreements or other documents as may be required by the Brand Standards Manual from time to time in relation to the purchase or lease of Rowformer Machines and Bikeformer Machines, (b) be responsible for the delivery fees and process associated with the safe transportation of the Rowformer Machines and Bikeformer Machines to the Premises of the Strong Pilates Studio; (c) abide by all instructions for the maintenance and care of the Rowformer Machines and Bikeformer Machines as specified in the Brand Standards Manual or other relevant agreement or document required to be signed in connection with the acquisition of the Rowformer Machines and Bikeformer Machines; (d) immediately notify us in writing of any malfunction or non-performance of any kind whatsoever of the Rowformer Machines and Bikeformer Machines; (e) undertake all actions necessary to assist us or an approved technician to fix any failure of the Rowformer Machines and Bikeformer Machines; and (f) ensure that the Rowformer Machines and Bikeformer Machines remain at the Premises of the Strong Pilates Studio at all times and under your strict control.

Strong Equipment

We require that you purchase branded Strong Equipment from us or from other Approved Suppliers for use in your Strong Pilates Studio and resale to your customers. Currently, our branded Strong Equipment consists of Pilates rings, balance cushions, dumbbell rack, face towel and various sizes of dumbbells from 2kg to 20kg, all of which you may purchase from us. We typically purchase the Strong Equipment from Approved Suppliers and then resell it to you at our cost plus a markup of between 0% to 15% of our actual

costs depending on the item. We also charge fees on the sale of such approved Strong Equipment, including without limitation, your Royalty Fees and the Marketing Contribution.

Strong Merchandise

We require that you purchase branded Strong Merchandise from us or from other Approved Suppliers for use in your Strong Pilates Studio and resale to your customers. Currently, our branded Strong Merchandise consists of unisex t-shirts, men’s muscle tank shirts, women’s cropped t shirts, towels, water bottles, long grip socks and short grip socks, all of which you may purchase from us. We typically purchase the Strong Merchandise from Approved Suppliers and then resell it to you at our cost plus a markup of between 0% to 15% of our actual costs depending on the item. We also charge fees on the sale of such approved Strong Merchandise, including without limitation, your Royalty Fees and the Marketing Contribution.

Bookkeeping Service

We may, but are not obliged to, appoint a third party to offer bookkeeping and accounting services for Franchisees operating Strong Pilates Studios (“Bookkeeping Services”). Where the Bookkeeping Services are offered, you must use the Bookkeeping Services. Where the Bookkeeping Services are provided to you, you must comply with any terms and conditions for Bookkeeping Services that apply and must pay the costs of the Bookkeeping Services. We may, upon written notice to you, cease to require the use of the Bookkeeping Services. We do not currently have a specific third-party vendor for Bookkeeping Services, but we reserve the right to name a single Authorized Supplier for Bookkeeping Services in the future and require you to use such single Authorized Supplier to the extent they can service your Strong Pilates Studio.

Software & Hardware

You must, at your cost, obtain, maintain and use any retail, e-commerce, or digital technology Software or related Hardware (each as defined in Item 11, and including without limitation any machines, wiring, and other physical components of a computer or other electronic facility to be used by you, in accordance with the Brand Standards), required by us in the operate of a Strong Pilates Studio.

You must acquire, install, use and offer customers the ability to access any software or applications developed or implemented by us (each an Application) or enhancements to any existing Applications as required by the Brand Standards Manual from time to time.

As of the date of this Disclosure Document, we have designated several third party Nominated Suppliers for our Approved Products related to our Software and Hardware, including the following:

Authorized Distributor or Vendor	Goods or Services Offered
Hapana CRM software system	CRM software for Management and customer scheduling
Stripe	POS payment system
POS Terminal hardware and software	POS payment system

We currently anticipate using the proceeds from the Technology Fee to pay for some of your Software and Hardware licenses, but may adjust the Technology Fee and require you to contract with and pay the third-

party vendors for their current Software and Hardware directly. The Technology Fee does not currently pay for the Hapana CRM software system (currently \$450 a month) or Stripe.

You must, and must ensure that your Workers, comply with the information technology policy set out in the Brand Standards Manual. You must acquire, install and use the accounting software specified in the Brand Standards Manual.

Pricing

We may (a) recommend the retail prices of Approved Products; and (b) set minimum and maximum prices for your sale or supply of Approved Products having regard to your costs in supplying those things, and subject to applicable law. The foregoing does not impose any obligation on you to accept our recommendation or guidance as to retail prices, and subject to the foregoing, you may determine the retail prices of the Approved Products for sale in the Strong Pilates Studio.

Distributors

We do not currently have any required distributors, but we reserve the right to designate one or more required distributors for required or other items in the future. If we designate an approved or required distributor, you must purchase from the required distributor unless you have first obtained our prior written consent to purchase from another distributor in accordance with our vendor and supplier review process (see below).

Purchasing Cooperatives

We have not arranged for any purchasing cooperatives for our franchisees, but we reserve the right to do so in the future.

Alternative Vendor and Supplier Review Process

We reserve the right to designate other specific distributors, vendors and suppliers in the future. If you desire to purchase any products or services from a supplier that has not already been approved, you must obtain our prior written approval, which may take up to 90 days from our receipt of all requested information, including information regarding the supplier's fiscal strength, demonstrated customer service, product or service quality, product or service safety and a strong regional presence. Additionally, as a condition to granting approval, we may require you to submit samples of the proposed supplier's services or products, and to arrange for us to visit the supplier's facilities. If we elect to test the samples or inspect the proposed supplier's facilities, you will be charged a fee not to exceed the actual cost of such inspection or testing. We reserve the right to reinspect the facilities and products or services of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. We will notify you in writing of any revocation of a supplier or their product or service and provide you a reasonable period of time to cease use of the supplier or their product or service, which period of time we will determine based on the amount of inventory you may have and the underlying reason for the revocation.

Discounts and Rebates

If any cash rebates, mark ups, volume discounts, concessions, advertising allowances, or discount bonuses (collectively "Discounts"), whether by way of cash, kind or credit, are available to or received by us and/or our affiliates from any third party, whether or not on account of purchases made (i) by us and/or our

affiliates for our or their own account or for the account of franchisees generally, or (ii) by you directly for your own account, we and/or our affiliates will be entitled to retain the whole of the amount or any part of such Discounts.

We estimate that the purchases described above will equal approximately 40% to 50% of the total cost to establish your Strong Pilates Studio, and approximately 10% to 25% of your ongoing operating expenses.

We and/or our affiliates have the right to realize a profit on any Approved Products or Approved Services that we and/or our affiliates supply to you.

We do not offer you any material benefits based on your purchase of particular goods or services or use of particular approved vendors.

During our 2024 fiscal year, we received \$238,110 from purchases of products or services by our franchisees, which was 83% of our total revenues of \$285,195 during our 2024 fiscal year.

Except for their ownership in us and our affiliates, none of our officers own or control any interest in any currently required, approved or designated supplier.

Insurance

You must obtain and maintain with reputable insurers at all times during the term of your Franchise Agreement such insurance policies, in both our name and your name (and in the name of any of our affiliates that we designate as additional insurance parties), in accordance with the requirements specified in the Brand Standards Manual and the Brand Standards from time to time (the “Insurance Policies”).

The current requirements for Insurance Policies are as follows:

1. Comprehensive General Liability \$1,000,000 combined single limit per occurrence, \$2,000,000 general aggregate, \$2,000,000 product liability, \$1,000,000 personal and advertising injury, \$300,000 fire legal liability, and \$5,000 medical payment limits
2. Workers Comp with employer liability limit of bodily injury by accident \$1,000,000 each accident, by disease \$1,000,000 policy limit, and by disease \$1,000,000 each employee
3. Professional Liability \$3,000,000 limit of liability and Abuse and Molestation with a minimum of \$300,000
4. Employment Practices Liability including third-party coverage for not less than \$500,000 aggregate
5. An “umbrella” policy providing excess coverage with limits of not less than \$3,000,000
6. Builder's risk insurance (for fit out / construction)

The Insurance Policies must name us as additional insured, and including a provision that we must receive at least 1 month’s prior written notice of the termination or cancellation of an Insurance Policy. We may require you to produce evidence that each Insurance Policy exists, is current and is on terms and conditions approved by us. We may, from time to time, reasonably determine and increase the minimum insurance limits and require different or additional kinds of insurance as part of the Insurance Policies. If the insurance

coverage required by us is not obtained by you, we may obtain the insurance coverage on your behalf and charge you our costs.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Article in Development Agreement	Article in Franchise Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	5	13	7 and 11
(b) Pre-opening purchases/lease	5	14	5, 7, 8 and 11
(c) Site development and other pre-opening requirements	5	13	7 and 11
(d) Initial and ongoing training	Not Applicable	10	6, 7 and 11
(e) Opening	5		11
(f) Fees	2	5	5, 6, 7 and 11
(g) Compliance with standards and policies/Brand Standards Manual	4; 5	26	8, 11, 14 and 16
(h) Trademarks and proprietary information	9	23	13 and 14
(i) Restrictions on products/services offered	7	15; 16; 26	8 and 16
(j) Warranty and customer service requirements	Not Applicable	18	None
(k) Territorial development and sales quotas	5; Exhibit A	8	12
(l) On-going product/service purchases	Not Applicable	15; 16; 18	8

Obligation	Article in Development Agreement	Article in Franchise Agreement	Disclosure Document Item
(m) Maintenance, appearance and remodeling requirements	Not Applicable	18	None
(n) Insurance	Not Applicable	28	7 and 8
(o) Advertising	Not Applicable	19	6, 7 and 11
(p) Indemnification	Not Applicable	35	6
(q) Owner's participation/management/staffing	Not Applicable	7; 35	11 and 15
(r) Records/reports	Not Applicable	20	6
(s) Inspection/audits	Not Applicable	20	6
(t) Transfer	8	31; 32	6 and 17
(u) Renewal	Not Applicable	3	6 and 17
(v) Post-termination obligations	6.2	22; 34	17
(w) Non-competition covenants	Not Applicable	24	17
(x) Dispute resolution	11; 12	37	17
(y) Liquidated Damages	Not Applicable	Not Applicable	6

ITEM 10
FINANCING

We do not currently offer you any direct or indirect financing, nor do we receive any payments from any person offering financing to or arranging financing for a prospective Strong Pilates Studio franchisee. We do not guarantee your note, lease or any other financial 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 you commence operating the Strong Pilates Studio under a Franchise Agreement, we will perform the following services for you:

(1) We will grant to you the right to use the System in the operation of the Strong Pilates Studio. (Franchise Agreement, Section 4.1).

(2) We will assist you to become familiar with the System by providing the: (i) introductory owners program and Initial Training Program to your personnel; and (ii) granting you with access to the Brand Standards Manual (on a temporary basis by way of loan, either in hardcopy or electronic format).

(Franchise Agreement, Section 4.2 (1)). The table of contents of the Brand Standards Manual is attached as Exhibit J to this Disclosure Document. We neither dictate nor control labor or employment matters for franchisees and their employees and we are not responsible for the safety and security of Strong Pilates Studio employees, contractors or customers. You will agree in your Development Agreement and Franchise Agreement that we are not joint employers of your employees and other personnel. We do not and will not share or codetermine any of your employees' essential terms and conditions of employment. More specifically, in no case do we have any authority to determine or set your employees': (1) wages, benefits, and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. You alone have sole authority to determine any or all your employees' essential terms and conditions of employment.

(3) We will provide any supplementary training considered necessary by us or reasonably requested by you at any time. (Franchise Agreement, Section 4.2 (1)).

(4) We will specify a list of: (i) products that are Approved Products and Approved Services; and (ii) suppliers that are Approved Suppliers in the Brand Standards Manual, as modified by us from time to time, which Approved Suppliers which may include or be limited to us or our affiliates; and we may from time to time specify a list of suppliers that are Nominated Suppliers in the Brand Standards Manual. (Franchise Agreement, Section 4.3).

(5) We will specify a list of Approved Equipment Suppliers. (Franchise Agreement, Section 4.4).

(6) We will sell you the initial Rowformer Machines and Bikeformer Machines, as well as the initial Strong merchandise (Franchise Agreement, Section 4.3; Section 19.7).

After you commence operation of the Strong Pilates Studio under the Franchise Agreement, we will provide the following services and assistance to you:

(1) We will: (i) use our reasonable endeavors to promote the Network and develop and implement a structured marketing program; and (ii) administer the national Marketing Fund. (Franchise Agreement, Section 4.5).

(2) We may provide advice and assistance to you, including advice and guidance in relation to: (i) the acquisition of Approved Products and Equipment; (ii) the use of the Strong Software; (iii) Approved Suppliers and Nominated Suppliers; (iv) Approved Equipment Suppliers; (v) new developments in products and equipment; (vi) improvement of relationships with suppliers; (vii) marketing techniques and customer relations; (viii) the implementation of and compliance with the System in the conduct of the Strong Pilates Studio including general operating procedures for the Strong Pilates Studio; and (ix) training programs. (Franchise Agreement, Section 4.6 (1) to (9)).

(3) We will sell you replacement Rowformer Machines and Bikeformer Machines, as needed, as well as a continuing supply of Strong merchandise, unless we authorize you to purchase directly from Approved Suppliers or Nominated Suppliers (Franchise Agreement, Section 4.4, Section 18).

Site Selection and Leasing Requirements

If you sign a Development Agreement, we will designate your Development Area as further described in Item 12 (Development Agreement, Exhibit C). Your Development Agreement will have a development

schedule by which each Strong Pilates Studio to be developed must be approved for commencement of operations. If you fail to meet the development schedule in your Development Agreement, your development rights and the Development Agreement are subject to termination.

Before or after signing a Franchise Agreement, you and we will agree on and designate the specific Premises for your Strong Pilates Studio or a target area within which you will locate a Premises for your Strong Pilates Studio and later be provided an approved Premises and Territory. See Item 12.

We may, but are not obligated to, assist you in site selection, but you are ultimately responsible for selecting the Premises. Generally, franchisees lease the Premises, but some franchisee may already own or purchase the land for the Premises.

Our review and approval of a proposed Premises is based upon the following factors: size, traffic patterns, population density, market penetration, and proximity to other fitness centers or Pilates studios, including existing or planned, company-owned or franchised Strong Pilates Studios, proximity to highways, shopping centers and other commercial activity, and other demographic and relevant criteria.

If you acquire a proposed Premises prior to receiving our approval to the Premises, you do so at your own risk with no assurances that we will give our approval to the Premises.

You will be responsible for the design, construction and project management of the Strong Pilates Studios at the Premises in accordance with the requirements specified in the Brand Standards Manual, the Brand Standards or as specified in writing by us from time to time.

You must submit the details of the proposed builder and/or architect and all Premises selection, construction plans and terms of construction for Strong Pilates Studios to us for approval (which will not be unreasonably withheld) prior to you engaging tradespeople.

You must hold an Occupancy Right at all times during the term of the Franchise Agreement, and not execute any document conferring, or which would on approval confer, any Occupancy Right without first obtaining our written consent to the terms of that document, which consent may not be unreasonably withheld. An "Occupancy Right" means any right to occupy the Premises including as lessee, sublessee, licensee or as the holder of some other interest in the Premises conferring an enforceable right to use or occupy them. We require that you.

If you hold an Occupancy Right through a real estate lease, you must obtain the execution of a Lease Rider by your landlord (in the form attached to the Franchise Agreement in Exhibit B) granting us certain rights in your Premises.

If no premises are specified in the Franchise Agreement as at the date of its execution, you must, prior to the Commencement Date, confirm in writing our approval to the Premises subsequently located by you (and inserted in the Franchise Agreement by us) and you must acknowledge that it has met the requirements specified in the Franchise Agreement. If at the date of execution of the Franchise Agreement, a location for the Premises has not been obtained in accordance with the Franchise Agreement, you will use reasonable best efforts to find a suitable location for the Premises that is approved by us, within an area designated by us.

Strong Pilates Studio Opening

If you only sign a Franchise Agreement, the estimated length of time between the signing of the Franchise

Agreement or first payment of any consideration for the franchise and the opening of the Strong Pilates Studio should be approximately 9 months and should not be longer than 12 months.

If you sign a Development Agreement, the estimated length of time between the first payment of any consideration for the franchise (you sign the Franchise Agreement and pay the initial franchise fee when you sign the Development Agreement) and the opening of the Strong Pilates Studio should still be approximately 9 months and should not be longer than 12 months. The factors which affect this time are the ability to obtain a deed or lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, and delayed installation of equipment, fixtures and signs.

The Franchise Agreement requires that a site for the Premises be approved within 9 months of signing the Franchise Agreement and that you open your Strong Pilates Studio within one year of signing the Franchise Agreement. (Franchise Agreement, Sections 13.1(4) and 33.1(a) and (c)). Failure to commence operations of your Strong Pilates Studio by the required opening date is a default and may result in us deciding to terminate your Franchise Agreement. See Item 5 for a discussion regarding reimbursement of a portion of your Initial Franchise Fee in such event. Notwithstanding the foregoing, it is possible that we will occasionally extend the time frame for opening the restaurant based upon specific facts and circumstances; such as franchisees who, directly or indirectly, purchase a large number of franchises.

Training Program

Our Induction Program and Academy Training Program

We do not provide you any training under the Development Agreement.

Under the Franchise Agreement, we will provide your Manager and Workers a one-week training initial training and induction program in Austin, Texas or in Los Angeles, California. You and your personnel must complete the Initial Training Program at least 3 weeks before your Strong Pilates Studio is expected to open. We offer the Initial Training Program on a continuous basis so long as there are candidates ready for training.

We do not charge you a separate fee for participating in the Induction Program, but you will bear the direct costs and expenses of your personnel attending the Induction Program and you will pay all travel and accommodation expenses and salaries for any of your personnel undertaking training. See Item 7.

Our training program is overseen by Mark Armstrong (10 years' experience in Strong Pilates Studios and 9 years' experience in training generally) and Heather Christie (2 years' experience in training personnel to operate Strong Pilates Studios and 9 years' experience in training generally).

An outline of the Initial Training Program for a single Strong Pilates Studio is as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours On The Job Training	Location
Studio Operations	5	0	Austin, Texas or Los Angeles, California

Subject	Hours of Classroom Training	Hours On The Job Training	Location
Studio Fit Out	3	0	Austin, Texas or Los Angeles, California
Sales and Marketing	5	0	Austin, Texas or Los Angeles, California
Movement and Programming	3	0	Austin, Texas or Los Angeles, California
Training + Recruitment	3	0	Austin, Texas or Los Angeles, California
Total	19	0	

As mentioned in Item 5, if in our opinion, acting reasonably, your participation in the Initial Training Program reveals to us that you, your designated trainees' or your Manager's will be unable to adequately manage and operate the Strong Pilates Studio, then after providing you with a reasonable opportunity to rectify any deficiencies to our satisfaction, we may terminate the Franchise Agreement. If we terminate, we will refund to you 1/2 of the Franchise Fee which will be the only amount(s) to be refunded or paid by us to you. However, as a condition of any such refund you will have first delivered to us a release of us, our directors and officers, all or our respective affiliates and the directors and officers thereof, to the extent permitted by applicable law, from all obligations under the Franchise Agreement of any such persons, in a form satisfactory to us.

Strong Academy

Under the Franchise Agreement, your Manager and any of your Workers that we consider necessary to enable you to efficiently operate the Business must, at a time and in the manner we consider necessary, complete the Strong Academy to our satisfaction. The Strong Academy is an intensive one to two week training program, community classes, and assessment where your Workers will learn the Strong Pilates Method. Your Manager and your Workers that will instruct customers on the Strong Pilates Method when your Strong Pilates Studio opens must attend Strong Academy prior to the opening of the Business. The Strong Academy Fee is \$9,000 plus applicable tax for a private studio for your Workers. We offer the Strong Academy on a continuous basis so long as there are candidates ready for training.

We will also travel to your Strong Pilates Studio prior to opening to train your head trainer and other trainers (our team may consist of 5 to 7 people). All attendees MUST complete the online Academy modules (no additional cost) prior to us attending their studio.

The Strong Academy consists of the following:

Subject	Hours of Classroom Training	Hours On The Job Training	Location
STRONG Brand, Introduction to the Rowformer, Class styles, props	6	0	Approved Studio
STRONG Cueing Method, STRONG Portal & Communications, Exercise Breakdown Abs	6	0	Approved Studio
Row/Ride Workshop w/ Strength & Conditioning Coach	6	0	Approved Studio
Client communications, Personality and stage presences, Lights, TV's, Music, Mic & Practice teaching	6	0	Approved Studio
Exercise Breakdown Legs/Glutes, Strength & Conditioning Principles & Practice teaching	6	0	Approved Studio
Exercise Breakdown Upper Body & Practice Teaching	6	0	Approved Studio
Prepare for Final Practical Assessment / Online Exam & Practice Teaching	6	0	Approved Studio
Questions & Practice teaching	6	0	Approved Studio
Final Online Exam & Practice Teaching	6	0	Approved Studio
Teach a 45 minute STRONG class	1	0	Approved Studio
Total	55		

Opening Support

We may also send up to 2 of our operations representatives to travel to your Strong Pilates Studio for on-site pre-opening and opening training, supervision and assistance for up to one week in the aggregate immediately before your scheduled opening date and after your Strong Pilates Studio opens for business. We do not charge you a separate fee for providing opening support, but you will reimburse to us our direct costs and expenses for sending our opening support team to the Strong Pilates Studio, including all travel and accommodation expenses, but excluding salaries and benefits. See Item 5.

Supplementary Training

We will also provide any supplementary training considered necessary by us or reasonably requested by you at any time. We may also convene seminars for you, your Manager and Workers nominated by us whenever us reasonably considers it necessary or appropriate. You must pay to us in advance the fees prescribed by us for your trainers (currently, \$850), as determined by us from time to time, for providing any training supplementary to the Initial Training Program requested by you, or required by us to be undertaken by you, your Manager or any of your Workers, for providing any seminars and attending any seminars and training, including travel, accommodation and meal expenses.

Meetings and Conferences

We may convene meetings of and conferences for you or groups of franchisees when ever we consider it necessary or appropriate. The location, agenda, duration and all procedures and formats of each meeting and conference will be determined by us. You or your Manager must, at your cost, attend any such meetings and conferences, which may be anywhere within or outside of the United States, including in Australia.

Other Assistance

We may provide general advice and assistance to you as we deem appropriate, including advice and guidance in relation to (a) the acquisition to Approved Products and Equipment; (b) the use of the software developed by, or licensed to a member of us, which our authorizes for use in the Strong Pilates Studio (the “Strong Software”); (c) Approved Suppliers and Nominated Suppliers; (d) Approved Equipment Suppliers; (e) new developments in products and equipment; (f) improvement of relationships with suppliers; (g) marketing techniques and customer relations; (h) the implementation of and compliance with the System in the conduct of the Strong Pilates Studio, including general operating procedures for the Strong Pilates Studio; and (i) training programs.

Advertising and Promotions

Marketing Fund

We have established (in September 2024) and intend to maintain a national Marketing Fund for advertising and marketing Strong Pilates Studios in the United States. We administer the Marketing Fund in accordance with the Franchise Agreement and Brand Standards Manual, and account through it for the Marketing Contribution and marketing levies paid by Strong Pilates Studio franchisees.

You pay 2% of your Revenues to the Marketing Fund as Marketing Contributions.

We may use the Marketing Fund to pay the costs of the following, without limitation: (a) developing and conducting advertising and promotional campaigns, as determined by us in our discretion, including customer database development and management; (b) conducting research, including research in relation to products, technology and customers; (c) developing public relations, customer and supply relations, including any Customer Loyalty Program and public relations campaigns to protect and enhance the goodwill attaching to the Intellectual Property and the Network; (d) engaging advertising agencies and marketing and public relations consultants; (e) updating, upgrading, modifying and replacing the Strong Software and any other technology, and extracting and analyzing information generated by the Strong Software; (f) co-ordinating the activities herein and administering the Marketing Fund, including reasonable overhead and administrative costs, and the costs of materials, Workers’ remuneration and printing; (g) payment of accountancy, legal and other fees in respect of audits of the records of the Marketing Fund, and any other activities undertaken by the Marketing Fund; (h) any costs associated with establishing, maintaining, upgrading and updating the Strong Social Media Sites (as defined below); (i) the development, operation, upgrade and maintenance of any software, hardware or other technology associated with using television screens or other interactive hardware in the Strong Pilates Studios to assist instructors facilitating classes and to enhance the exercise experience for customers; (j) the establishment of new technology in the form of programs, software, equipment or applications to assist franchisees to increase customer engagement; (k) the continued development of technology by us which includes the implementation of new exercises and equipment; and (l) any other legitimate purpose as referred to in the Brand Standards Manual from time to time. Subject to the above, we may determine in our discretion how the Marketing Fund is spent.

We need not expend the total contributions to the Marketing Fund in the financial year in which those contributions are received and we may accumulate a reserve if we think that this is appropriate. We may make loans to the Marketing Fund bearing reasonable interest to cover any deficits of the Marketing Fund and cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. At the end of the operation of the Strong Pilates Studio, you are not entitled to any of the money held in the Marketing Fund.

We may administer the Marketing Fund in the manner we consider appropriate, and the Marketing Fund is intended to maximize general public recognition and patronage of the Strong Pilates Studios and we undertake no obligation in administering the Marketing Fund to ensure that any particular franchisee, including you, benefits directly or pro-rata from the placement of conduct of such advertising and promotion. We are not required to spend any proportion of the money in the Marketing Fund in any particular location, including exclusively within the United States, or in respect of any particular Strong Pilates Studio. We will have the right to co-mingle funds to create one or more Marketing Funds or other funds for one or more systems, and/or to allocate a portion of the Marketing Fund to regional advertising co-operatives administered by one or more groups of franchisees, without prior notice to you. No advertising funds are used for advertising that is principally a solicitation for the sale of new franchises. If requested by you, we will prepare annual financial statements of the Marketing Fund's receipts and expenses.

We may wind up the Marketing Fund at any time during the term of the Franchise Agreement, and in our absolute discretion, after payment of all costs authorized above and the costs of winding up: (i) establish a new Marketing Fund to be operated by us and transfer all or part of the balance of the original Marketing Fund to the new Marketing Fund; (ii) use all or part of the balance of the Marketing Fund in accordance with the Franchise Agreement; or (iii) distribute all or part of the balance of the Marketing Fund between all Strong Pilates Studio franchisees and we and our affiliates, having regard to the amounts contributed by each franchisee and we and our affiliates, including amounts contributed by we and our affiliates in respect of company-owned businesses conducted using the Trade Marks, the Image, the System and other Intellectual Property.

We created the Marketing Fund in September 2024. During the 2024 fiscal year, approximately 78% of the funds were spent on promotional events, 18% of the funds were spent on digital advertising and 4% of the funds were spent on marketing assets and development and production of materials.

Local Area Marketing

In addition to your contribution to the Marketing Fund, you are also required to spend a minimum of 1.5% of Revenue per month on local area marketing in the Territory ("Local Marketing Spend"). When requested by us, you must provide evidence that such marketing has taken place and you may not conduct any direct marketing in respect of the Strong Pilates Studio or the Approved Services in close proximity of another franchisee without our prior written consent.

You must market and promote the Strong Pilates Studio and the Approved Services strictly in accordance with the standards and procedures set out in the Brand Standards Manual or otherwise prescribed by us. You must prepare a marketing plan in a form reasonably required by us in the Brand Standards Manual on each anniversary of the Commencement Date and submit this plan for our prior approval (the "Marketing Plan"), and report to us in relation to how the Local Marketing Spend has been utilized and the correlation between your success in the Strong Pilates Studio and the Local Marketing Spend and Marketing Plan.

We may require you to use us or our affiliates as your advertising agency for your Local Marketing Spend expenditures.

Opening Promotional Amount

You must also spend an opening promotional amount that is at least \$12,500 (“Opening Promotional Amount”) on promoting the Strong Pilates Studio in the manner and at the times specified in writing by us or obtain the prior written approval of us to undertake our own opening and pre-launch marketing.

Other Marketing Obligations

You must participate in all promotional activities and market research programs as reasonably required by us and market and promote the Strong Pilates Studio locally at your own cost. Before you undertake any such marketing or promotional activity, you must obtain our written approval to the proposed activity. The approval will not be unreasonably withheld if the activity complies with the standards and procedures set out in the Brand Standards Manual. You must ensure that all marketing and promotional activities are not in any way misleading or deceptive and conform to all applicable laws and advertising standards, and to the highest standards of ethical marketing and to the policies prescribed by us.

Customer Loyalty Program

You must participate fully in any Customer Loyalty Program which we decide to establish and implement, on the terms set out in the Brand Standards Manual from time to time. You must purchase from us or our designee the cards, application forms and other materials for use in connection with the Customer Loyalty Program prior to the Commencement Date and as and when required in the operation of the Strong Pilates Studio in accordance with the Brand Standards Manual. We may, in our discretion, by written notice to you at any time vary the terms of the Customer Loyalty Program or withdraw from supply the cards, application forms and other materials for use in connection with the Customer Loyalty Program.

Website

We and our affiliates may establish or approve in writing and have discretion over the content of any social media sites, or any Strong Pilates Studio operated by an affiliate of us, for the purpose of communication with prospective customers and customers of the System, including Facebook, Instagram, Twitter, LinkedIn, blogs, wikis, online communities and social networking sites and/or applications nominated by us from time to time for use in the System (the “Strong Social Media Sites”), in which case us or our affiliates will have sole rights to and interest in, and will be the owner of and have full control over the Strong Social Media Sites. You must obtain our prior consent before publishing any statement, comment or other material whatsoever on the Strong Social Media Sites in connection with the Strong Pilates Studio, System, Approved Products and/or Approved Services.

You must also establish or use our approved Facebook, Instagram and Google Strong Pilates Studio social media sites in connection with the Strong Pilates Studio in accordance with the Franchise Agreement (the “Your Social Media Sites”) and subject always to any guidelines for such usage established by us and set out in the Brand Standards Manual from time to time.

In any dealings with the Strong Social Media Sites or Your Social Media Sites, you must comply at all times with our relevant policies set out in the Brand Standards Manual or as otherwise specified in writing by us and not be involved in any way in the publication of any statement, comment or other material whatsoever on any social media sites in connection with the Strong Pilates Studio, System, Approved Products and/or Approved Services, except as authorized under the Franchise Agreement, the Brand Standards Manual or as otherwise specified by us in writing. You must only advertise and promote the Strong Social Media Sites and Franchisee Social Media Sites to prospective customers and customers and

not advertise or promote any other social media sites in the Strong Pilates Studio except with our prior written consent (which may be given or withdrawn at our discretion). Further, you must display the details of the Strong Social Media Sites and Franchisee Social Media Sites as set out in the Brand Standards Manual or as otherwise specified by us in writing (e.g. on our stationery) and, when using Instagram, you must use the @STRONG handle and follow any other guidelines specified in the Brand Standards Manual when using Instagram to promote the Strong Pilates Studio.

Technology and Information Systems Hardware and Software

You must at your own cost install and use in the Strong Pilates Studio such computer hardware and software which satisfy the functionality and specification requirements specified by us for the operation of a Strong Pilates Studio, the delivery of information and the preparation and production of any reports which you are required to give to us (the “Hardware” and “Software”, respectively).

You will be required to acquire and maintain software licenses and warranties (to a level specified by us) for the Hardware and Software and pay on time all license and warranty fees, and to train your Workers, in the manner specified by us or the vendor of the Hardware and Software, in the use of the Hardware and Software.

As of the date of this Disclosure Document, you must purchase or lease the following Software or Hardware items:

- 4 Speakers
- Touchscreen system controller
- Remote microphone
- Music input wallplate
- Equipment rack containing system electronics
- Audio patch panel
- Connection cables
- Cables for 3x TVs
- Visual tech pack cabling for Raspberry Pi
- Hapana
- Sphere
- Laptop Computer or Ipad
- 1 Internet Router
- 1 Business phone line
- 3 55in TVs
- HDMI splitter
- HDMI cords
- Spotify for Business
- Square

We estimate the initial purchase or lease cost of the current required Software and Hardware to be between \$5,000 and \$8,000.

As noted in Item 8, we currently anticipate using the proceeds from the Technology Fee to pay for some or all of your continuing Software and Hardware licenses, but may adjust the Technology Fee and require you to contract with and pay the third-party vendors for then current Software and Hardware directly.

We may electronically poll the Strong Pilates Studio's Hardware and Software to obtain Revenues data, as well as other financial and operating information, including customer information and other information, which will be available to us twenty-four hours every day. You must maintain continual data network access to the Strong Pilates Studio's Hardware and Software for our use. There are no contractual limitations on our right to access any information or data contained on the Hardware and Software.

You will be responsible and required to change or upgrade any Hardware or Software used in the Strong Pilates Studio which we consider is obsolete or superseded, including installation of new Hardware or Software which satisfies the then current functionality and specification requirements of us and to ensure that all Hardware and Software is secure from unauthorized access or use, and complies with our security requirements set out in the Brand Standards Manual. We are unable to estimate the cost to change or upgrade any Hardware or Software used in the Strong Pilates Studio, but we do not anticipate that the costs for general maintenance would be more than \$750 a year (in addition to your payment of the Technology Fee).

Except as described above, there are no contractual limitations on the frequency and cost of the obligation to require updates to the Hardware and Software.

Except as set forth below, other Hardware and Software is not mandatory and we are not obligated to provide or to assist you to obtain or provide ongoing maintenance, repairs, upgrades or updates to such Hardware and Software; however, you must obtain our prior written consent for any variations from our Brand Standards.

ITEM 12 **TERRITORY**

Franchise Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we and our affiliates own, or from other channels of distribution that we control, including the internet. We have no obligation to pay you any compensation for soliciting or accepting orders inside Territory.

We determine your Territory before you sign the Franchise Agreement based on various market and economic factors like population, demographics, the penetration of similar businesses and growth trends in the market. We use population and demographics software to identify certain geographic areas, but the Territory is generally an agreed geographic area around your Strong Pilates Studio encompassing 90,000 people (determined using our then current real estate demographics Software) and then described in your Franchise Agreement as either a radius, a metes and bounds description or other geographic designation. We may include a map in the Franchise Agreement depending on the specific Territory. We have no specific minimum or maximum geographic territory or population size for a Territory, but as noted we try to approximately 90,000 persons per Territory at the time the Franchise Agreement is signed.

Subject to you complying at all times with your obligations under the Franchise Agreement, we will not during the term of the Franchise Agreement operate, or grant any other person the right to operate, a Strong Pilates Studio as our franchisee from a premises located within the Territory.

Notwithstanding the foregoing, and regardless of the proximity to or competitive effect on the Strong Pilates Studio, we and franchisees may: (a) conduct marketing within the Territory for the benefit of the Network or to enhance the value of the Trade Marks or the System, including any form of direct or indirect marketing via any media; (b) conduct marketing within the Territory for the purpose of soliciting business in respect

of their respective Strong Pilates Studio(s), including any form of direct or indirect marketing via any media; (c) sell, or authorise any other person to sell, the Approved Products via online platforms or via any other means other than a fixed retail location, or gym facility, to customers located within the Territory; and (d) promote, sell or distribute products (including the Approved Products) and services or grant to third parties the right to sell or distribute such products and services to persons located within and outside the Territory using any method of distribution, including online. In addition, we may operate and grant other persons the right to operate Strong Pilates Studios from premises located at any location outside of the Territory or businesses from premises located at any location (including within the Territory) where such businesses operate under trademarks that are not the Trade Marks.

Furthermore, in the event that we and/or our affiliates purchase, merge with, acquire, sell to or affiliates with a competitive or non-competitive network, chain or any other business, then we and/or our affiliates may without restriction: (a) operate, franchise or licence those businesses to operate using the Trade Marks and other Intellectual Property outside of the Territory; or (b) operate, franchise or licence those businesses to operate under any other trademark wherever located, including within the Territory.

We have no express obligation or implied duty to protect the revenues from erosion as a result of the Strong Pilates Studio competing with other Strong Pilates Studios whether permanently, temporarily or seasonally, and we have no obligation to make any payment or other compensation to you if we solicit or accept orders from inside the Territory.

Minimum Performance Criteria

You must achieve the Minimum Performance Criteria which reflects certain minimum criteria that you must perform and which are not targets or objectives. If you fail to achieve the Minimum Performance Criteria for any period of 6 months during the term of the Strong Pilates Studio (“Assessment Period”), you and your Manager must attend a meeting held by us, at your cost, to discuss the performance of the Strong Pilates Studio, provide us with a written explanation for the failure to achieve the Minimum Performance Criteria, if requested to do so by us, and set out specific strategies or actions to be taken to address the failure which are acceptable to us.

If we consider that you have failed to achieve the Minimum Performance Criteria for reasons within the control of you, we may require any or all of you, your Manager and your Workers to undertake additional training, at your cost.

If you fail to attend a meeting with us in accordance with the above, attend and complete or procure additional training as required, implement any agreed strategy or action resulting from the meeting referred to above; or meet the Minimum Performance Criteria within 6 months of attending said meeting with us, or completion of additional training as required, then you must sell the Strong Pilates Studio within 3 months after the date upon which us notifies you that you have failed to meet one or more of your obligations described above, and we may terminate the Franchise Agreement.

We may review and set a new Minimum Performance Criteria on the second anniversary of the Commencement Date and on each subsequent anniversary during the term of the Franchise Agreement. We may introduce additional criteria, including for example, customer satisfaction targets, sales, membership numbers or type and loyalty scheme targets.

As of the date of this Disclosure Document, the first Assessment Period for the Minimum Performance Criteria is as follows: (a) Revenue of \$4,000 minimum per week (average); (b) Customer Loyalty Program transactions of 10% of Revenue per week (average); (c) no more than 2 customer complaints per week

(average); (d) selling at least five (5) Strong Human memberships per week (average); (e) fifty (50) classes per week utilizing the Rowformer Machine as specified in the Brand Standards Manual from time to time (each, a “Class”); and (f) a minimum of thirty (30) classes per week.

For each Assessment Period thereafter, the Minimum Performance Criteria will be as follows: (a) a minimum average Revenue per week equal to the amount set for the prior Assessment Period increased by five percent (5%); (b) Customer Loyalty Program transactions of 10% of Revenue per week (average); (c) no more than 2 customer complaints per week (average); (d) selling at least 5 Strong Human memberships per week (average); and (e) a specified number of classes per week and minimum number of Classes per week to be set prior to each Assessment period, which will not decrease from the first Assessment Period.

If your Occupancy Right is terminated or expires, you may relocate the Strong Pilates Studio to other premises within the Territory if all of the following conditions are satisfied within 60 days after the date that the Occupancy Right is terminated or expires: (a) we are of the opinion that the relocation does not adversely affect any existing Strong Pilates Studio business or any other competing business owned by us or our affiliates; (b) an Occupancy Right approved by us is secured; (c) the new Premises is located within reasonable proximity to the original Premises; (d) the Premises is fitted out at your cost to conform to the then prevailing Image and otherwise in accordance with the Franchise Agreement; (e) you pay to us all of our costs (including legal fees and time spent by our Workers) in connection with the relocation; (f) we and our affiliates are released by the owner or lessor (if any) from all of their obligations actual or contingent (if any) to the owner of the original Premises and the owner of the original Premises releases any security held; and (g) you are released from all of your obligations (if any) to the owner or lessor (if any) of the original Premises. If the requirements set out above are not satisfied within the required time frame, we may immediately terminate the Franchise Agreement by written notice to you in accordance with the Franchise Agreement.

Except as noted above, the rights with respect to the Territory are not dependent upon you achieving a certain sales volume, market penetration or other contingency. However, if you are in default and fail to timely cure, we may terminate the Franchise Agreement as noted above.

Except as detailed in the Development Agreement described below, we do not grant any options or rights of first refusal to you under the Franchise Agreement to obtain additional Strong Pilates Studios. If you do not have an existing Development Agreement and desires to open an additional Strong Pilates Studio, you must be approved and sign a separate Franchise Agreement for that location.

Development Agreement:

Under the Development Agreement, you are granted the right to open and operate more than one Strong Pilates Studios within the agreed Development Area under an agreed Development Schedule.

We determine your Development Area and Development Schedule before you sign the Development Agreement based on your experience and financial resources and on various market and economic factors like demographics, the penetration of similar businesses and growth trends in the market. The Development Area may be all or a portion of a state, city, single or multi-county area, or some other area, and will be described in the Development Agreement. We have no specific minimum or maximum geographic territory or population size for a Development Area.

If you and your affiliates are in full compliance with the Development Agreement and all other agreements with us, we will not open or operate, or license any third party the right to open or operate, any full-size,

bricks and mortar Strong Pilates Studios utilizing the Trade Marks and System within the Development Area.

In all cases, under the Development Agreement, we and our affiliates (and each of their respective successors and assigns, by purchase, merger, consolidation, or otherwise) reserve all rights that the Development Agreement does not expressly grant to or confer upon you.

We have no express obligation or implied duty to protect your revenues from erosion as a result of any Strong Pilates Studios competing with other Strong Pilates Studios whether permanently, temporarily or seasonally, and we have no obligation to make any payment or other compensation to you if we solicit or accept orders from inside the Development Area.

Your rights with respect to the Development Area are not dependent upon your achieving a certain sales volume, market penetration or other contingency, but you must open and maintain open the number of Strong Pilates Studios in your Development Schedule or else you will be in default. If you are in default and fail to timely cure, we may terminate your Development Agreement.

After your Development Agreement expires, your territorial and other protections are terminated. We do not grant any options or rights of first refusal under the Development Agreement to obtain additional Strong Pilates Studios. If you desire to open one or more additional Strong Pilates Studios, you must be approved and sign a separate Development Agreement and/or Franchise Agreement(s) for any new location(s).

We and our affiliates may in the future purchase one or more third party owned fitness businesses and convert them to Strong Pilates Studio brand businesses. Also, we and our affiliates may develop, own and sell (directly or through at wholesale to third parties for resale) other fitness related products.

You have no rights to offer and sell, or protections from the offer and sale of, any such other brands or any other brands we or our affiliates may create or acquire and then offer and sell through any means of distribution, including franchising. You do not have any rights, options, rights of first refusal, or similar rights to acquire additional franchises under the Development Agreement or Franchise Agreement for any other brands we or our affiliates may develop, operate or franchise in the future, and we, our affiliates and any franchisees of these other concepts may solicit and accept orders for their products and services in the Development Area and/or Territory.

ITEM 13

TRADEMARKS

We grant to you the right to use certain trademarks, service marks and other commercial symbols, including “Strong Pilates” (the “Trade Marks”) in connection with the operation of the Strong Pilates Studio under the Franchise Agreement.

Our affiliate Strong Pilates IP Pty Ltd. is the overarching owner of the Trade Marks and has registered or applied for the following Trade Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”), as follows:

Mark	Registration Number (Application Number)	Registration Date (Application Date)
STRONGFORMER	(97915985)	(May 1, 2023)

STRONG PILATES STRONG (and Design)	(97915981) (98368418)	(May 1, 2023) (January 21, 2024)
		
STRONG PILATES (and Design) 	(98368416)	(January 21, 2024)
STRONG PILATES ROW. RIDE. REFORM. (and Design) 	(98368420)	(January 21, 2024)
STRONGFORMER (and Design) 	(98368423)	(January 21, 2024)

We do not have federal trademark registration for our Trade Marks. Therefore, the Trade Marks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the Trade Marks is challenged, you may have to change to an alternative trademark or trademarks, which may increase your expenses.

We are aware of trademark registrations owned by third parties for the marks PILATESSTRONG and STRONG BODY PILATES. These are not presently impeding our registration efforts, and we do not view these as high infringement risks to our Trade Marks.

As noted above, we hold a non-exclusive license from our affiliates Strong Pilates IP Pty Ltd. to use and sublicense the use of the Trade Marks and the System to our franchisees. The license was granted effective February 23, 2023. The license continues on in perpetuity, subject to termination by agreement, or upon notice and a failure to cure any material misuse of the Trade Marks. If our license is terminated, according to the terms of the license agreement, our franchise agreements will be automatically assigned to Strong Pilates IP Pty Ltd. or to a new licensee that is acceptable to Strong Pilates IP Pty Ltd.

We and our affiliates intend to file all affidavits and to renew the registrations for the Trade Marks when they become due.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor is there any pending interference, opposition, or cancellation proceeding, nor any pending material litigation involving the Trade Marks which may be relevant to their use in this state or in any other state.

Except for our agreement with our affiliates noted above, there are no agreements currently in effect that significantly limit our right to use or to license others to use the Trade Marks listed in this section in a manner material to the franchise.

You must promptly notify us of any suspected unauthorized use of the Trade Marks, any challenge to the validity of the Trade Marks, or any challenge to our ownership of the Trade Marks, our right to use and to license others to use the Trade Marks or the right to use the Trade Marks. we have the sole right to direct and control any administrative proceeding or litigation involving the Trade Marks, including any settlement.

we have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Trade Marks. We may defend you against any third-party claim, suit or demand arising out of the use of the Trade Marks. If we, in our sole discretion, determine that you have used the Trade Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be borne by us. If we determine that you have not used the Trade Marks in accordance with the Franchise Agreement, the cost of the defense, including the cost of any judgment or settlement, will be your cost. In the event of any litigation relating to your use of the Trade Marks, you must sign any and all documents and do any acts as may, in our opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Except if this litigation is the result of your use of the Trade Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these acts.

There are no infringing uses actually known to us that could materially affect your use of the Trade Marks in this state or elsewhere.

You must conspicuously post a sign at the Strong Pilates Studio premises and include on all written materials, including advertisements, stationery, business cards, etc. the following: “Independently owned and operated.”

We reserve the right to substitute different Trade Marks for use in identifying the System and the businesses operating under it, at our sole discretion. We will not be required to reimburse you for any of your costs related to conforming to our new Trade Marks, and will otherwise have no obligation or liability to you as a result of any substitution.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not currently own any rights to any required patents or copyrights that are material to the franchise. We claim copyright protection to our Brand Standards Manual and the information contained in it is proprietary.

The System and the components of the System, the contents of the Brand Standards Manual and of all training materials and computer programs developed by us or in accordance with our standards any other confidential information that we impart to you with respect to a Strong Pilates Studio’s operation or management, whether through the Brand Standards Manual or otherwise (collectively, “Confidential Information”) belong exclusively to us and the ideas and information in the Brand Standards Manual are our sole and exclusive property and constitute our Confidential Information. Under the Franchise Agreement, Confidential Information means: (a) the methods by which the Strong Pilates Studio is conducted, the Brand Standards Manual, know-how, techniques, trade secrets, processes, marketing strategies, market research, systems, models, databases, product formulations, business plans, any computer hardware or software developed by or for us, special systems and procedures and any modifications to such things, and all other information provided by us to you and/or Guarantor(s) in relation to the System and the System Property and the conduct of the Strong Pilates Studio; (b) the Transaction Records and Customer Information; (c) all information provided by you to us in relation to you; (d) all information provided by us to you and/or Guarantors in relation to us or any member of us or our affiliates; and (e) any information that you and/or Guarantors know or ought to know is confidential and any other information that would at law be considered secret or confidential information of any member of us or our affiliates; but does not include information which: (i) at the time of first disclosure by us to you or Guarantors is already in the public domain; (ii) after disclosure by us to you or Guarantors becomes part of the public domain otherwise

than by disclosure in breach of the terms of this Agreement or other obligations of confidentiality owed to us or our affiliates; or (iii) you or Guarantors, as applicable, can demonstrate came to your attention prior to disclosure thereof by us;

Under the Franchise Agreement, you and your Guarantor(s) acknowledge and agree that the Confidential Information is provided or has been obtained under an obligation of strict confidence to us, and comprises our and our affiliates' trade secrets and is our property or the property of one of our affiliates, even if part of it has been developed by you. Further, you and your Guarantor(s) must not, before or after the end of the Franchise Agreement, without our prior written approval, disclose or use the other party's Confidential Information (other than for the purposes of performing this Agreement).

You acknowledges that: (a) we and our affiliates own of all goodwill in the Intellectual Property; all goodwill associated with your use of the Intellectual Property, and your activities under this Agreement, ensures to the benefit of we and our affiliates; and when this Agreement ends, you are not entitled to any payment from us or our affiliates for goodwill which may exist in relation to the Strong Pilates Studio.

All employee training materials (electronic or otherwise) and all software developed by us or by following our standards contain information, embody procedures or facilitate business practices that are proprietary to us and fall within the parameters of our Confidential Information.

You must: (a) take all reasonable steps to protect the Intellectual Property against any action or infringement by any person; and (b) immediately notify us of any actual or potential threat or claim of infringement with respect to the Intellectual Property.

We are not contractually obligated to defend the copyrighted materials. Nor are we contractually obligated to protect you against claims of infringement or unfair competition arising from their use of the copyrighted materials. Although we intend to defend the copyrighted materials vigorously, we are not required to participate in any defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the copyrighted materials, or if the proceeding is resolved unfavorably to you.

If we modify or discontinue the use of any copyrighted materials, you must promptly comply with and adopt, at your own expense, all such modifications.

You and the Guarantor(s) must take all reasonable steps to ensure that your employees and agents, and any sub-contractors engaged for the purposes of the Strong Pilates Studio, do not make public or disclose the other party's Confidential Information, or use that Confidential Information for any purpose other than to perform this Agreement.

Prior to any disclosure of Confidential Information, the party disclosing the Confidential Information must ensure that the person who will receive the Confidential Information is subject to an obligation of confidentiality on similar terms to this clause.

You must require that any third parties engaged by you to perform work or services using or based on any of the Intellectual Property will be subject to the same requirements, and to the extent that any third party creates, has created on its behalf, or is involved in creating adaptations, variations or improvements to any aspect of the Intellectual Property, assign to us or our nominee all interests in relation to the adaptations, variations or improvements and do all things necessary to effect such assignment.

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

The Strong Pilates Studio must at all times be under direct, on Premises supervision of either the person specified in the Franchise Agreement as the manager or another person of equivalent training, skill, experience and good reputation approved by us in writing (the “Manager”), or your employee who has completed the Initial Training Program and been approved by us as a supervisor in writing (a “Worker”). You must also ensure that at least one Guarantor (if different from your Manager) is actively involved in the day-to-day operation of the Strong Pilates Studio and contactable by us at all reasonable times.

You must appoint your Manager and ensure that your Manager devotes their time and effort exclusively to the management and conduct of the Strong Pilates Studio. At your own cost, you must ensure that your Manager attends and completes the Initial Training Program and any other training program required by us prior to commencing management of the Strong Pilates Studio. At your own cost, you must ensure that your Manager obtains any accreditations specified by us as being necessary to operate the Strong Pilates Studio in accordance with the System and the Brand Standards, and any other accreditations required by law or any authority.

You must, at your own cost, train each of your Workers in the operation of the Strong Pilates Studio in accordance with the specifications and procedures specified in the Brand Standards Manual or otherwise specified or approved by us from time to time; and ensure the attendance of any Worker at any training required by us is to the satisfaction of us.

A separate legal entity must be established for the operation of the Strong Pilates Studio only. In the case where you, the Guarantor(s) or your related entities operate another or multiple Strong Pilates Studios, you must form a separate legal entity for each Strong Pilates Studio franchise. We also require that a controlling shareholder be the contact for you at all times, not less than 51% of the voting shares of you will be held by a single shareholder at the time of signing the Franchise Agreement and at all other times.

Each guarantor we select to sign a guaranty under the Franchise Agreement will unconditionally and irrevocably guarantee to us the prompt performance of all of your obligations contained or implied in the Franchise Agreement (the “Guarantor(s)”). Each Guarantor’s spouse (if applicable) will expressly acknowledge and consent to the Guarantor’s guaranty in the Franchise Agreement. If the obligation is to pay money, we may recover the money from the Guarantor(s) as a liquidated debt.

Each and any of the following persons nominated by us must give a guaranty and indemnify us on the terms set out in the Franchise Agreement: (a) any person with a direct or indirect legal or beneficial interest in you, including an interest in any entity directly or indirectly controlling you; (b) if you are a corporation, then any director, administrator or liquidator, or any person to whom power is delegated under applicable corporate or bankruptcy legislation; (c) a receiver appointed to you; or (d) a spouse of any individual listed in (a) above (an “Interested Party”). Further, any new Interested Party, upon becoming an Interested Party, must sign a guarantee and become a Guarantor, and provide an indemnity in respect of your obligations under the Franchise Agreement on the then current terms used by us. In all cases, any spouses must acknowledge and consent to the issuance of the guaranty as noted above.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

General

You must only conduct the operation of the Strong Pilates Studio at and from the Premises and within the Territory and only sell the Approved Products and Approved Services in accordance with the Franchise Agreement. You must: (i) offer for sale in the Strong Pilates Studio the complete range of Approved Products; and (ii) not offer, sell or supply any products which are not Approved Products, unless you first obtains our written consent to do so.

You may only operate the Strong Pilates Studio at the retail level and must not, in connection with the Strong Pilates Studio, sell any product or service other than at the retail level. You must maintain in stock an inventory of Approved Products that will enable you to efficiently and profitably operate the Strong Pilates Studio and meet customer demand. You must immediately withdraw any products from sale or services or supply when required to do so by you.

You must open and operate your Strong Pilates Studio during the business hours and days of operation provided in the Brand Standards Manual, unless we provide you a written exception.

Strong Pilates Studios will be open to the general public so there are no limitations on the Customers you may serve.

You are also required to use the entire Strong Pilates Studio Premises only for the operation of the Strong Pilates Studio.

You are not allowed to place vending machines, video games, pinball machines, juke boxes or other amusement devices of any kind, nor are you allowed to conduct live musical performances, theatrical or comedic performances, physical or mental contests or games, gambling, or other types of live entertainment on or about the premises of the Strong Pilates Studio.

If we allow your Strong Pilates Studio to participate in any new products or services test, you must participate in the test in accordance with our Brand Standards and must discontinue offering any products or services that we decide not to add permanently to the authorized list of Approved Supplies or Approved Products.

If you develop or suggest an innovation or improvement that we decide to incorporate into the System, either temporarily or permanently, the innovation or improvement will become our Confidential Information and property without compensation.

You may not sell any Approved Supplies or Approved Products to any wholesale customer, or sell any Approved Supplies or Approved Products from catalogues or an internet website without our prior written permission. See Item 13.

Internet Use and Websites

While we may conduct business and advertise for business on the Internet, you must not, without our prior written consent, conduct business or advertise for business on the Internet. We may offer for sale products and services via the Internet and we are not liable to you for any money or benefits received by us or our affiliates in connection with the sales. You must cooperate with us in our conduct of business on the Internet

including by: (a) advertising the domain name specified by us on the shopfront of the Premises, other locations in the Premises, and on all of your letterhead, business cards, invoices, statements and carry bags; (b) accepting gift vouchers, returns and exchanges from customers who have made purchases of products and services via the Internet; and (c) fulfilling orders for products from customers who have placed orders via the Internet.

You must obtain our prior written approval to any email address you use in connection with the Strong Pilates Studio and, if necessary, change the email address. Ownership and control of our web sites and domain names will at all times remain with us or our affiliates. You will not be permitted to alter or allow to be altered the structure or layout of any of our web sites. You must not publish the Trade Marks or any information or material on the Internet or World Wide Web concerning the Strong Pilates Studio, the Premises, the Brand Standards Manual, the Image or any other Intellectual Property of us or our affiliates without the prior written consent of us; and not interfere in the use of any of our web sites by us, any Related Party of us or by any other person.

Financial and Credit Facilities

You must only participate in credit and credit card systems that are approved by us and comply with our credit policy, as well as all relevant laws and industry codes in respect of financial dealings with customers, including those relating to the remittance of membership fees by customers through a process by which you directly debits a customer's bank account or other credit facility.

Customer Memberships

You must procure that each customer signs a membership agreement pursuant to which they agree to purchase from you any of the Approved Services or Approved Products in a form specified by us. You are responsible for confirming that your membership agreement complies with all local laws, rules and regulations in your jurisdiction.

Customer Complaints

You must inform us in writing of, and promptly act to redress, all customer complaints at your cost and in accordance with any relevant provision set out in the Brand Standards Manual. If you fail to redress a customer complaint within 7 business days, we may attempt to redress the complaint. You must pay the costs incurred by us in attempting to redress the complaint. If us acts to redress a customer complaint due to the failure of you to satisfactorily redress the complaint, you must pay the reasonable costs incurred by us in attempting to redress the complaint.

Industry Associations

You must participate or obtain membership with any industry associations required by us.

Uniforms and Attire

You must ensure that each person working in the Strong Pilates Studio wears a uniform or other attire which complies with the specifications contained in the Brand Standards Manual.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

The Development Agreement

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
a. Length of the franchise term	6.1	The Developer Agreement will commence as of the date it is fully executed and, unless earlier terminated by us, will expire on the earlier of: (i) the last day of the calendar month that the final Strong Business is required to be opened and operating under the Development Schedule; or (ii) the date Developer actually opens the last Strong Business that you are granted the right to open under the Development Agreement.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by Developer		You may have rights to terminate under applicable law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	6.2	We can terminate the Development Agreement for cause.
g. "Cause" defined – curable defaults	6.2	Cause includes any material breach of the Development Agreement. Also, if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under the Development Agreement is terminated or subject to termination by us, then we may terminate the Development Agreement.

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
h. "Cause" defined – non-curable defaults	6.2	The following are non-curable defaults: (i) if you cease to actively engage in development activities in the Development Area or otherwise abandons a Strong Business for three (3) consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Strong Businesses within the Development Area; (ii) if you become insolvent or is adjudicated bankrupt, or if any action is taken by you, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you; (iii) if you fail to meet your development obligations under the Development Schedule for any single Development Period, and fail to cure such default within 30 days of receiving notice thereof; (iv) if you fail to pay any Initial Franchise Fee within 10 days of receiving notice from us that such amount is due and owing; or (v) if any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.
i. Your obligations on termination/non-renewal	Not Applicable	Not Applicable
j. Assignment of contract by franchisor	8	We have the right to assign this Agreement in whole or in part in our sole discretion.
k. "Transfer" by Developer - defined	8	Transfer includes any attempt to sell, transfer, or assign the Development Agreement or any rights under the Development Agreement.
l. Franchisor approval of transfer by Developer	8	Your rights under the Development Agreement are personal and you may not sell, transfer, or assign any right granted herein without our prior written consent, which we may withhold for any reason in our sole discretion
m. Conditions for franchisor approval of transfer	8	You may not sell, transfer, or assign any right granted herein unless all then existing Franchise Agreements are also sold, transferred or assigned to the same party. You will pay us a transfer fee in an amount equal to 40% of our then-current Initial Franchise Fee immediately upon transfer.
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Death or disability of Developer	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable

PROVISION	SECTION IN DEVELOPMENT AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	27	Modifications of the Development Agreement must be in writing and signed by both parties
t. Integration/merger clause	27	Only the terms of the Development Agreement and other related written agreements signed by the parties are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	12; 13	Subject to applicable state law, the parties must first seek to resolve any dispute by mutual negotiation. If not resolved by mutual negotiation within 21 days, either party may, by notice to the other, require that the dispute be dealt with by mediation. The mediation shall take place in the city in the United States where we have our then current principal place of business at a location to be decided by the mediator. If not resolved through mediation, the parties will submit the dispute to binding arbitration pursuant to the rules of an arbitration body selected by us. The arbitration proceedings will be conducted in the city in the United States where we have our then current principal place of business at a location to be decided by the arbitrator, unless otherwise prohibited by the laws of the state in which the Business is located, in which case the arbitration proceedings shall occur in such state, in a city selected by us. But see state specific amendments to the Development Agreement if applicable.
v. Choice of forum	12; 13	Subject to applicable state law, the state in which we have our then current principal place of business (currently Texas). But see state specific amendments to the Development Agreement (if any).
w. Choice of law	11	Subject to applicable state law, Texas law. But see state specific amendments to the Development Agreement (if any).

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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	1.1(40), 3.1, Item 16 in Schedule 1	Ten (10) years from the Commencement Date.
b. Renewal or extension of the term	1.1(59), 3.2, Item 17 in Schedule 1	One additional ten (10) year new term.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
c. Requirements for franchisee to renew or extend	1.1(60), 3.2, 3.3, 3.4, Item 14 in Schedule 1	<p>Renewal requirements include: (a) giving us written notice of your option to renew not more than nine months and not less than six months before the end of the initial term; (b) at the date of giving notice and at the end of the initial term of the Franchise Agreement, there is no breach of the Franchise Agreement or any related agreement that has not been remedied; (c) you have not be in repeated breach of the Franchise Agreement or any related agreement (whether remedied or not) during the initial term; (d) you have consistently met the Minimum Performance Criteria during the initial term; you pays all amount owed, including the New Term Fee equal to \$10,000, and reimbursement of all legal costs and other costs and expenses incurred by us incidental to the exercise of the new term; you satisfy your right to occupy the Premises for at least the duration of the new term; (e) you, the Guarantor and any Interested Party must execute and return to us: i) our then standard form of franchise agreement (which may contain materially different terms and conditions from the original franchise agreement you signed); ii) any agreement documenting your right to occupy the Premises; and iii) all other documents required by us for exercise of the new/renewal term, including, without limitation, a release of any and all claims against us and our officers, directors, agents, and employees, excepting any claims under an applicable franchise law statute that are not permitted to be waived or released under the statute; (f) within one month after you have delivered said documents to us, you, your Manager and the key Workers/employees of you must, at your cost, complete the then current initial training program, or other required training; and (g) you must conduct a Premise Upgrade if required by us.</p> <p>If we permit you to continue to operate the Strong Pilates Studio after expiry of the initial term or any New Term then: i) you must continue to operate the Strong Pilates Studio on a monthly basis; ii) Studio continues on the same terms and conditions so far as applicable to a monthly license as are contained in the Franchise Agreement; and iii) the monthly license may be terminated without any cause or reason by either party giving to the other one month's written notice which may expire on any day.</p>
d. Termination by franchisee	Not Applicable	You may have rights to terminate under applicable law.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	33	We may terminate if you breach the Franchise Agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
g. "Cause" defined – curable defaults	33.2	<p>We may terminate if: (a) you or your Guarantor(s) (the "Defaulting Party") breaches any provision of the Franchise Agreement or any related agreements; (b) we give to the Defaulting Party a written notice that: (i) specifies the breach; (ii) tells the Defaulting Party what we want the Defaulting Party to do to remedy the breach; (iii) gives the Defaulting Party a reasonable time (which need not be more than 30 days) to remedy the breach; and (iv) states that we propose to terminate the Franchise Agreement and Strong Pilates Studio if the breach is not remedied within that time; and (c) the Defaulting Party does not remedy the breach within the time allowed. If the breach is remedied in accordance with, and within the time allowed by, we cannot terminate the Franchise Agreement because of that breach.</p>
h. "Cause" defined – non-curable defaults	8.4.6, 13.5(3), 21.2(2), 21.5, 32.10(2)(c), 33.1, 33.6	<p>We may terminate immediately by giving you written notice if: (1) a suitable premises for the conduct of the Strong Pilates Studio are not located prior to the Commencement Date; (2) you do not obtain an Occupancy Right; (3) you have not completed all actions required prior to the Commencement Date; (4) Strong considers that you and/or Manager will not be able to complete or has not completed the Initial Training Program to our satisfaction; (5) you materially breach any provisions of the Franchise Agreement or any related agreement and that breach is not capable of being remedied; (6) you no longer hold a license that you must hold to carry on the Strong Pilates Studio; (7) you suffer an Insolvency Event (as defined in the Franchise Agreement); (8) you, in the case of a you that is a company, you or Guarantor loses your charter by expiration, forfeiture or otherwise; (9) abandons the Strong Pilates Studio for a period of 5 consecutive days or more; (10) you are convicted of a serious offence; (11) you operate the Strong Pilates Studio in a way that endangers public health or safety; (12) you act fraudulently in connection with the operation of the Strong Pilates Studio; (13) no longer maintains an Occupancy Right; (14) you agree to the termination of the Franchise Agreement and the Strong Pilates Studio at the time of the termination; (15) you fail to meet the Minimum Performance Criteria; (16) you fail to relocate the Strong Pilates Studio within 60 days after termination of Occupancy Rights; (17) you fail to verify their solvency when requested or becomes insolvent; (18) you fail to provide us with the security interest as requested; (19) if a Separation (as defined below) occurs and Spouses (as defined below) fail to come to an agreement by which 1 party sells their interest in the Strong Pilates Studio within the prescribed time period; and (20) if you are a partnership, then if the partnership is dissolved, or any of the parties to the partnership are changed.</p>
i. Your obligations on termination/non-renewal	5.6(3), 35.2, 35.3, 35.4, 35.5	<p>After the Franchise Agreement is terminated or expires you and your Guarantor(s) must: (a) immediately stop using and displaying in any manner the business name, any of the Trade Marks, any part of the Image or anything which imitates or is deceptively similar to these things; (b) immediately stop using the Rowformer Machines and Bikeformer Machines; (c) immediately stop using the Confidential Information (as defined in the Franchise Agreement); (d) vacate the Premises when the Occupancy Right is terminated; (e) immediately de-identify the Premises if you continue to</p>

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		<p>occupy the Premises after the end of the Strong Pilates Studio; (f) immediately deliver to us or make available for collection by us, all Rowformer Machines and Bikeformer Machines; (g) immediately deliver to us all copies of the Brand Standards Manual and Strong Software and uninstall and permanently delete any copies of the Brand Standards Manual and Strong Software electronically stored by you; (h) immediately deliver to us all forms, stationery, business cards, advertising material and any other printed matter and signs used in the Strong Pilates Studio which bear the business name or any of the Trade Marks; (i) immediately deliver to us the original and all copies of the Customer Information and destroy any copies of Customer Information electronically stored by you; (j) immediately deliver to us the original and all copies of databases and all lists held by you of suppliers to the Strong Pilates Studio; (k) immediately deliver to us all other property of any member of us or our affiliates; (l) do everything necessary to cancel or transfer to us or our nominee all registrations including, but not limited to, Franchisee Social Media Sites, including the business name, the Trade Marks and any business or corporate name of you including signing and lodging with the appropriate authority any deed or document; (m) do everything necessary to comply with Intellectual Property assignment provisions under the Franchise Agreement; (n) transfer to us or our nominee all telephone, facsimile and other communications numbers used in the Strong Pilates Studio; (o) transfer to us or our nominee any email addresses and domain names used in the Strong Pilates Studio; and (p) immediately deliver any computer hardware and software (including applications developed or implement by us to operate the Strong Pilates Studio (if applicable)) used by you in the Strong Pilates Studio to us for inspection to enable us to ensure that you have complied with your obligations when the Strong Pilates Studio ends.</p> <p>In addition, you must, within 5 Business Days after the end of the Franchise Agreement, pay all amounts owing to: (i) us or our affiliates; and (ii) your trade creditors, suppliers and other creditors which are then unpaid.</p> <p>Furthermore, you must, at your own cost, do all things (including executing all documents) reasonably required by us and necessary or desirable to give full effect to your obligations at the end of the Franchise Agreement. If you do not do anything that it is required to do, we may enter upon the Premises and, at your cost, do whatever you should have done.</p> <p>At the end of the Franchise Agreement, we retain any rights we have against you in respect of any past breach of the Franchise Agreement or any related agreement, in addition to any other rights, powers or remedies provided by law.</p>
j. Assignment of contract by franchisor	29.4(1)(c), 31.1, 31.2, 31.6	We may transfer, sell or assign all or any part of our rights, interests, obligations or liabilities under the Franchise Agreement by transfer or novation without consent of you. To the extent that the purchaser or assignee assumes our covenants and obligations under the Franchise Agreement, we

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		<p>will thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations.</p> <p>We may, in addition to or as part of a transfer or novation without consent of you: (1) sell our assets including any of the Intellectual Property which we own to a third party; (2) issue additional shares or other securities in ourselves; (3) engage in a private placement of some or all of our securities; and (4) undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.</p>
k. "Transfer" by franchisee - defined	29.4(1)(a)(b) and (c), 29.5, 32.2	Any sale, transfer, or Disposal (as defined in the Franchise Agreement) of your whole interest in the Strong Pilates Studio. A transfer includes (a) any change in the composition of our directors; (b) any alteration to your articles of incorporation; or (c) any Disposal of shares in you.
l. Franchisor approval of transfer by franchisee	29.4(1)(a)(b) and (c), 29.5, 32.2	Transfer requires our prior written consent.
m. Conditions for franchisor approval of transfer	29.4(1)(a)(b) and (c), 29.5, 31.1, 31.3, 31.4, 32.2(1), 32.2(2), 32.3,	<p>You may not transfer, sell or otherwise Dispose of your interest in the Strong Pilates Studio (a) within the first 12 months of the Commencement Date and thereafter without first offering to sell the Strong Pilates Studio to us; (b) without first obtaining our written consent; (c) without first executing any deed, agreement or notice of transfer in a form prepared by us; and (c) without satisfying all transfer requirements described below.</p> <p>Transfer requirements: (1) you must pay costs in connection with or incidental to a request for our consent to transfer or the sale of the Strong Pilates Studio; (2) the proposed transferee (a) must possess the financial resources necessary to conduct and operate the Strong Pilates Studio and to service any borrowings it makes to acquire the Strong Pilates Studio; (b) be a reputable and responsible person having the business experience, necessary fitness or other qualifications as deemed necessary by us; and (c) otherwise meets our criteria for the selection of new franchisees including any site and premises requirements if the transferee proposes to relocate the Strong Pilates Studio; (3) pay the Transfer Fee equal to 40% of the Initial Franchise Fee, plus reimbursement of our costs incidental to transfer; (4) Transferee completes our Initial Training Program; (5) you, when seeking consent to the transfer and when the transfer is to occur, has not failed to remedy a breach of the Franchise Agreement or any related agreement; (6) the transferee executes a franchise agreement in the form then used by us for the remaining balance of the term of the Franchise Agreement (including any existing option for a new term) and you and the transferee execute any other documents then customarily used, including you and your Guarantor(s) delivering to you a release of us, our directors and officers, their affiliates and the directors and officers thereof from all obligations under the Franchise Agreement of any such persons, but excepting any claims under an applicable franchise law statute that are not permitted to be waived or released under that statute; (7) where the transferee is a company: (a) its</p>

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		<p>directors and shareholders satisfy transfer requirements; and (b) those directors and shareholders or other Related Parties of the transferee each give a guarantee and indemnity and undertake similar personal restraints to those given by Guarantors under the Franchise Agreement and execute the new franchise agreement in their personal capacities; (8) the transferee’s proposed manager is approved by us and successfully completes (along with the directors of the transferee if different) our Initial Training Program; (9) you: (a) gives to us all details of the proposed transfer including a copy of the contract for the sale of the Strong Pilates Studio and any other agreements between you and the transferee; and (b) sells to the transferee all of your essential assets used in the Strong Pilates Studio (including any Occupancy Right); (10) the Premises comply with the Image; and (11) you establishes that the proposed transfer will not have a significantly adverse effect on the System or the Network.</p>
<p>n. Our right of first refusal to acquire franchisee’s business</p>	<p>40</p>	<p>you irrevocably grants to us an irrevocable offer to sell the Strong Pilates Studio to us, subject to the conditions outlined below and in Section 40 of the Franchise Agreement (the “Buy-Back Option”). The Buy-Back Option is conditional on the purchase being only for the purposes of the following in connection with us or our affiliates: (a) change of ownership or control; (b) roll-up acquisition or similar acquisition; (c) converting to a corporate owned network; (d) Large trade sale; or (e) initial public offering.</p> <p>To exercise the Buy-Back Option, us must give a notice in writing to you of your intention to exercise the Buy-Back Option before the end of the Term (“Option Notice”). If the Buy-Back Option is exercised, you must sell and us (or our nominee) must purchase the Strong Pilates Studio for the Purchase Price (as defined below) and upon the terms and conditions set out in the sale agreement with us. Within 14 days after receipt of the Option Notice, you must provide to us all information necessary for us to calculate the Purchase Price and complete the applicable sale agreement with us. The parties must use their best endeavors to execute the sale agreement within 15 business days after the date of the Option Notice.</p> <p>The Purchase Price means either, (a) for the purchase of a franchise less than 12 months after its commencement date, the Start-up Costs plus \$50,000 and any applicable taxes, or (b) for the purchase of a franchise more than 12 months after its commencement date, the earnings of the Strong Pilates Studio before interest, tax, depreciation and amortization (EBITDA) for the last completed financial year, multiplied by 3.</p> <p>Start-up Costs means the reasonable start-up costs paid by you, comprising the Franchise Fee, Opening Promotional Amount and actual costs of fitting out the Premises.</p>
<p>o. Our option to purchase franchisee’s business</p>	<p>35.6</p>	<p>We will have an option to purchase all of the Rowformer Machines and Bikeformer Machines and all or part of your other assets (including cash on hand) used in the Strong Pilates Studio (as specified by us) including the Equipment, free from encumbrances, and to take over some or all of the leases of Equipment. We must give to you a written notice within 30 days after the end of the Strong Pilates Studio specifying the assets to be</p>

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		<p>purchased (“Nominated Assets”) and the leases to be acquired. During this period you must not deal with the assets or leases. Ownership of the Nominated Assets passes to us (or our nominee) immediately on the date of exercise of the option. You must do all things necessary to deliver clear title in the Nominated Assets to us (or our nominee). The purchase price for the Nominated Assets is their fair market value as agreed between us and you but if they cannot agree on this within 14 days after notice, the fair market value must be determined by an independent appraiser appointed by us. In conducting the valuation, the appraiser: (a) must not include any component for goodwill or for leasehold improvements; and (b) acts as expert and not as an arbitrator. The appraiser’s decision is final and binding on us and you and the appraiser’s costs must be shared equally between us and you. We may set off against the purchase price any amounts owed to it by you.</p>
<p>p. Death or disability of franchisee</p>	<p>32.9(1)(3) and (4)</p>	<p>If you are a natural person or if your controlling shareholder suffers a Permanent Incapacity (as defined below), you (or where you are made up of only 1 natural person, your executor or personal representative) must within 4 months after the person becomes Permanently Incapacitated either: (a) sell the Strong Pilates Studio; or (b) procure the sale or transfer of the affected person’s interest in the Strong Pilates Studio.</p> <p>If you are a business entity and a director of you dies or suffers a Permanent Incapacity, you must within 2 months after the director dies or becomes permanently incapacitated, procure the removal of that director as a director of you and seek consent from us to either: (a) appoint a new director to the board of you; or (b) continue with the remaining directors of you.</p> <p>If you do not comply with the above, we may immediately terminate the Franchise Agreement and the Strong Pilates Studio by giving you reasonable written notice.</p>
<p>q. Non-competition covenants during the term of the franchise</p>	<p>1.1(73), 1.1(74), 27.2, Item 19 and 20 in Schedule 1</p>	<p>Neither you nor your Guarantor(s) will: (1) during the term of the Franchise Agreement invest in or have a financial interest in any business other than the Strong Pilates Studio or any other Pilates studio (other than the Strong Pilates Studio) owned by you, your Guarantor(s) or a Related Party of you or Guarantor(s) (an “Additional Business”) without our prior written consent; or (b) canvass or solicit with a view to supplying any product or service the same as or similar to those at any time supplied in the conduct of the Strong Pilates Studio, any person who is or has been in the 12 months before the end of the Strong Pilates Studio a customer of the Strong Pilates Studio or a customer of any other Strong Pilates Studio.</p>
<p>r. Non-competition covenants after the franchise is terminated or expires</p>	<p>1.1(73), 1.1(74), 27.2, Item 19 and 20 in Schedule 1</p>	<p>Neither you nor your Guarantor(s) will: (2) during the period 18 months after the expiration, termination, non-renewal or transfer of the Franchised Agreement (the “Restraint Period”), directly or indirectly do any of the following things: (a) at the Premises or within 25 kilometers of any other business using the System and the Trade Marks in existence as of the date of the expiration, termination, non-renewal or transfer of the Franchise Agreement (the “Restraint Area”), engage or be concerned or interested in any business that: (i) supplies the Rowformer Machine or any type of</p>

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		exercise class utilizing the Rowformer Machine; or (ii) could be reasonably regarded as a market competitor of the System or any Strong Pilates Studio; or (b) canvass or solicit with a view to supplying any product or service the same as or similar to those at any time supplied in the conduct of the Strong Pilates Studio, any person who is or has been in the 12 months before the end of the Strong Pilates Studio a customer of the Strong Pilates Studio or a customer of any other Strong Pilates Studio.
s. Modification of the agreement	41.6	No changes unless mutually agreed to in writing.
t. Integration/merger clause	41.5	Only written terms of Franchise Agreement and of the exhibits referred to are binding (subject to applicable state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	37.2	Subject to applicable state law, the parties must first seek to resolve any dispute by mutual negotiation. If not resolved by mutual negotiation within 21 days, either party may, by notice to the other, require that the dispute be dealt with by mediation. The mediation shall take place in the city in the United States where we have our then current principal place of business at a location to be decided by the mediator. If not resolved through mediation, the parties will submit the dispute to binding arbitration pursuant to the rules of an arbitration body selected by us. The arbitration proceedings will be conducted in the city in the United States where we have our then current principal place of business at a location to be decided by the arbitrator, unless otherwise prohibited by the laws of the state in which the Business is located, in which case the arbitration proceedings shall occur in such state, in a city selected by us. But see state specific amendments to the Franchise Agreement if applicable.
v. Choice of forum	37.2; 41.9(2)	Subject to applicable state law, the state in which we have our then current principal place of business (currently Texas). But see state specific amendments to the Development Agreement (if any).
w. Choice of law	41.9	Subject to applicable state law, Texas law. But see state specific amendments to the Development Agreement (if any).

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance

information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

FRANCHISEE REVENUE FOR A SINGLE FRANCHISED STRONG BUSINESS DURING THE SEVEN-MONTH PERIOD FROM SEPTEMBER 2024 THROUGH MARCH 2025

This analysis contains actual, historical Revenue data for the 1 franchised Strong Business that was open and operating during a portion of our 2024 fiscal year and our 2025 fiscal year to date.

The 1 Strong Business included in this analysis was opened in San Antonio, Texas by a third-party franchisee in September 2024 and therefore has operated for 7 full calendar months through March 2025. No other Strong Businesses were open and operating during our 2024 fiscal year or as of the date of this Disclosure Document.

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

Month	Revenue
September 2024	\$40,114.19
October 2024	\$41,211.94
November 2024	\$52,140.88
December 2024	\$58,024.07
January 2025	\$58,066.21
February 2025	\$60,153.11
March 2025	\$69,043
TOTAL REVENUE (7 Calendar Months)	\$378,753.40

*Of the total Revenue, \$366,025.21 was earned through our CORE membership program and \$12,728.19 was earned through our ClassPass program. See Notes 2 and 3 below.

Notes

1. “Revenue” has the same meaning as in the Franchise Agreement, namely “the aggregate of prices charged or chargeable by the Franchisee and all other income and remuneration received or receivable by the Franchisee in the conduct of the Business and includes the proceeds of the Franchisee’s business interruption insurance policy and any promotional fees, commissions or other income received from any suppliers of products or services; but excludes (i) the amount of any tax imposed by any federal, state, municipal or governmental authority directly on sales and collected from Customers if such tax is added to the selling price and actually paid by Franchisee to such governmental authority, and (ii) any sales credits such as the sale price of any products returned by Customers where cash or allowances have been refunded or made to the Customer.”

2. “CORE” is our current Customer management software that tracks memberships, membership agreements and membership fees.

3. “ClassPass” is a third-party aggregator platform where users can book into a session via the ClassPass app. ClassPass remits fees to the Strong Business based on bookings and attendance.

Some Strong Businesses have sold this amount. Your individual results may differ. There is no assurance that you’ll sell as much.

Except as set forth above, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mark Francis Armstrong at Creative Cubes, Level 5/111 Cecil St., South Melbourne, Victoria, Australia, 3205 and 011-3-61-422-096-604, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR FISCAL YEARS 2022 TO 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	1	+1
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	1	1

*Our fiscal year end is December 31. Therefore, the 2022 fiscal year ended December 31, 2022, the 2023 fiscal year ended December 31, 2023, and the 2024 fiscal year ended December 31, 2024.

**This chart and the other charts in Item 20 only include Strong Pilates Studios in the United States.

TABLE 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN US)
FOR YEARS 2022 TO 2024

State	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

Table 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2022 TO 2024

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
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Total	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from you	Outlets Closed	Outlets Sold to you	Outlets at End of the Year
All States	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from you	Outlets Closed	Outlets Sold to you	Outlets at End of the Year
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**Table 5
Projected Openings as of December 31, 2024**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchise Outlets	Projected New Company-Owned Outlets
California	2	2	1
Florida	0	0	0
New Jersey	8	2	0
New York	4	4	0
Texas	2	2	0
Total	16	10	1

List of Franchisees; List of Former Franchisees

Exhibit G to this Disclosure Document contains a list of franchisees that operate a Strong Pilates Studio as of December 31, 2024, or who have signed a Development Agreement and Franchise Agreement but do not yet have open and operating a Strong Pilates Studio.

Exhibit H to this Disclosure Document contains a list of franchisees that operated a Strong Pilates Studio who were terminated, not renewed, or voluntarily or involuntarily ceased to do business under a franchise or other agreement during the last fiscal year ended December 31, 2024, or who failed to communicate with us during the 10 weeks preceding the date of this Disclosure Document, which amounts to 0 franchisees listed in Exhibit H.

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

Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

Confidentiality Clauses

During the last 3 fiscal years, we have not signed any agreements with franchisees that contain confidentiality clauses that would restrict a franchisee’s ability to speak openly about their experience.

Trademark-Specific you Organizations

We are not currently aware of any trademark-specific franchisee organizations associated with the franchise system which we have created, sponsored or endorsed, or any independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit I are the following financial statements:

1. Our interim, unaudited financial statements for the three-month period ended March 31, 2025.
2. Our audited financial statements for the period from January 1, 2024 to December 31, 2024.
3. Our audited financial statements for the period from February 3, 2023 (Inception) through December 31, 2023.
4. Our audited balance sheet as of March 10, 2023.

Please note that we have only been in existence since February 2023 and did not start franchising until March 2023, and therefore we do not have a balance sheet for two previous fiscal year-ends before this Disclosure Document issuance date or statements of operations, stockholders equity, and cash flows for three previous fiscal years.

Our fiscal year end is December 31st of each year.

ITEM 22 **CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

- Exhibit B – Franchise Agreement
- Exhibit C – Development Agreement
- Exhibit D – Applicant Confidentiality Agreement and Authorization
- Exhibit E – Franchise Application

ITEM 23 **RECEIPTS**

Exhibit L to this Disclosure Document includes detachable documents acknowledging your receipt of this Disclosure Document.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS

CALIFORNIA

Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
(213) 576-7505 or (866) 275-2677
Website: <http://www.dfpi.ca.gov/>
Email: Ask.DFPI@dfpi.ca.gov

HAWAII

Department of Commerce and Consumer Affairs
Business Registrations Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586 2722

ILLINOIS

Office of Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782 4465

INDIANA

Franchise Section
Securities Division
302 W. Washington St., Room E 111
Indianapolis, Indiana 46204
(317) 232 6681

KENTUCKY

Office of the Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40602
(502) 696 5300

MARYLAND

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

MICHIGAN

Office of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street
Lansing, Michigan 48909
(517) 373-7117

MINNESOTA

Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296 4026

NEBRASKA

Department of Banking and Finance
1526 K Street, Suite 300
P.O. Box 95006
Lincoln, Nebraska 68509
(402) 471 3445

NEW YORK

New York State Department of Law
Investor Protection Bureau
120 Broadway, 23rd Floor
New York, New York 10271

NORTH DAKOTA

North Dakota Securities Commissioner
600 East Boulevard Avenue
State Capitol 14th Floor Dept 414
Bismarck, North Dakota 58505-0510
701-328-4712

OREGON

Division of Consumer and Business Services
Finance and Corporate Securities
350 Winter Street N.E.
Labor and Industries Building, Room 21
Salem, Oregon 97310
(503) 378 4387

RHODE ISLAND

Securities Division
233 Richmond Street, Suite 232
Providence, Rhode Island 02903
(401) 222 3048

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre, SD 57501
(605) 773-4823

TEXAS

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

UTAH

Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
P.O. Box 146704
Salt Lake City, Utah 84114
(801) 530 6601

VIRGINIA

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

WASHINGTON

Securities Division,
Department of Financial Institutions
PO Box 41200
Olympia, WA 98504-1200
(360) 902 8760

WISCONSIN

Division of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701 or
201 W. Washington, Suite 300
Madison, Wisconsin 53703
(608) 266 8559

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
(213) 576-7505 or (866) 275-2677
Website: <http://www.dfpi.ca.gov/>
Email: Ask.DFPI@dfpi.ca.gov

HAWAII

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

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
201 State House
200 W. Washington Street
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202

MICHIGAN

Department of Labor & Economic Growth
Commercial Services & Corporations Bureau
611 W. Ottawa Street
Lansing, Michigan 48909

MINNESOTA

Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

NEW YORK

Attn: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

NORTH DAKOTA

Securities Commissioner
600 East Boulevard Avenue
State Capitol 14th Floor Dept 414
Bismarck, North Dakota 58505-0510
701-328-4712

OREGON

Director
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Director
Department of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre SD 57501

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON

Director of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

WISCONSIN

Commissioner of Securities
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

EXHIBIT B

FRANCHISE AGREEMENT



STRONG. DOWN FOR MORE.

TM

Dated

**Strong Pilates Franchise Agreement for use in the United States
(#location#, State, United States of America)**

Parties

Strong Pilates US, Inc., a Texas corporation

#Full name of Franchisee#

#Full name of Guarantor#

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Agreement made on the date it is executed by the parties

Parties **Strong Pilates US, Inc., a Texas corporation.**
of [Insert Strong Address]
(**Strong**)

The person or persons specified in Item 2 of Schedule 1
(**Franchisee**)

The person or persons specified in Item 4 of Schedule 1
(**Guarantor**)

Introduction

- A** Strong operates the System for the operation of fitness training studios that offer customers a Pilates based workout infused with cardio by using a modified rowing machine built into a traditional Pilates bed. The training studios will operate using the name “Strong Pilates” and will use certain know-how and other intellectual property.
- B** Strong either owns or controls under licence from the Related Company Strong Pilates IP Pty Ltd and an unrelated third party Hardt Fit LLC, the Trade Marks, Image, System and other Intellectual Property.
- C** As of the date of this Agreement, Strong Group has the exclusive rights to purchase the Rowformer Machines and Bikeformer Machines from Hardt Fit LLC, and Strong Group sells or leases the Rowformer Machines and Bikeformer Machines to approved franchisees for the sole purpose of operating a Strong Pilates franchised business, the Business.
- D** The Franchisee and the Guarantor have requested that Strong, and Strong has agreed to, grant to the Franchisee a non-exclusive licence as a franchisee to establish and operate 1 Strong Business using the Trade Marks, Image, System and other Intellectual Property on the terms and conditions set out in this Agreement.
- E** In consideration of Strong complying with the Guarantor’s request, the Guarantor has agreed to give a guarantee and indemnity to Strong for the performance of the Franchisee’s obligations under this Agreement.

It is agreed

1 Definitions and interpretation

1.1 Definitions

In this Agreement:

- (1) **Actual Opening Date** means the date specified in Item 6 of Schedule 1;
- (2) **Additional Business** means a Strong Business (other than the Business) owned by the Franchisee, the Guarantor or a Related Party of the Franchisee or the Guarantor;
- (3) **Agreement** means this agreement, the Special Conditions and any schedule or annexure;
- (4) **Application** has the meaning given to that term in clause 18.2(6);
- (5) **Annexure** means an annexure to this Agreement;

- (6) **Approved Equipment Supplier** means a supplier approved by Strong to supply the Equipment as specified in the Brand Standards Manual or otherwise approved in writing by Strong from time to time according to the terms in clause 18.8;
- (7) **Approved Fit Out Contractor** means a contractor approved by Strong to Fit Out the Premises, as specified in the Brand Standards Manual or otherwise approved in writing by Strong from time to time in accordance with clause 14.3(2);
- (8) **Approved Products** means the range, types and brands of products specified as approved in the Brand Standards Manual, or otherwise approved by Strong according to the terms of this Agreement, as amended or modified by Strong from time to time, for supply in a Strong Business and includes the Merchandise and any uniforms required to be worn by the Workers;
- (9) **Approved Services** means the types of services specified as approved in the Brand Standards Manual, or otherwise approved in writing by Strong, as amended or modified by Strong from time to time;
- (10) **Approved Supplier** means a supplier approved by Strong to supply a particular Approved Product or Approved Service as specified in the Brand Standards Manual or otherwise approved in writing by Strong from time to time according to the terms in clause 16.2, and which may include or be limited to Strong or the Strong Group;
- (11) **Artificial Intelligence** means a field of science concerned with building computers and machines that can reason, learn, and act in such a way that would normally require human intelligence or that involves data whose scale exceeds what humans can analyze;
- (12) **Assessment Period** means the period specified in Item 22 of Schedule 1;
- (13) **Bikeformer Machine** means the specially designed Pilates bed that includes an in built biking machine supplied by Strong Group;
- (14) **Brand Standards** means the standards to be adhered to in the operation of a Strong Business as specified in the Brand Standards Manual;
- (15) **Brand Standards Manual** means individually and collectively the policies, procedures, instructions and other information prepared and published (whether electronically or in any other form) by Strong relating to the System, Brand Standards, Image, Trade Marks and the conduct of a Strong Business;
- (16) **Business** means the business to be conducted by the Franchisee as a Strong Franchisee pursuant to this Agreement;
- (17) **Business Day** means a day that is not a Saturday, Sunday or any other day which is a Statutory United States holiday in the place where an act is to be performed or a payment is to be made;
- (18) **Business Hours** means the hours that the Business must be open for trade as required under the Brand Standards Manual, the lease or any other document conferring an Occupancy Right on the Franchisee or as otherwise specified in writing by Strong from time to time;
- (19) **Business Name** means the name specified in Item 7 of Schedule 1;
- (20) **Class** means any classes utilising the Rowformer Machine as specified in the Brand Standards Manual from time to time;
- (21) **Confidential Information** means:
 - (a) the System and the Brand Standards Manual;

- (b) the Transaction Records and Customer Information;
- (c) all business and financial information relating to any member of the Strong Group;
- (d) all trade secrets, processes, procedures, marketing strategies, market research, information concerning product development, know how, systems, computer programs, models, databases, any modifications to such things and all other information which, by its nature places or potentially places any member of the Strong Group at an advantage over its present or future business competitors;
- (e) any information of any member of the Strong Group which is marked "confidential"; and
- (f) any information that the Franchisee knows or ought to know is confidential, and any other information that would at law be considered secret or confidential information of any member of the Strong Group;

but does not include information which:

- (g) at the time of first disclosure by Strong to the Franchisee Parties is already in the public domain;
- (h) after disclosure by Strong to the Franchisee Parties becomes part of the public domain otherwise than by disclosure in breach of the terms of this Agreement or other obligations of confidentiality owed to the Strong Group; or
- (i) Franchisee Parties can demonstrate came to its attention prior to disclosure thereof by Strong.

- (22) **Copyright Act** means the *Copyright Act of 1976 (Title 17 of the United States Code)*;
- (23) **Core Products** means the types and brands of services, products and Merchandise specified as such in the Brand Standards Manual or otherwise in writing by Strong from time to time;
- (24) **Cost** means any cost, charge, expense, outgoing, payment or other expenditure of any nature and where appropriate includes fees and disbursements payable to contractors, consultants and lawyers, and Legal Costs;
- (25) **Customer** means a customer of the Business;
- (26) **Customer Information** means details including lists of Customers collected by the Franchisee in accordance with clause 22;
- (27) **Customer Loyalty Program** means any customer loyalty program established and operated by Strong under clause 19.9;
- (28) **Dispose** or **Disposal** includes, in relation to a share, entering into a transaction in relation to the share (or any interest in the share), which results in a person other than the registered holder of the share:
 - (a) acquiring any legal or equitable interest in the share, including an equitable interest arising from a declaration of trust, an agreement for sale and purchase or an option agreement or an agreement creating a charge or other Security Interest in the share;
 - (b) acquiring any right to receive directly or indirectly any dividends payable in respect of the share;
 - (c) acquiring any rights of pre-emption, first refusal or like control over the disposal of the share;

- (d) acquiring any rights of control over the exercise of any voting rights or rights to appoint directors attaching to the share; or
 - (e) otherwise acquiring legal or equitable rights against the registered holder of the share which have the effect of placing the person in the same position as if the person had acquired a legal or equitable interest in the share itself;
- (29) **Equipment** means equipment specified in the Brand Standards Manual from time to time as being required for the operation of the Business;
- (30) **Financial Year** means a year commencing January 1st of each calendar year and ending December 31st of each calendar year;
- (31) **Fit Out** means the:
- (a) design, development, refitting and redecorating of the Premises in order to comply with the then current Image; and
 - (b) installation of all Equipment specified by Strong for the operation of the Business;
- in accordance with the Brand Standards Manual, and includes a Premises Upgrade;
- (32) **Franchise** means the rights under this Agreement to operate a Strong Business;
- (33) **Franchise Fee** means the amount specified in Item 10(a) of Schedule 1;
- (34) **Franchise Royalty Fee** means the fee specified in Item 11(a) of Schedule 1;
- (35) **Franchisee Parties** means the Franchisee and the Guarantor;
- (36) **Franchisee's Improvements** means any works, marks, designs, ideas, know-how or trade secrets developed by the Franchisee which are derived from or incorporate the Intellectual Property or which are otherwise developed by the Franchisee during the operation of the Business, in respect of which the Franchisee obtains any intellectual property rights;
- (37) **Franchisee Social Media Sites** means Strong approved Facebook, Instagram and Google Business social media sites established and used by the Franchisee in connection with the Business in accordance with clause 25.4;
- (38) **Hardware and Software** has the meaning given to it in clause 18.2(1)(a);
- (39) **Image** means the specific image created or prescribed by Strong for the operation of a Strong Business including names, Trade Marks, uniform product and service ranges, specified design and colour schemes for business premises, signs, layouts, fixtures and fittings, equipment, uniforms as modified by Strong from time to time;
- (40) **Initial Term** means the period set out in Item 17 of Schedule 1;
- (41) **Initial Training Program** means the initial 1 week training and induction program conducted by Strong for the operation of a Strong Franchise;
- (42) **Insolvency Event** means the happening of any of these events in relation to a Franchisee Party (or where a Franchisee Party is a body corporate, any of its directors or shareholders) (**Defaulting Party**):
- (a) execution or other process of a court or authority or distress is levied for an amount exceeding \$5,000 upon any of the Defaulting Party's property and is not satisfied, set aside or withdrawn within 28 days of its issue;

- (b) an order for payment is made or judgment for an amount exceeding \$5,000 is entered or signed against the Defaulting Party which is not satisfied within 28 days;
 - (c) the Defaulting Party suspends payment of its debts;
 - (d) where the Defaulting Party is a body corporate:
 - (i) the Defaulting Party becomes insolvent or otherwise cannot pay its debts as and when they fall due;
 - (ii) the Defaulting Party has a receiver, administrator or liquidator appointed in relation to all or a material part of its assets;
 - (iii) the Defaulting Party is subject to any enforcement of any security interest (as that term is defined in the applicable state personal property security statute) that it has granted to a creditor of the Defaulting Party;
 - (iv) the Defaulting Party commences negotiations with all or any class of its creditors with a view to rescheduling any of its debts, or enters into any composition or arrangement with its creditors generally;
 - (v) the Defaulting Party fails to comply with a statutory demand or order under applicable corporate or bankruptcy legislation; or
 - (vi) the Defaulting Party has an order made or a resolution passed for its liquidation, dissolution or winding-up;
 - (e) where the Defaulting Party is a natural person:
 - (i) the Defaulting Party authorises a trustee or attorney to call a meeting of their creditors or proposes or enters into a deed of transfer or deed of arrangement or a composition with any of their creditors;
 - (ii) a person holding a security interest in assets of the Defaulting Party enters into possession of or takes control of any of those assets or takes any steps to enter into possession of or take control of any of those assets; or
 - (iii) the Defaulting Party commits an act of bankruptcy; or
 - (f) an event happens analogous to an event specified in clauses 1.1(42)(a) to 1.1(42)(e) to which the law of another jurisdiction applies and the event has an effect in that jurisdiction similar to the effect which the event would have had if an analogous law in the United States of America applied;
- (43) **Insurance Policies** means the insurance policies described in Item 25 of Schedule 1;
- (44) **Intellectual Property** means:
- (a) all copyright, trade mark rights, patent rights, design rights or any other intellectual property rights subsisting in or created during the development of the Strong Software, Trade Marks, System, Image, Brand Standards Manual, Rowformer Machine and any advertising and promotional materials provided to the Franchisee including software, source and object codes, scripts, records, documents, specifications, plans, program listings, calculations or drawings; and
 - (b) all Confidential Information necessary for, or which may be used in connection with the administration, operation and marketing of the Business;

- (45) **Interest Rate** means interest at the rate of 12% per annum, calculated daily and compounding monthly;
- (46) **Interested Party** means any of the following persons nominated by Strong:
- (a) any person with a direct or indirect legal or beneficial interest in the Franchisee, including an interest in any entity directly or indirectly controlling the Franchisee (**Controlling Entity**);
 - (b) where the Franchisee is a company:
 - (i) a director of the Franchisee;
 - (ii) an administrator or liquidator of the Franchisee;
 - (iii) any person to whom power is delegated under applicable corporate or bankruptcy legislation;
 - (c) a receiver appointed to the Franchisee;
 - (d) a Spouse of any person specified in clause 1.1(46)(a);
- (47) **Legal Costs** means all fees, costs and disbursements actually paid or payable by any member of the Strong Group to its own legal representatives (whether or not assessed under a retainer or costs agreement in place between the Strong Group and its legal representatives) and other expenses incurred by the Strong Group in connection with a demand, action, arbitration or other proceeding (including mediation, compromise, out of court settlement or appeal);
- (48) **Manager** means the natural person specified in Item 5 of Schedule 1 (if any) or the person retained as Manager pursuant to clause 11.1;
- (49) **Marketing Fund** means the marketing fund established by Strong in accordance with clause 19.1 and any other marketing fund specified by Strong in writing;
- (50) **Marketing Contribution** means the amount calculated in accordance with Item 12(a) of Schedule 1;
- (51) **Membership Agreement** means the agreement and terms entered into by Customers pursuant to which they agree to purchase from the Franchisee any of the Approved Services or Approved Products;
- (52) **Merchandise** means all clothing, mugs, glassware and novelty and promotional items specified in the Brand Standards Manual or otherwise in writing by Strong to be offered for sale in the Business;
- (53) **Minimum Performance Criteria** means the criteria specified in Item 21 of Schedule 1 and as reviewed pursuant to clause 8.5;
- (54) **Month** means a calendar month;
- (55) **Network** means the international network of Strong Businesses;
- (56) **Network Name** means “Strong Pilates”;
- (57) **New Term** means the period set out in Item 18 of Schedule 1;
- (58) **New Term Fee** means the amount specified in Item 15 of Schedule 1;

- (59) **Nominated Supplier** means an Approved Supplier nominated by Strong to supply a particular product as specified in the Brand Standards Manual or otherwise in writing by Strong from time to time;
- (60) **Occupational Health and Safety Laws** means the applicable state or federal occupational health and safety legislation, laws or regulations in force in the jurisdiction in which the Business is operated;
- (61) **Opening Promotional Amount** means the amount specified in Item 16 of Schedule 1;
- (62) **Occupancy Right** means any right to occupy the Premises including as lessee, sublessee, licensee or as the holder of some other interest in the Premises conferring an enforceable right to use or occupy them;
- (63) **Permanent Incapacity** means death, or an inability to actively participate in the Business for a total of 60 days during any consecutive 12 Month period because of mental or physical infirmity;
- (64) **Premises** means the premises specified in Item 8 of Schedule 1 or any other premises approved by Strong as the premises from which the Business may be conducted;
- (65) **Premises Upgrade** means the works that need to be carried out to the Premises to fully incorporate the then current Image and specifications contained in the Brand Standards Manual and to comply with any laws and the requirements of any authority;
- (66) **Privacy Laws** any international, national, federal, provincial, state, or local law, code, rule or regulation that regulates the processing of Client Information in any way, including data protection laws such as EU General Data Protection Regulation 2016/679 (“GDPR”), the California Consumer Protection Act of 2018 and other similar laws, rules or regulations, laws regulating marketing communications and/or electronic communications such as the CAN-SPAM Act and “Do Not Call” laws rules and regulations, information security regulations, the most current Payment Card Industry Data Security Standard, ISO 27001, ISO 27002, and security breach notification rules;
- (67) **Quarter** means each consecutive period of 3 months during a Financial Year, the first of which commences on January 1st;
- (68) **Related Agreement** means any agreement between:
- (a) the Franchisee and Strong;
 - (b) the Franchisee and a Related Party of Strong;
 - (c) a Related Party of the Franchisee and Strong;
 - (d) a Related Party of the Franchisee and a Related Party of Strong;
 - (e) the Guarantor and Strong; or
 - (f) the Guarantor and a Related Party of Strong;
- including:
- (g) a franchise agreement for an Additional Business
 - (h) any agreement conferring an Occupancy Right;
 - (i) any agreement in connection with the supply of goods or services to the Franchisee or a Related Party of the Franchisee; and

- (j) any loan agreement, facility letter or document or agreement which reserves or creates any Security Interest to secure the obligations of the Franchisee Parties under this Agreement or any other agreement mentioned in this clause 1.1(68);
- (69) **Related Party** means, in relation to a Party:
- (a) where the Party is a body corporate, any director, shareholder, officer or employee of, or professional adviser to, that Party;
 - (b) any Spouse of, or relative to, to any of the persons set out in clauses 1.1(69)(a); and
 - (c) any Related Company of that Party.
- (70) **Related Company** is where in relation to one company:
- (a) the other company is its holding company or subsidiary; or
 - (b) more than half of the issued shares of the company, other than shares that carry no right to participate beyond a specified amount in distribution or either profits or capital, are held by the other company and companies related to that other company (whether directly or indirectly, but other than in a fiduciary capacity); or
 - (c) more than half of the issued shares, other than shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital, of each of them are held by members of the other (whether directly or indirectly, but other than in a fiduciary capacity); or
 - (d) the businesses of the companies have bene so carried on that the separate business of each company, or a substantial part of it, is not readily identifiable; or
 - (e) there is another company to which are related;
- (71) **Required Opening Date** means the date specified in Item 6 of Schedule 1;
- (72) **Restraint Area** means the geographical area specified in Item 20 of Schedule 1;
- (73) **Restraint Period** means the period of time specified in Item 19 of Schedule 1;
- (74) **Revenue** means the aggregate of prices charged or chargeable by the Franchisee and all other income and remuneration received or receivable by the Franchisee in the conduct of the Business and:
- (a) includes the proceeds of the Franchisee's business interruption insurance policy and any promotional fees, commissions or other income received from any suppliers of products or services; but
 - (b) excludes (i) the amount of any tax imposed by any federal, state, municipal or governmental authority directly on sales and collected from Customers if such tax is added to the selling price and actually paid by Franchisee to such governmental authority, and (ii) any sales credits such as the sale price of any products returned by Customers where cash or allowances have been refunded or made to the Customer;
- (75) **Rowformer Machine** means the specially designed Pilates bed that includes a in built rowing machine supplied by Strong Group;
- (76) **Security Interest** means any interest in or right over property which secures the payment of a debt or other monetary obligation or the compliance with any other obligation;

- (77) **Separation** means the taking of formal or permanent steps to dissolve a Spousal Relationship (including by the parties permanently ceasing to live together) as reasonably determined by Strong;
- (78) **Special Conditions** means the Special Conditions (if any) specified in Item 26 of Schedule 1;
- (79) **Spouses** means a couple in a marriage, common-law relationship or other similar relationship, as those terms are defined by law in the state in which the Strong Business is located and **Spousal Relationship** has a corresponding meaning;
- (80) **Strong Academy** means the two week training provided by Strong on the use of the System and operation of the Strong Business as relevant to their position within the Strong Franchise.
- (81) **Strong Academy Fee** means the fee specified in Item 24 of Schedule 1
- (82) **Strong Business** means a business operated pursuant to a Strong Franchise;
- (83) **Strong Franchise** means the right to operate a business using the System, Image, Trade Marks and other Intellectual Property;
- (84) **Strong Franchisee** means a franchisee who is part of the network of franchisees licensed to operate a Strong Business;
- (85) **Strong Group** means Strong and its Related Parties;
- (86) **Strong Social Media Sites** means any social media sites established or approved in writing by Strong, or any Strong Business operated by a Related Party of Strong, for the purpose of communication with prospective customers and Customers of the Network including Facebook, Instagram, Twitter, LinkedIn, blogs, wikis, online communities and social networking sites and/or applications nominated by Strong from time to time;
- (87) **Strong Software** means software developed by, or licensed to, a member of the Strong Group, which Strong authorises for use in the Business;
- (88) **Strong Terms of Trade** means the terms of trade upon which the Customers must purchase Approved Services from Strong via the Franchisee as specified in the Brand Standards Manual or otherwise in writing by Strong;
- (89) **System** means any 1 or more of the business formats, systems, methods, procedures, policies, operations, standards and controls upon the operation of Strong Businesses as specified in the Brand Standards Manual or otherwise in writing by Strong;
- (90) **Technology Fee** means a fee payable with respect to the Strong Software and other systems related to the development and operation of Strong Businesses, and may include a lead management system, TV technology, Intranet, Website and other software services. The Technology Fee is amount is set out in Item 13(a) of Schedule 1.
- (91) **Term** means the Initial Term and includes, where appropriate, any new term granted under clause 3.2 or holding over under clause 3.4;
- (92) **Territory** means the geographical area described in Annexure A;
- (93) **Trade Marks** means all trademarks, logos, business names and trade names owned or controlled under licence by Strong which Strong authorises for use in the Business including the trade marks set out in Item 9 of Schedule 1 which are registered, are subject to pending applications or are capable of being registered by any member of the Strong Group or over which any member of the Strong Group claims common law protection;

- (94) **Transaction Records** means complete details provided in the form specified by Strong from time to time, including in the Brand Standards Manual of all transactions between the Franchisee and Customers, the Franchisee and suppliers, the Franchisee and the federal, state and local taxing authorities in the United States of America in relation to applicable taxes and the Franchisee and Strong;
- (95) **Transfer Fee** means the fee specified in Item 14 of Schedule 1;
- (96) **Week** means 7 consecutive days, the first day being Tuesday and the last being the following Monday;
- (97) **Weekly Revenue** means the Revenue of the Business for each Week; and
- (98) **Worker** means an employee, contractor or subcontractor engaged by the Franchisee to work in the Business or to perform specific tasks on the Franchisee's behalf.

1.2 Interpretation

- (1) Reference to:
 - (a) one gender includes the others;
 - (b) the singular includes the plural and the plural includes the singular;
 - (c) a person includes a body corporate;
 - (d) a party includes the party's executors, administrators, successors and assigns;
 - (e) a law includes any common law and the requirements of any statute, rule, regulation, code, proclamation, ordinance or by-law, whether present or future;
 - (f) a statute, regulation or provision of a statute or regulation (**Statutory Provision**) includes:
 - (i) that Statutory Provision as amended or re-enacted;
 - (ii) a statute, regulation or provision enacted in replacement of that Statutory Provision; and
 - (iii) another regulation or other statutory instrument made or issued under that Statutory Provision;
 - (g) money is to United States dollars, unless otherwise stated;
 - (h) clauses, subclauses, paragraphs and schedules by number are to clauses, subclauses, paragraphs and schedules respectively so numbered in this Agreement;
 - (i) anything (including any amount) is to the whole and each part of it; and
 - (j) to a group of persons is to all of them collectively, to any 2 or more of them collectively and to each of them individually.
- (2) "Including" and similar expressions are not words of limitation.
- (3) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (4) Headings and the table of contents are for convenience only and do not form part of this Agreement or affect its interpretation.

- (5) A provision of this Agreement must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.
- (6) If an act must be done on a specified day, which is not a Business Day, it must be done instead on the next Business Day.
- (7) A reference to “**the end of the Franchise**” or “**the Franchise ending**” means the expiry by effluxion of time or sooner termination of the Franchise.

1.3 **Parties**

- (1) If a party consists of more than 1 person, this Agreement binds each of them separately and any 2 or more of them jointly.
- (2) An obligation, representation or warranty in favour of more than 1 person is for the benefit of them separately and jointly.

1.4 **Relationship of parties**

- (1) Nothing in this Agreement constitutes a partnership, joint venture, agency or other form of fiduciary relationship between the Franchisee and Strong.
- (2) Neither party has the power to bind any other party except as authorised by this Agreement.
- (3) The parties agree that the rights under this Agreement expressed to be for other members of the Strong Group are made and fully intended to confer a benefit on, and be legally enforceable by such parties, notwithstanding that such parties are not party to this Agreement.

2 Grant and purpose

2.1 **Grant and purpose**

- (1) Strong grants to the Franchisee and the Franchisee accepts, a Strong Franchise to establish and operate one (1) Strong Business from the Premises and within the Territory on the terms and conditions set out in this Agreement.
- (2) The purpose of this Agreement is to:
 - (a) set out the terms and conditions on which the Franchisee is to be granted the right to operate the Business using the Trade Marks, Image, System and Intellectual Property owned by Strong, and the duration of such rights;
 - (b) set out the requirements for the Franchisee’s operation of the Business and membership of the Network, and the Franchisee’s payment and other obligations;
 - (c) enable Strong to exercise certain control over the Franchisee’s use of the Trade Marks, Image, System and Intellectual Property and the operation of the Business generally to protect the value and integrity of such items and to help ensure a consistent customer experience throughout the Network; and
 - (d) generally describe the structure of the business relationship between Strong and the Franchisee over the Term, and where applicable at the expiration of the Term or termination of the Franchise Agreement.
- (3) The parties acknowledge that the purpose of this Agreement is not to create any employment, agency, partnership, fiduciary or other relationship other than a franchise relationship between independent business proprietors. The parties further

acknowledge that the purpose of this Agreement is not to provide the Franchisee with any guaranteed or projected income or return on investment, or any ongoing right to operate the Business after the Agreement ends.

- (4) The parties acknowledge and agree that no other purpose is intended or to be implied.

2.2 Protected Rights within Territory

- (1) Subject to the Franchisee complying at all times with its obligations under this Agreement, Strong must not during the Term operate, or grant any other person the right to operate, a Strong Business as a Strong Franchisee from premises located within the Territory.
- (2) The Franchisee acknowledges, despite clause 2.1(1) and regardless of the proximity to or competitive effect on the Business, that:
- (a) Strong or Strong Franchisees may:
- (i) conduct marketing within the Territory for the benefit of the Network or to enhance the value of the Trade Marks or the System, including any form of direct or indirect marketing via any media;
 - (ii) conduct marketing within the Territory for the purpose of soliciting business in respect of their respective Strong Business or Strong Businesses, including any form of direct or indirect marketing via any media;
 - (iii) sell, or authorise any other person to sell, the Approved Products via online platforms or via any other means other than a fixed retail location, or gym facility, to customers located within the Territory; and
 - (iv) promote, sell or distribute products (including the Approved Products) and services or grant to third parties the right to sell or distribute such products and services to persons located within and outside the Territory using any method of distribution, including online; and
- (b) Strong may operate and grant other persons the right to operate:
- (i) Strong Businesses from premises located at any location outside of the Territory; or
 - (ii) businesses from premises located at any location (including within the Territory) where such businesses operate under trademarks that are not the Trade Marks.
- (3) In the event that Strong and/or the Strong Group purchases, merges with, acquires, sells to or affiliates with a competitive or non-competitive network, chain or any other business then Strong and/or the Strong Group may without restriction:
- (a) operate, franchise or licence those businesses to operate using the Trade Marks and other Intellectual Property outside of the Territory; or
 - (b) operate, franchise or licence those businesses to operate under any other trademark wherever located, including within the Territory.

3 Term and continuation of Franchise

3.1 Term

The Franchise commences on the date of this Agreement as specified in Item 1 of Schedule 1 and continues for the Term unless it ends sooner in accordance with this Agreement.

3.2 Option for the New Term

Strong grants to the Franchisee a conditional option to enter into a new franchise agreement with Strong for the New Term (**Option**). The Franchisee may exercise the Option by giving Strong written notice to that effect not more than 9 Months and not less than 6 Months before the end of the Initial Term.

3.3 Conditions of exercise of New Term option

The Franchisee's Option is subject to each of the following conditions being satisfied:

- (1) at the date of giving the notice of the exercise of the Option and at the end of the Initial Term, there being no breach of this Agreement or any Related Agreement by the Franchisee or a Related Party of the Franchisee that has not been remedied;
- (2) the Franchisee having not been in breach of this Agreement or any Related Agreement (whether remedied or not) more than two (2) times in any 12 month period during the Initial Term;
- (3) the Franchisee having consistently met the Minimum Performance Criteria during the Initial Term;
- (4) the Franchisee paying to:
 - (a) the Strong Group, all amounts owed to the Strong Group by the Franchisee;
 - (b) its suppliers, all amounts owed to them by the Franchisee; and
 - (c) Strong, the New Term Fee and reimbursement of all reasonable Legal Costs and other costs and expenses incurred by Strong incident to the exercise of the New Term Option;
- (5) an Occupancy Right being secured for at least the duration of the New Term;
- (6) the Franchisee, the Guarantor and any Interested Party executing and returning to Strong:
 - (a) its then standard franchise agreement (which may contain different terms and conditions to those set out in this Agreement and excludes any options for further terms);
 - (b) any agreement documenting the Franchisee's Occupancy Right (on terms satisfactory to Strong); and
 - (c) all other documents required by Strong for the exercise of the New Term Option, including without limitation a release, in Strong's prescribed form, of any and all claims against Strong and its officers, directors, agents and employees, excepting any claims under an applicable franchise law statute that are not permitted to be waived or released under the statute;within 1 Month after Strong has delivered those documents to the Franchisee;
- (7) the Franchisee, the Manager and the key Workers / employees of the Franchisee nominated by Strong, at the Cost of the Franchisee, completing the then current Initial

Training Program, or any other training required by Strong, to the satisfaction of Strong;
and

- (8) if required by Strong, the Franchisee conducting a Premises Upgrade.

3.4 Continuation of Franchise

If Strong permits the Franchisee to continue operating the Business after the expiry of the Initial Term or any New Term then (but without prejudice to any other right or remedy of Strong):

- (1) the Franchisee must continue to operate the Business on a Monthly basis;
- (2) the Franchise continues on the same terms and conditions so far as applicable to a Monthly licence as are contained in this Agreement; and
- (3) the Monthly licence may be terminated without any cause or reason by either party giving to the other 1 Month's written notice which may expire on any day.

4 Strong's business obligations

4.1 System

Strong grants to the Franchisee the right to use the System in the operation of the Business.

4.2 Training and the Brand Standards Manual

- (1) Strong will assist the Franchisee to become familiar with the System by providing the:
 - (a) Initial Training Program to the first person appointed as the Manager in accordance with clause 10.1; and
 - (b) Franchisee with access to the Brand Standards Manual (on a temporary basis by way of loan) in accordance with clause 26.
- (2) Strong will provide any supplementary training considered necessary by Strong or reasonably requested by the Franchisee at any time, in accordance with clause 10.

4.3 Approved Products, Approved Services and Approved Suppliers

- (1) Strong will specify a list of:
 - (a) products that are Approved Products and Approved Services in accordance with clause 15; and
 - (b) suppliers that are Approved Suppliers in the Brand Standards Manual, as modified by Strong from time to time, which Approved Suppliers which may include or be limited to Strong or the Strong Group; and
- (2) Strong may from time to time specify a list of suppliers that are Nominated Suppliers in the Brand Standards Manual. Strong may be the sole Nominated Supplier for certain Approved Products and Approved Services.

4.4 Equipment

Strong will specify a list of Approved Equipment Suppliers in accordance with clause 18.8. Strong may be the sole supplier of Equipment.

4.5 **Marketing**

Strong will:

- (1) use its reasonable endeavours to promote the Network and develop and implement a structured marketing program; and
- (2) establish and administer the national Marketing Fund, in accordance with clause 19.1.

4.6 **Advise and assist the Franchisee**

Strong may provide advice and assistance to the Franchisee, including advice and guidance in relation to:

- (1) the acquisition of Approved Products and Equipment;
- (2) the use of the Strong Software;
- (3) Approved Suppliers and Nominated Suppliers;
- (4) Approved Equipment Suppliers;
- (5) new developments in products and equipment;
- (6) improvement of relationships with suppliers;
- (7) marketing techniques and customer relations;
- (8) the implementation of and compliance with the System in the conduct of the Business including general operating procedures for the Business; and
- (9) training programs.

5 Franchisee's payments and finance related obligations

5.1 **Franchise Fee**

The Franchisee must pay the Franchise Fee to Strong in accordance with the terms specified in Item 10(b) of Schedule 1.

5.2 **Franchise Royalty Fee**

The Franchisee must pay the Franchise Royalty Fee to Strong in accordance with the terms specified in Item 11(b) of Schedule 1.

5.3 **Technology Fee**

The Franchisee must pay the Technology Fee to Strong in accordance with the terms specified in Item 13 (b) of Schedule 1.

Strong may increase the Technology Fee by giving 60 days' notice to the Franchisee to reflect changes to the cost of providing the Technology to the Network.

5.4 **Strong Academy Fee**

The Franchisee must pay the Strong Academy Fee to Strong in accordance with the terms specified in Item 24 of Schedule 1.

Strong may increase the Strong Academy Fee by giving 60 days' notice to the Franchisee to reflect changes to the cost of providing the providing the Strong Academy to the Network.

5.5 Other payment obligations

The Franchisee must also:

- (1) pay the New Term Fee and the other Costs including Legal Costs relating to the exercise of the option for the New Term in accordance with clauses 3.3(4)(c), 3.3(7) and 3.3(8);
- (2) pay for training and seminars in accordance with clause 10.4;
- (3) pay for the approval, training and accreditation of the Manager in accordance with clause 11.2;
- (4) pay for training of its Workers in accordance with clause 11.4;
- (5) pay the Costs of:
 - (a) the Premises Fit Out in accordance with clause 14;
 - (b) any relocation of the Business in accordance with clause 13.3(2)(e);
 - (c) Premises Upgrade in accordance with clause 14.5;
- (6) pay for the Equipment in accordance with clause 18;
- (7) pay the Marketing Contribution to Strong in accordance with clause 19.3;
- (8) spend the Opening Promotional Amount in accordance with clause 19.7(1)(a);
- (9) pay for sales and promotional programs in accordance with clause 19.7(1)(b);
- (10) pay for the local marketing of the Business in accordance with clause 19.7(1)(c);
- (11) pay for insurance in accordance with clause 28;
- (12) pay the Transfer Fee prior to Strong approving a transfer of the Franchise under clause 32.3(2);
- (13) pay for all products in accordance with clause 16.4 and all other products and services supplied to the Franchisee by any supplier including Strong, by the due date for payment and in the manner specified by the supplier; and
- (14) make all other payments and pay all other charges in accordance with the terms of this Agreement and the Strong Terms of Trade.

5.6 Method of payment

- (1) With the exception of the Franchise Fee, the Franchisee must make all payments to Strong in respect of amounts owed by the Franchisee to Strong pursuant to this Agreement by means of direct debit into a bank account nominated by Strong and must, prior to commencing operation of the Business:
 - (a) nominate in writing to Strong a bank account from which Strong will direct debit the payments; and
 - (b) sign all necessary forms and consents, (including any pre-authorized payment or authorization forms required by Strong or its bankers, the current form of which is attached as Schedule 5 hereto), permitting the direct debit of funds from the bank account in the manner and on the dates specified in writing by Strong.
- (2) Strong may by notice in writing to the Franchisee specify a different date, time or method for payment of money from the date, time or method specified under this Agreement.

The Franchisee must comply with the new date, time or method for payment of money within 7 days after receipt of a written notice from Strong.

- (3) If payments will become due by the Franchisee to a Related Party of Strong (whether because the Related Party will grant the Franchisee an Occupancy Right for the Premises, or goods or services will be provided by the Related Party to the Franchisee, or for any other reason) the method of payment provided by clauses 5.6(1) and 5.6(2) must be followed in respect of the payment of those amounts to the Related Party, and the Franchisee must sign the necessary forms and consents as soon as it becomes apparent that payments will become due to the Related Party.

5.7 Interest

If the Franchisee fails to pay any amount to Strong, the Franchisee must pay interest on that amount at the Interest Rate, from the time the amount should have been paid until it is paid unless that amount is subject to a bona fide dispute in which case clause 37.2 shall apply. Interest accrues daily, may be capitalised by Strong and is payable on demand.

5.8 Costs

Without limitation to any other provisions of this Agreement, the Franchisee must pay, or reimburse Strong on demand for, all the Strong Group's Costs (including Legal Costs) in connection with or incidental to:

- (1) any default by the Franchisee or a Related Party of the Franchisee in observing or performing any of its obligations under this Agreement or any Related Agreement;
- (2) termination of this Agreement or any Related Agreement;
- (3) any variation of this Agreement or any Related Agreement;
- (4) a request for Strong's consent to the transfer of the Franchise or the sale of the Business, whether or not the transfer or sale is actually completed or the consent is granted; and
- (5) the contemplated, attempted or actual enforcement, preservation or exercise of any right under this Agreement or any Related Agreement including the obtaining by Strong of any advice or information as to its rights under this Agreement or any Related Agreement.

5.9 Franchisee must not withhold payment

- (1) The Franchisee must not for any reason withhold payment of any amount due to Strong. This applies even if the Franchisee alleges that Strong or a Related Party of Strong has not performed or is not performing an obligation imposed upon it under this Agreement or a Related Agreement.
- (2) Strong may accept any part payment without prejudice to its right to recover the balance due or to pursue any other remedy.

5.10 Application of payments

Strong may apply any payments made by the Franchisee against any past due indebtedness of the Franchisee as Strong may see fit.

5.11 Set off

Strong may set off against any payment due to the Franchisee by Strong, any unpaid debts (including contingent debts), of the Franchisee to any member of the Strong Group.

6 Taxes

6.1 Taxes on *Supply* made to Franchisee

Regardless of any other provision of this Agreement, if any taxes are imposed on any supply made to the Franchisee by Strong under or in accordance with this Agreement, the amount that the Franchisee must pay for the supply increases by the amount of the applicable taxes.

6.2 Taxes on *Supply* made to Strong

Regardless of any other provision of this Agreement, if any taxes are imposed on any supply made to Strong by the Franchisee under or in accordance with this Agreement, the amount which Strong must pay for the supply increases by the amount of the applicable taxes.

6.3 Tax Invoices

A party's right to payment under this Agreement for any taxable supply is subject to a valid invoice being delivered to the party liable to pay for the taxable supply.

6.4 Withholding Tax

In the event that any amount payable by Franchisee to Strong or any member of the Strong Group under this Agreement or any other agreement entered into pursuant to this Agreement is subject to withholding or other taxes that Franchisee is required to deduct from such payments, Franchisee shall be required to deduct such taxes and remit the same to the applicable governmental authorities. Within the time required by law, Franchisee must complete all forms prescribed by applicable governmental authorities in respect of taxes withheld or paid and provide copies thereof to Strong. Franchisee is responsible for and must indemnify and hold Strong and the members of Strong Group, their respective directors, officers, agents and employees harmless against any penalties, interest and expenses incurred by or assessed against Strong or any member of the Strong Group as a result of Franchisee's failure to withhold such taxes or to timely remit them to the appropriate taxing authority. Franchisee agrees to fully and promptly cooperate with Strong to provide any information or records Strong requests in connection with any application by Strong or the Strong Group to any taxing authority with respect to Franchisee.

7 Franchisee's business and other obligations

7.1 Obligations prior to commencement

The Franchisee must, on or before the Required Opening Date:

- (1) procure a federal tax ID number and generally establish the Business as required by law;
- (2) operate the Business only under the Business Name in accordance with clause 7.2;
- (3) complete the Initial Training Program in accordance with clause 10.1(1);
- (4) unless otherwise agreed with Strong, ensure that it has achieved any qualifications set out in the Brand Standards Manual; and
- (5) purchase from Strong Group the number of Rowformer Machines and Bikeformer Machines as required by Strong and pursuant to such agreements or other documents as may be required by Strong Group from time to time; or

7.2 Business Name registration

- (1) The Franchisee must at all times operate the Business under the company name of the Franchisee trading as the Business Name.

- (2) The Franchisee must not use or otherwise deal with the Business Name in any manner other than in accordance with clause 7.2(1). Without limiting the foregoing, the Franchisee must not at any time include or register, or attempt to include or register, the Business Name, the Network Name (or any other derivative of the Network Name), the words “STRONG”, “STRONG PILATES” or any of the Trade Marks or any similar words or Trade Marks within the company name of the Franchisee.

7.3 Rowformer Machines and Bikeformer Machines

- (1) The Franchisee must:
 - (a) purchase or lease from Strong Group the minimum and up to the maximum number of Rowformer Machines and Bikeformer Machines for use only at the Premises as required by Strong and specified in the Brand Standards Manual and pursuant to such agreement or other documents as may be required by Strong Group from time to time;
 - (b) perform, observe and comply with the terms, conditions and covenants of agreements relating to the Rowformer Machines and Bikeformer Machines, if any;
 - (c) be responsible for the delivery fees and process associated with the safe transportation of the Rowformer Machines and Bikeformer Machines to the Premises;
 - (d) abide by all instructions for the maintenance and care of the Rowformer Machines and Bikeformer Machines as specified in the Brand Standards Manual or any agreements or other documents signed in connection with the Franchisee’s use and/or purchase of the Rowformer Machines and Bikeformer Machines;
 - (e) immediately notify Strong in writing of any malfunction or non-performance of any kind whatsoever of the Rowformer Machines and Bikeformer Machines;
 - (f) undertake all actions necessary to assist Strong to fix any failure of the Rowformer Machines and Bikeformer Machines; and
 - (g) ensure that the Rowformer Machines and Bikeformer Machines remain at the Premises at all times and under the strict control of the Franchisee.

7.4 Obligations in conducting the Business

- (1) Without limiting any other of the Franchisee’s obligations under this Agreement, the Franchisee must:
 - (a) only conduct the Business at and from the Premises;
 - (b) conduct the Business strictly in accordance with the System and the Brand Standards;
 - (c) comply with the terms of any Related Agreement;
 - (d) comply with the terms of any agreements or documents related to the Rowformer Machines and Bikeformer Machines;
 - (e) participate or obtain membership with any industry associations required by Strong in the Brand Standards Manual;
 - (f) achieve the Minimum Performance Criteria in accordance with clause 8;
 - (g) attend meetings and conferences in accordance with clause 9.3;

- (h) complete the Initial Training Program and any supplemental training and attend seminars in accordance with clause 10.3;
 - (i) appoint and train a manager and employ sufficient number of staff to operate the Business;
 - (j) ensure that the Guarantor of the Franchisee (if different from the Manager) is actively involved in the day-to-day operation of the Business and contactable by Strong at all reasonable times;
 - (k) in the conduct of the Business, only sell the Approved Products and Approved Services in accordance with clause 15.2;
 - (l) acquire Approved Products in accordance with clause 16;
 - (m) participate in promotional and marketing activities conducted by Strong in accordance with clause 19.7;
 - (n) comply with all laws and the requirements of any authority in the conduct of the Business, including obtaining and maintaining all necessary accreditations, permits, licenses and approvals required to operate the Business;
 - (o) conduct the Business during the Business Hours, subject to any applicable laws or Occupancy Rights; and
 - (p) on all stationery, business cards, order forms and signage used by the Franchisee in the conduct of the Business, indicate in the manner prescribed by Strong in the Brand Standards Manual or otherwise that the Franchisee is an independent proprietor of the Business which is conducted under franchise from Strong.
- (2) Franchisor and Franchisee are not joint employers of Franchisee's employees and other personnel. Franchisor does not and will not share or codetermine any of Franchisee's employees' essential terms and conditions of employment. More specifically, in no case does Franchisor have any authority to determine or set Franchisee's employees': (1) wages, benefits, and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. Franchisee alone has sole authority to determine any or all Franchisee's employees' essential terms and conditions of employment.

7.5 Appropriate conduct and reputation of Strong

- (1) The Franchisee Parties must:
 - (a) not do or be involved in anything that may impair or prejudicially affect the reputation or goodwill of Strong or the Image before or after the end of the Franchise;
 - (b) not be convicted of or charged with a criminal offence during the Term; and
 - (c) be honest, fair and frank in all of their dealings with Strong, other members of the Network, Customers and potential Customers and suppliers.
- (2) The Franchisee must:
 - (a) conduct the Business in accordance with all applicable laws, and otherwise in accordance with good business practice and with reasonable care and skill; and

- (b) give and ensure that its Workers give prompt, courteous and efficient service to all Customers and in its dealings with Customers, suppliers and the public, adhere and ensure that its Workers adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct.

7.6 Use of Image

The Franchisee must:

- (1) use the Business Name and the Trade Marks on the Franchisee's stationery for the Business (including business cards, packaging, invoice and receipt books, labels and advertising and marketing literature) in the manner required by Strong;
- (2) at its Cost, place or display both inside and outside the Premises all signs, logos and display materials required by Strong;
- (3) not display any other signs, logos or display materials without first obtaining Strong's written approval;
- (4) not do or be involved in anything which may impair or prejudicially affect the reputation or goodwill of Strong, the System or the Image before or after the end of the Franchise; and
- (5) if it decides to use a vehicle to advertise the Business, at its Cost, place or display signs, logos or other display materials on the vehicle only after obtaining the prior written approval of Strong and using the Image in accordance with the Brand Standards Manual.

7.7 Supervision of the Business

The Business must at all times be under direct, on-premises supervision of either:

- (1) the Manager; or
- (2) a Worker that is an employee of the Franchisee who has completed the Initial Training Program and been approved by Strong as a supervisor in writing.

7.8 Financial and credit facilities

The Franchisee must:

- (1) only participate in credit and credit card systems that are approved by Strong and comply with Strong's credit policy;
- (2) comply with Strong's credit policy; and
- (3) comply with all relevant laws and industry codes in respect of financial dealings with Customers, including those relating to the remittance of membership fees by Customers through a process by which the Franchisee directly debits a Customer's bank account or other credit facility.

7.9 Customer membership

- (1) The Franchisee must procure that each Customer signs a Membership Agreement in a form specified by Strong.
- (2) In procuring that each Customer signs a Membership Agreement, the Franchisee must comply with all relevant laws and industry codes.

7.10 Satisfy Customer complaints

- (1) The Franchisee must inform Strong in writing of, and promptly act to redress, all Customer complaints at the Franchisee's Cost and in accordance with any relevant provision set out in the Brand Standards Manual.
- (2) If the Franchisee fails to redress a Customer complaint within 7 Business Days, Strong may attempt to redress the complaint. The Franchisee must pay the Costs incurred by Strong in attempting to redress the complaint.
- (3) If Strong acts to redress a Customer complaint due to the failure of the Franchisee to satisfactorily redress the complaint, the Franchisee must pay the reasonable Costs incurred by Strong in attempting to redress the complaint.

7.11 Warranties, representations, statements

The Franchisee must not:

- (1) make any representations or statements or give any warranties about Strong, the Network or the System unless specifically authorised by this Agreement or by Strong in writing;
- (2) make any representations or statements or give any warranties in connection with the supply of products (other than warranties or consumer guarantees implied by law, if any) in the conduct of the Business unless expressly authorised by Strong, or the supplier or manufacturer of the product, and in accordance with the applicable terms of supply; or
- (3) be misleading or deceptive in any way in its dealings with any person in the conduct of the Business.

7.12 Information and disclosure obligations

The Franchisee must:

- (1) fully disclose to Strong all information concerning the Business as Strong may reasonably require;
- (2) give to Strong all information which the Franchisee receives which may be of use or benefit to Strong in developing and maintaining the Network and the System; and
- (3) refer to Strong all enquires relating to the Network which the Franchisee receives from any person which is supplying or considering supplying products or services which might compete with products or services supplied via the Network.

8 Minimum Performance Criteria

8.1 Achieve Minimum Performance Criteria

The Franchisee must achieve the Minimum Performance Criteria, which the Franchisee accepts are minimum criteria that the Franchisee must perform and not targets or objectives.

8.2 Failure to achieve Minimum Performance Criteria

- (1) If the Franchisee fails to achieve the Minimum Performance Criteria for any Assessment Period the Franchisee and Manager must attend a meeting held by Strong, at the Franchisee's Cost, to discuss the performance of the Business.
- (2) The Franchisee must at that meeting, provide Strong with a written explanation for the failure to achieve the Minimum Performance Criteria, if requested to do so by Strong.

- (3) The Franchisee must, if requested by Strong, set out specific strategies or actions to be taken to address the failure which are acceptable to Strong.

8.3 Training attendance

If Strong considers that the Franchisee has failed to achieve the Minimum Performance Criteria for reasons within the control of the Franchisee, Strong may require any or all of the Franchisee, the Manager and the Franchisee's Workers to undertake additional training, at the Franchisee's Cost.

8.4 Further failure by Franchisee

If the Franchisee fails to:

- (1) attend a meeting with Strong in accordance with clause 8.2;
- (2) attend and complete or procure that its Manager or Workers or both attend and complete to the satisfaction of Strong additional training required by Strong under clause 8.3;
- (3) implement any agreed strategy or action resulting from the meeting referred to in clause 8.2; or
- (4) meet the Minimum Performance Criteria within 6 Months of:
 - (a) attending a meeting with Strong in accordance with clause 8.2; or
 - (b) the Franchisee, the Manager and the Franchisee's Workers completing additional training, as required under clause 8.3;

then:

- (5) the Franchisee must, within 3 Months after the date upon which Strong notifies the Franchisee that it has failed to meet 1 or more of its obligations under this clause 8.4 (**Notice Date**), sell the Business in accordance with the procedure set out in clause 32; and
- (6) Strong may terminate this Agreement and the Franchise in accordance with clause 33.2.

8.5 Strong to review Minimum Performance Criteria

Strong may review and set a new Minimum Performance Criteria on the second anniversary of the Actual Opening Date and on each subsequent anniversary during the Term, in accordance with the formula specified in Item 23 of Schedule 1. Strong may introduce additional criteria, including for example, customer satisfaction targets, sales, membership numbers or type and loyalty scheme targets.

9 Meetings and conferences

9.1 Strong may convene meetings and conferences

- (1) Strong may convene meetings of and conferences for Strong Franchisees or groups of Strong Franchisees whenever Strong considers it necessary or appropriate.
- (2) The location, agenda, duration and all procedures and formats of each meeting and conference will be determined by Strong.

9.2 Notice of meetings and conferences

Strong must give the Franchisee reasonable notice of meetings and conferences, which need not be more than 10 days.

9.3 **Attendance at meetings and conferences**

The Franchisee or the Manager must, at the Franchisee's Cost, attend meetings and conferences, which may be anywhere within The United States of America.

10 **Training and seminars**

10.1 **Strong to provide training**

- (1) Strong will, prior to the Required Opening Date, provide the Manager and other Workers of the Franchisee with the Initial Training Program in the administration and conduct of the Business. All Workers must undertake training provided by Strong on the use of the System and operation of the Strong Business as relevant to their positions within the Strong Franchise.
- (2) Strong will, at a time and in the manner that Strong considers necessary, provide the Workers nominated by Strong with the Strong Academy.

10.2 **Strong may convene seminars**

Strong may convene seminars for Strong Franchisees, the Manager and Workers of Strong Franchisees nominated by Strong whenever Strong reasonably considers it necessary or appropriate.

10.3 **Complete training and attend seminars**

The Franchisee, the Manager and such of the Franchisee's Workers as Strong considers necessary to enable the Franchisee to efficiently operate the Business must:

- (1) complete the Initial Training Program to the satisfaction of Strong;
- (2) attend supplementary training and seminars at the locations (which may take place outside of The United States of America) and times and for the duration reasonably required by Strong.

if in Strong's opinion, acting reasonably, the Franchisee's or Manager's participation in the Initial Training Program discloses the Franchisee's, its designated trainees or the Manager's inability to adequately manage and operate the Business after being provided with a reasonable opportunity to rectify any deficiencies or incompetencies to the satisfaction of Strong, Strong may terminate this Agreement. In the event of such termination, Strong shall refund to the Franchisee one-half (1/2) of the Franchise Fee which shall be the only amount(s) to be refunded or paid Strong to the Franchisee. Provided that as a condition of any such refund the Franchisee shall have first delivered to Strong a release of Strong, its directors and officers, their affiliates and the directors and officers thereof, to the extent permitted by applicable law (but excepting any claims under an applicable franchise law statute (if any) that cannot be released), from all obligations under this Agreement of any such persons, in a form satisfactory to Strong.

Any such of the Franchisee's Workers as Strong considers necessary to enable the Franchisee to efficiently operate the Business must, at a time and in the manner Strong considers necessary:

- (1) complete the Strong Academy to the satisfaction of Strong; and
- (2) attend supplementary training and seminars at the locations and times and for the duration reasonably required by Strong.

10.4 **Fees and Costs**

The Franchisee must:

- (1) pay to Strong in advance the fees prescribed by Strong for providing any training supplementary to the Initial Training Program requested by the Franchisee, or required by Strong to be undertaken by the Franchisee, the Manager or any of the Franchisee's Workers;
- (2) pay to Strong in advance the fees prescribed by Strong for providing any seminars; and
- (3) pay all Costs of the Franchisee, the Manager or any of the Franchisee's Workers attending any seminars and training (including the Initial Training Program) including travel, accommodation and meal expenses.

11 **Manager and Workers**

11.1 **Appointment of Manager**

The Franchisee must:

- (1) appoint as Manager of the Business the person specified in Item 5 of Schedule 1 or another person of equivalent training, skill, experience and good reputation approved by Strong in writing;
- (2) ensure that the Manager:
 - (a) devotes their time and effort exclusively to the management and conduct of the Business.

11.2 **Approval and training of Manager**

The Franchisee must at its own Cost, ensure that the Manager:

- (1) attends and completes the Initial Training Program, Strong Academy, and any other training program required by Strong under clause 10 to the satisfaction of Strong prior to commencing management of the Business; and
- (2) obtains any accreditations specified by Strong as being necessary to operate the Business in accordance with the System and the Brand Standards, and any other accreditations required by law or any authority.

11.3 **Sufficient Workers**

The Franchisee must employ a sufficient number of Workers to properly and efficiently carry on the Business.

11.4 **Training of Workers**

The Franchisee must at its own Cost:

- (1) train each of its Workers in the operation of a Strong Business in accordance with the specifications and procedures specified in the Brand Standards Manual or otherwise specified or approved by Strong from time to time; and
- (2) ensure the attendance of any Worker at any the Strong Academy and any other training required by Strong under clause 10 to the satisfaction of Strong.

11.5 **Uniforms or attire**

The Franchisee must ensure that each person working in the Business wears a uniform or other attire which complies with the specifications contained in the Brand Standards Manual.

11.6 **Franchisee's Manager and Workers**

All Managers and Workers shall not in any way be deemed employees of Strong and all shall be under the exclusive order, direction, care and control of the Franchisee. The Franchisee shall be solely responsible for hiring and discharging Managers and Workers of the Business, and setting their wages and terms of employment. All employment related documents, including, without limitation, employment applications, schedules, job descriptions and pay checks, must clearly identify the Franchisee, and not Strong, as the employer.

The Franchisee must comply with all municipal, state and federal laws and regulations relating to employees, including without limitation, those relating to workers compensation, privacy and Occupational Health and Safety laws.

The Franchisee indemnifies Strong in respect of any fine, penalty or other charge imposed on Strong as a result of clause 11.6 or any non-compliance by Strong with its statutory obligations in connection with the Franchisee's Workers or the Manager as determined by a relevant authority.

12 Reinvestment

12.1 **Obligation to reinvest**

The Franchisee must continually improve the décor, fit out, exterior appearance, product offerings and overall standards of the Business and Customer experience by complying with Strong's reinvestment criteria specified in the Brand Standards Manual.

12.2 **Minimum reinvestment requirements**

Without limiting the Franchisee's obligations under clause 12.1 or any other clause of this Agreement, the Franchisee must:

- (1) upgrade the Premises in accordance with clause 14.5;
- (2) install, use, change and upgrade communication systems as required under clause 18.1 and Hardware and Software as required under clause 18.2;
- (3) purchase new Equipment as required under clause 18.3;
- (4) maintain, repair and replace Equipment as required under clauses 18.6 and 18.7; and
- (5) participate in the trial and implementation of new initiatives as reasonably required by Strong from time to time.

13 The Premises

13.1 **Franchisee satisfied with Premises**

- (1) The Franchisee confirms the accuracy of the Premises described in Item 8 of Schedule 1 and acknowledges that it has absolutely and unconditionally satisfied itself, as a result of these enquiries and its due diligence, as to the suitability of the Premises and the location of the Premises for the conduct of the Business;
- (2) If no premises are specified in Item 8 of Schedule 1 as at the date of execution of this Agreement the Franchisee must, prior to the Required Opening Date, confirm in writing its approval of the Premises subsequently located by Strong or the Franchisee (and

inserted by Strong in Item 8 of Schedule 1 pursuant to clause 41.3) and acknowledge that it has met the requirements specified in clause 13.1(1).

- (3) If at the date of execution of this Agreement, a location for the Premises has not been obtained in accordance with this Agreement, the Franchisee will use reasonable best efforts to find a suitable location for the Premises acceptable to Strong, within an area designated by Strong. Once determined, Strong shall be permitted to complete Item 8 of Schedule 1 hereto.
- (4) If within a period of nine (9) months following the execution of this Agreement, a suitable location has not been found and a lease for an Occupancy Right has not been signed by the Franchisee or Strong in accordance with this clause 13 then, until such time as the Franchisee or Strong has entered into such a lease and secured an Occupancy Right in accordance with this clause 13, either party shall have the continuing option to terminate this Agreement by giving twenty one (21) days' notice of termination to the other party. If such notice of termination is given in accordance with this paragraph, then unless a suitable location has been found and the Franchisee or Strong has entered into the lease before the expiry of the notice period, this Agreement shall terminate in accordance with its terms.
- (5) Upon any termination of this Agreement in accordance with clause 13.1(4), the Franchisee shall deliver to Strong, its directors, officers and shareholders, such releases (but excepting any claims under an applicable franchise law statute (if any) that are not permitted to be waived or released under that statute), and other documents as may be required by Strong. Upon compliance with the foregoing, Strong agrees to refund to the Franchisee one-half (1/2) of the Franchise Fee, less all of the Strong's out of pocket expenses associated with the granting and execution of this Agreement, including, without limitation, legal, accounting, administrative costs and fees which shall be the only amount to be refunded or paid by Strong to the Franchisee.
- (6) The Franchisee acknowledges that any assistance (including site selection, lease negotiation and project oversight) provided or required by Strong or its nominee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Business is likely to achieve any level of volume, profit or success. Strong does not represent that it has any special expertise in selecting sites or negotiating lease arrangements. The Franchisee hereby agrees that Strong's assistance in regard to selection, negotiation or approval or disapproval of a proposed site or lease arrangement does not impose any liability on Strong.

13.2 Franchisee to hold Occupancy Right

- (1) The Franchisee must:
 - (a) subject to its relocation rights under clause 13.3, hold an Occupancy Right in accordance with this clause 13 at all times during the Term;
 - (b) if required by Strong, obtain an Occupancy Right by way of a lease;
 - (c) not execute any document conferring, or which would on acceptance confer, any Occupancy Right without first obtaining Strong's written approval to the terms of that document, which approval may not be unreasonably withheld.
- (2) Strong may withhold its approval under clause 13.2(1)(c) if the document does not give Strong or its nominee an enforceable right to require an assignment of the Occupancy Right at the end of the Franchise.
- (3) The Franchisee acknowledges that:
 - (a) Strong may elect to obtain for itself or a nominee, an Occupancy Right;

- (b) no Occupancy Rights are created by this Agreement; and
- (c) if a member of the Strong Group holds a leasehold interest in the Premises, it may exercise its rights under the document conferring this interest, and is not obliged to exercise any right of renewal.

13.3 Relocation of Premises

- (1) If the Franchisee's Occupancy Right is terminated or expires, the Franchisee must relocate the Business in accordance with this clause 13.3.
- (2) The Franchisee may relocate the Business to other premises within the Territory if all of the following conditions are satisfied within 60 days after the date that the Occupancy Right is terminated or expires:
 - (a) Strong is of the opinion that the relocation does not adversely affect any existing Strong Business or any other competing business owned by any member of the Strong Group;
 - (b) an Occupancy Right acceptable to Strong is secured in accordance with this clause 13;
 - (c) the new Premises are located within reasonable proximity to the original Premises;
 - (d) the Premises are fitted out at the Franchisee's Cost to conform to the then prevailing Image and otherwise in accordance with clause 14;
 - (e) the Franchisee pays to Strong all of Strong's Costs (including legal fees and time spent by its Workers) in connection with the relocation;
 - (f) Strong and its Related Parties are released by the owner or lessor (if any) from all of their obligations actual or contingent (if any) to the owner of the original Premises and the owner of the original Premises releases any security held; and
 - (g) the Franchisee is released from all of its obligations (if any) to the owner or lessor (if any) of the original Premises.
- (3) If the requirements set out in clause 13.3(2) are not satisfied within the required time frame, Strong may immediately terminate this Agreement by written notice to the Franchisee in accordance with clause 33.2.

14 Fit Out of Premises

14.1 Obligation to conduct Fit Out

- (1) The Franchisee must, at its own cost and risk, complete a Fit Out:
 - (a) on or prior to the Required Opening Date, or as otherwise agreed by Strong in writing;
 - (b) on or prior to the Business commencing operation at relocated premises pursuant to clause 13.3;
 - (c) as required as part of a Premises Upgrade in accordance with clause 14.5; or
 - (d) as required under clause 23.5(1)(e) or any other provision of this Agreement.

- (2) The Franchisee must obtain all necessary approvals from any authority or person to undertake the Fit Out regardless of whether Strong or the Franchisee actually conducts the Fit Out.

14.2 **Fit Out by Franchisee**

- (1) The Franchisee must engage an Approved Fit Out Contractor to conduct the Fit Out.
- (2) The Franchisee must submit to Strong and have approved:
 - (a) correctly dimensioned plans for the Fit Out (including all necessary detail to show existing and proposed features); and
 - (b) a timetable for construction;prior to the commencement of any Fit Out works.
- (3) The Franchisee must ensure that the Approved Fit Out Contractor conducts the Fit Out:
 - (a) diligently and in a workmanlike manner;
 - (b) using good quality materials that are new and fit for their intended purpose; and
 - (c) in accordance with:
 - (i) the plans approved by Strong;
 - (ii) all laws; and
 - (iii) all reasonable directions of Strong.
- (4) The Franchisee must:
 - (a) at both the half way point and at the conclusion of the Fit Out, obtain Strong's approval of the workmanship and quality of the Fit Out and adherence to the plans approved by Strong;
 - (b) rectify at the Franchisee's Cost any part of the Fit Out that does not receive Strong's approval;
 - (c) ensure that the Fit Out is conducted expeditiously, and within the construction timetable approved by Strong under clause 14.2(2)(b);
 - (d) pay all the Costs of the Fit Out and any rectification works under clause 14.2(4)(b) directly to the Approved Fit Out Contractor and the suppliers of the Equipment; and
 - (e) pay to Strong on demand the reasonable Costs incurred by Strong in relation to the Fit Out (including payments made by Strong to consultants and agents retained to assist Strong review the Fit Out plans and the workmanship and quality of the Fit Out under this clause 14.2).

14.3 **Approved Fit Out Contractors**

- (1) Strong:
 - (a) May, but is not obligated to, specify a list of shop-fitters that are Approved Fit Out Contractors; and
 - (b) may at any time by written notice to the Franchisee add a shop-fitter to or remove a shop-fitter from the list of Approved Fit Out Contractors.

- (2) If the Franchisee wishes to engage a shop-fitter that is not an Approved Fit Out Contractor to conduct a Fit Out, the Franchisee must first obtain written consent to do so from Strong.
- (3) Strong will not unreasonably withhold its consent to engage a shop-fitter that is not an Approved Fit-Out Contractor if the Franchisee:
 - (a) gives to Strong written notice of the name and address of the proposed alternative shop-fitter and the key terms on which the shop-fitter will conduct the Fit Out (including the price to be charged to complete the Fit Out); and
 - (b) satisfies Strong that the shop-fitter is reputable and responsible, and has the necessary business experience, insurance cover and capabilities to conduct the Fit Out.

14.4 Limitation of liability on Fit Out

The Franchisee agrees and acknowledges, in relation to a Fit Out conducted by, the Franchisee, that Strong is not responsible for the acts or omissions of any person involved in the Fit Out (including retail designers, architects, consultants, contractors, tradesmen or employees) even if engaged or recommended by Strong.

14.5 Premises Upgrade

- (1) Subject to clause 14.5(3), the Franchisee must complete a Premises Upgrade at the Cost and risk of the Franchisee within 2 Months after receiving a notice from Strong to do so.
- (2) The Premises Upgrade must be conducted in accordance with this clause 14, which means that Strong may elect to conduct the Premises Upgrade on behalf of the Franchisee in accordance with clause 14.2.
- (3) The Franchisee must obtain or procure all necessary consents, approvals and permissions required to complete the Premises Upgrade, including any that may be required under an Occupancy Right.
- (4) Nothing in clause 14.5(1) requires the Franchisee to undertake a Premises Upgrade during the last 12 Months of the Initial Term except in accordance with clause 3.3(8).
- (5) If the Franchisee defaults in its obligations under clause 14.5(1) and fails to remedy that default within 21 days after receiving a notice from Strong to do so, then without prejudice to any other right or remedy that Strong has:
 - (a) Strong may enter the Premises and remedy the default; and
 - (b) the Franchisee must pay the Costs incurred by Strong in remedying the default on demand.

15 Approved Products, classification and sale

15.1 List of Approved Products

- (1) Strong will specify a list of products that are Approved Products.
- (2) Strong may at any time by written notice to the Franchisee, add a product to or remove a product from the list of Approved Products.

15.2 Franchisee's obligations

The Franchisee must:

- (1) offer for sale in the Business the complete range of Approved Products; and
- (2) not offer, sell or supply any products which are not Approved Products, unless the Franchisee first obtains Strong's written consent to do so.

15.3 Stock levels

The Franchisee must maintain in stock an inventory of Approved Products that will enable the Franchisee to efficiently and profitably operate the Business and meet customer demand.

15.4 Retail sales only

The Franchisee may only operate the Business at the retail level and must not, in connection with the Business, sell any product or service other than at the retail level.

15.5 Withdrawal of products

- (1) Strong may at any time require the Franchisee to withdraw from supply in the Business, any Approved Product or any other product or service, which in Strong's reasonable opinion:
 - (a) does not conform or no longer conforms with the standards, quality controls and specifications for products or services to be supplied in a Strong Business;
 - (b) does not conform or no longer conforms with the range of products or services to be supplied in a Strong Business; or
 - (c) is, or may be, a health or safety risk.
- (2) The Franchisee must immediately withdraw any products from sale or services or supply when required to do so by Strong under clause 15.5(1).

16 Acquisition of Approved Products

16.1 Purchase of Approved Products

- (1) The Franchisee must purchase all Approved Products from Strong on the Strong Terms of Trade.
- (2) If Strong is unable to supply a particular Approved Product within a reasonable period of time of receiving the Franchisee's written order, the Franchisee may purchase that particular product from an alternative supplier designated or approved by Strong, provided the product to be supplied meets the quality criteria set out in clause 16.2 and only for so long as Strong is unable to supply that product.

16.2 Quality control

Any product to be supplied by the Franchisee that is not an Approved Product must be:

- (1) at least equal in quality to the product it substitutes;
- (2) suitable for the purpose for which it is intended; and
- (3) consistent with, and not prejudicial to, the Image or the Brand Standards.

16.3 **Acknowledgment by Franchisee**

The Franchisee acknowledges that the provisions of this clause 16 are reasonable and are necessary to maintain strict quality control in respect of the supply of all products in the Network.

16.4 **Payment for Approved Products**

The Franchisee must pay for all products purchased for use or supply in the Business by the due date for payment and in the manner specified by Strong or the supplier.

16.5 **Details of suppliers**

If requested by Strong, the Franchisee must provide Strong with an accurate list of names, addresses and contact details of all suppliers to the Franchisee.

16.6 **Default by Franchisee**

If the Franchisee is in default of its obligations under this Agreement or any Related Agreement and that default entitles Strong to terminate this Agreement, Strong may:

- (1) refuse to supply; or
- (2) supply only on cash on delivery terms;

any Approved Products and any other products or services it usually supplies to the Franchisee and, if this occurs, nothing in this Agreement entitles the Franchisee to obtain substitute products or services from another supplier.

17 Prices and rebates

17.1 **Price of Approved Products**

- (1) Strong may:
 - (a) recommend the retail prices of Approved Products; and
 - (b) set minimum and maximum prices for the Franchisee's sale or supply of Approved Products having regard to the Franchisee's Costs in supplying those things.
- (2) Nothing in clause 17.1(1)(a) imposes any obligation on the Franchisee to accept Strong's recommendations or guidance as to retail prices.
- (3) Subject to clause 17.1(1)(b) the Franchisee may determine the retail prices of Approved Products for sale in the Business.

17.2 **Rebates**

- (1) The Franchisee acknowledges that in the event that any cash rebates, mark ups, volume discounts, concessions, advertising allowances, or discount bonuses (collectively **Discounts**), whether by way of cash, kind or credit, are available to or received by Strong from any third party, whether or not on account of purchases made (i) by Strong, a Related Party of Strong, and/or their respective affiliates for their own account or for the account of the Franchisee or franchisees generally, or (ii) by the Franchisee directly for its own account, Strong and/or the Related Party of Strong and/or their affiliates shall be entitled to retain the whole of the amount or any part of such Discounts.
- (2) The Franchisee acknowledges and agrees that Strong and/or any Related Party of Strong and/or their affiliates have the right to realize a profit on any goods or services that Strong and/or the Related Party of Strong and/or their affiliates supply to the Franchisee.

18 Equipment

18.1 Telephone and communications systems

- (1) The Franchisee must at its Cost:
 - (a) install and use in the Business telephone and other communications systems (including point of sale hardware and software) specified by Strong for:
 - (i) the operation of the Business; and
 - (ii) the provision of information and the preparation and production of reports which the Franchisee is required to give to Strong;
 - (b) train its Workers, in the manner specified by Strong, in the use of telephone and communication systems;
 - (c) change or upgrade any telephone and communications systems used in the Business which Strong considers are obsolete or superseded, including installation of new telephone and communication systems specified by Strong; and
 - (d) ensure that all telephone and communications systems are secure from unauthorised access or use.
- (2) The Franchisee:
 - (a) must pay on time all charges payable to any telecommunications service provider or to any other person in connection with the use of these systems;
 - (b) must change, substitute or discontinue the use of any communications number when requested by Strong; and
 - (c) agrees that any communications number used by it in connection with a communications system is the property of Strong as the number can be identified with the Network.
- (3) Strong may require the Franchisee, at any time, to execute a transfer of any communications number to be held by Strong in escrow until the end of the Franchise.

18.2 Computer systems

- (1) The Franchisee must at its Cost:
 - (a) install and use in the Business computer hardware and software (**Hardware and Software**) which satisfy the functionality and specification requirements specified by Strong for the operation of a Strong Business, the provision of information and the preparation and production of any reports which the Franchisee is required to give to Strong;
 - (b) pay the Technology Fee and acquire and maintain software licences and warranties (to a level specified by Strong) in respect of the Hardware and Software and pay on time all licence and warranty fees;
 - (c) train its Workers, in the manner specified by Strong, in the use of the Hardware and Software;
 - (d) change or upgrade any Hardware or Software used in the Business which Strong considers is obsolete or superseded, including installation of new Hardware or Software which satisfies the then current functionality and specification requirements of Strong;

- (e) ensure that all Hardware and Software is secure from unauthorised access or use, and complies with Strong's security requirements set out in the Brand Standards Manual;
 - (f) operate the Business using a high-speed internet connection as required by the Brand Standards Manual.
- (2) For the purposes of clause 18.2(1) Strong may, at any time during the Term, require the Franchisee to purchase, hire or licence Hardware and Software specified by Strong directly from Strong or a supplier approved or nominated by Strong.
 - (3) The Franchisee must let Strong have access, to the extent and in any manner reasonably required by Strong, to the Franchisee's Hardware and Software and to all information that is stored in it including by any instantaneous means of telecommunication or internet protocol.
 - (4) The Franchisee must, and must ensure that its Workers, comply with the information technology policy set out in the Brand Standards Manual.
 - (5) The Franchisee must acquire, install and use the accounting software specified in the Brand Standards Manual.
 - (6) The Franchisee must acquire, install and use any software or applications developed or implemented by Strong (**Application**) to operate the Business as set out in the Brand Standards Manual from time to time.
 - (7) The Franchisee must participate in programs and/or adhere to any then current policies or specifications Strong develops, maintains or requires from time to time with respect to the use of Artificial Intelligence in connection with the development and operation of Strong Businesses generally or the Strong Business.

18.3 **Purchase or lease of Equipment specified in Brand Standards Manual**

The Franchisee must:

- (1) purchase or lease each item of the Equipment listed in the Brand Standards Manual prior to the Required Opening Date;
- (2) purchase or lease any item of Equipment subsequently listed in the Brand Standards Manual, or specified in writing by Strong to the Franchisee, within 14 days; and
- (3) reimburse Strong for the Cost of any Equipment supplied by Strong as part of the Fit Out.

18.4 **Purchase or lease of equipment not specified in Brand Standards Manual**

If the Franchisee wishes to purchase or lease a piece of equipment for use in the Business and that piece of equipment is not specified in the Brand Standards Manual, the Franchisee must:

- (1) provide to Strong the details of that piece of equipment and the means by which the Franchisee intends to acquire it; and
- (2) only acquire the equipment after it has received the written consent of Strong which consent must not be unreasonably withheld.

18.5 **Specifications of the Equipment**

Each item of Equipment must be new unless Strong consents in writing to the purchase of a second-hand item of Equipment, which consent must not be unreasonably withheld.

18.6 Maintenance of the Equipment

The Franchisee must:

- (1) maintain each item of Equipment as specified in the Brand Standards Manual; and
- (2) ensure that each Worker of the Franchisee is adequately trained in the use and maintenance of each item of Equipment.

18.7 Replacement of the Equipment

The Franchisee must replace each item of Equipment with a similar item of equipment when:

- (1) reasonably required in writing by Strong to do so; or
- (2) it is prudent for the safe and proper operation of the Business to do so.

18.8 Approved Equipment Suppliers

- (1) Strong will specify a list of suppliers who are Approved Equipment Suppliers, which may include or be limited to Strong or the Strong Group.
- (2) The Franchisee must obtain Equipment only from Strong or an Approved Equipment Supplier unless Strong first gives the Franchisee written approval to obtain the Equipment from an alternative supplier in accordance with clause 18.9.
- (3) Strong may at any time, by written notice to the Franchisee, add a supplier to or remove a supplier from the list of Approved Equipment Suppliers.

18.9 Lease and hire purchase agreement

The Franchisee must:

- (1) if required by Strong, inform Strong of every lease, hire purchase or finance agreement and any other private or commercial agreement which the Franchisee proposes to enter into as part of or in the course of the Business or which may impact upon the Franchisee's ability to profitably operate the Business and make copies of the contracts or agreements available for inspection by Strong if Strong requires; and
- (2) perform and observe the terms, conditions and covenants of any lease, hire purchase, finance or other commercial agreement which the Franchisee enters into.

19 Marketing

19.1 Establishment of Marketing Fund

Strong has established and operates a fund known as the Marketing Fund. Strong will administer the Marketing Fund in accordance with this clause 19 and account through it for the Marketing Contribution and marketing levies paid by other Strong Franchisees.

19.2 Use of Marketing Fund

- (1) The Franchisee agrees that Strong may use the Marketing Fund to pay the Costs of the following, without limitation:
 - (a) developing and conducting advertising and promotional campaigns, as determined by Strong in its discretion, including customer database development and management;
 - (b) conducting research including research in relation to products, technology and customers;

- (c) developing public relations, customer and supply relations, including the Customer Loyalty Program and public relations campaigns to protect and enhance the goodwill attaching to the Intellectual Property and the Network;
 - (d) engaging advertising agencies and marketing and public relations consultants;
 - (e) updating, upgrading, modifying and replacing the Strong Software and any other technology, and extracting and analysing information generated by the Strong Software;
 - (f) co-ordinating the activities set out in this clause 19.2 and administering the Marketing Fund, including reasonable overhead and administrative Costs, and the Costs of materials, Workers' remuneration and printing;
 - (g) payment of accountancy, legal and other fees in respect of audits of the records of the Marketing Fund, and any other activities undertaken by the Marketing Fund;
 - (h) any Costs associated with establishing, maintaining, upgrading and updating the Strong Social Media Sites;
 - (i) the development, operation, upgrade and maintenance of any software, hardware or other technology associated with using television screens or other interactive hardware in the studios to assist instructors facilitating classes and to enhance the exercise experience for Customers;
 - (j) the establishment of new technology in the form of programs, software, equipment or applications to assist franchisees to increase customer engagement;
 - (k) the continued development of technology by Strong which includes the implementation of new exercises and equipment; and
 - (l) any other legitimate purpose as referred to in the Brand Standards Manual from time to time.
- (2) Subject to clause 19.2(1) Strong may determine in its discretion how the Marketing Fund is spent.

19.3 Franchisee to contribute to Marketing Fund

Franchisee must contribute to the Marketing Fund by paying to Strong the Marketing Contribution in accordance with the terms specified in Item 12 of Schedule 1.

19.4 Franchisee's acknowledgments

The Franchisee acknowledges and agrees that:

- (1) Strong need not expend the total contributions to the Marketing Fund in the Financial Year in which those contributions are received;
- (2) Strong may accumulate a reserve if Strong thinks that this is appropriate;
- (3) Strong may make loans to the Marketing Fund bearing reasonable interest to cover any deficits of the Marketing Fund and cause the Marketing Fund to invest any surplus for future use by the Marketing Fund;
- (4) at the end of the Franchise the Franchisee is not entitled to any of the money held in the Marketing Fund;
- (5) Strong may administer the Marketing Fund in the manner it considers appropriate;

- (6) The Marketing Fund is intended to maximize general public recognition and patronage of the Strong Businesses and Strong undertakes no obligation in administering the Marketing Fund to ensure that any particular franchisee, including the Franchisee, benefits directly or pro-rata from the placement of conduct of such advertising and promotion;
- (7) Strong is not required to spend any proportion of the money in the Marketing Fund in any particular location, including exclusively within the United States of America, or in respect of any particular Strong Business;
- (8) Strong will have the right to co-mingle funds to create one or more Marketing Funds or other funds for one or more systems, and/or to allocate a portion of the Marketing Fund to regional advertising co-operatives administer by one or more groups of franchisees, without prior notice to the Franchisee; and
- (9) If requested by Franchisee, Strong will prepare and provide to Franchisee annual financial statements of the Marketing Fund's receipts and expenses.

19.5 **Strong Marketing Fund wound up**

Strong may wind up the Marketing Fund at any time during the Term, and in its absolute discretion, after payment of all Costs authorised by clause 19.2 and the Costs of winding up:

- (1) establish a new Marketing Fund to be operated by Strong and transfer all or part of the balance of the original Marketing Fund to the new Marketing Fund;
- (2) use all or part of the balance of the Marketing Fund in accordance with clause 19.2; or
- (3) distribute all or part of the balance of the Marketing Fund between all Strong Franchisees and the Strong Group having regard to the amounts contributed by each Strong Franchisee and the Strong Group, including amounts contributed by the Strong Group in respect of company owned businesses conducted using the Trade Marks, the Image, the System and other Intellectual Property.

19.6 **Marketing by Strong**

Strong may conduct any marketing or promotional activity in relation to the Business and the Network in its discretion.

19.7 **Franchisee's marketing obligations**

- (1) In addition to contributing to the Marketing Fund, the Franchisee must:
 - (a) spend the Opening Promotional Amount on promoting the Business in the manner and at the times specified in writing by Strong or obtain the prior written approval of Strong to undertake its own opening and pre-launch marketing;
 - (b) participate in all promotional activities and market research programs as reasonably required by Strong at the Cost of the Franchisee; and
 - (c) market and promote the Business locally at its Cost.
- (2) Before the Franchisee undertakes any marketing or promotional activity under clause 19.7(1)(c) the Franchisee must obtain Strong's written approval to the proposed activity. The approval will not be unreasonably withheld if the activity complies with the standards and procedures set out in the Brand Standards Manual.
- (3) The Franchisee must ensure that all marketing and promotional activities are not in any way misleading or deceptive and conform to all applicable laws and advertising standards, and to the highest standards of ethical marketing and to the policies prescribed by Strong.

19.8 Local area marketing by the Franchisee

The Franchisee must:

- (1) market and promote the Business and the Approved Services:
 - (a) strictly in accordance with the standards and procedures set out in the Brand Standards Manual or otherwise prescribed by Strong;
 - (b) prepare a marketing plan in a form reasonably required by Strong in the Brand Standards Manual on each anniversary of the Actual Opening Date of the Term and submit this plan for Strong's prior approval (**Marketing Plan**);
 - (c) spend a minimum of 1.5% of their Revenue per Month on local area marketing (**Local Marketing Spend**);
 - (d) report to Strong in relation to how the Local Marketing Spend has been utilised and the correlation between the Franchisee's success in the Business and the Local Marketing Spending and Marketing Plan; and
 - (e) use Strong or its Affiliates as the approved marketing agency if directed by Strong.
- (2) when requested by Strong, provide evidence that such marketing has taken place; and
- (3) not conduct any direct marketing in respect of the Business or the Approved Services in close proximity of another Strong Franchise without the prior written consent of Strong.

19.9 Customer Loyalty Program

- (1) Strong may, in its discretion, establish and operate a Customer Loyalty Program from time to time.
- (2) The Franchisee must participate fully in any Customer Loyalty Program which Strong decides to establish and implement, on the terms set out in the Brand Standards Manual from time to time.
- (3) The Franchisee must purchase from Strong the cards, application forms and other materials for use in connection with the Customer Loyalty Program prior to the Actual Opening Date and as and when required in the operation of the Business in accordance with the Brand Standards Manual.
- (4) Strong may, in its discretion, by written notice to the Franchisee at any time:
 - (a) vary the terms of the Customer Loyalty Program; or
 - (b) withdraw from supply the cards, application forms and other materials for use in connection with the Customer Loyalty Program.

19.10 Strong Merchandise

Strong may require that the Franchisee purchase Strong branded merchandise from Approved Suppliers. Strong reserves the right to charge fees on the sale of such approved merchandise, including without limitation, Franchise Royalty Fees or a Marketing Contribution.

20 Franchisee's reporting obligations

20.1 Bookkeeping Service

- 1) Strong may, but is not obliged to, appoint a third party to offer bookkeeping and accounting services for Strong Businesses ("**Bookkeeping Services**").

- 2) Where the Bookkeeping Services are offered, the Franchisee must use the Bookkeeping Services.
- 3) The Franchisee acknowledges and agrees that where the Bookkeeping Services are provided to the Franchisee, the Franchisee must comply with any terms and conditions for Bookkeeping Services that apply and must pay the Costs of the Bookkeeping Services.
- 4) Strong may, upon written notice to the Franchisee, cease to require the use of the Bookkeeping Services.

20.2 Franchisee to maintain records

The Franchisee must:

- (1) keep at the Premises complete Transaction Records, accurate and up to date business records and books of account conforming to accepted accounting practices;
- (2) maintain bookkeeping, accounting, inventory control, charts of accounts and statistical records and systems which conform to Strong's reasonable requirements;
- (3) keep all these records for at least 7 years (or if a longer period is required by applicable law, such longer period) after they are created;
- (4) provide reasonable access to the accounting system to Strong; and
- (5) agree to participate in anonymous benchmarking.

20.3 Failure by Franchisee to maintain adequate records

- (1) If the Franchisee does not maintain records and systems in accordance with clause 20.2:
 - (a) Strong may provide services and systems it considers necessary for the Business or engage a suitably qualified 3rd party to provide these services on Strong's behalf;
 - (b) the Franchisee must provide Strong with all data and documents requested by Strong for this purpose; and
 - (c) Strong may prepare financial reports and statements for the Business based upon data and documents provided by the Franchisee.
- (2) The Franchisee must pay to Strong upon demand the Costs incurred by Strong in:
 - (a) providing the services and systems; and
 - (b) preparing the financial reports;in accordance with clause 20.3(1), including a reasonable charge for its overhead and administrative expenses.

20.4 Reporting requirements

- (1) The Franchisee must give to Strong in the manner and the form from time to time specified by Strong:
 - (a) within 14 Business Day the end of each Quarter:
 - (i) Transaction Records; and

- (ii) all other reports as set out in the Brand Standards Manual or otherwise specified in writing by Strong;
 - (iii) a detailed profit and loss statement for that Quarter;
 - (iv) a report of all Customer Information collected in connection with the Customer Loyalty Program for that Quarter; and
 - (v) a report of all local area marketing conducted during that Quarter;
- (b) by 30 September after the end of each Financial Year, detailed financial statements for the Business for that Financial Year including a balance sheet, a profit and loss statement and a source and application of funds statement prepared by the Franchisee's accountant who is a Chartered Accountant certifying that the contents are true and correct and are a fair and accurate view of the Business;
 - (c) within a reasonable time after a request by Strong, any other information, reports, sales slips, invoices, bank statements, order forms, records, calculations and indices Strong reasonably requires; and
 - (d) upon request by Strong, a verbal analysis of any reports, statements or other financial information provided or requested under this clause 20.4.
- (2) The Franchisee warrants that all reports submitted under clause 20.4(1) are complete and accurate.
 - (3) If requested by Strong, the Franchisee must use the Strong Software to comply with its obligations under clause 20.4(1).

20.5 **Inventory by the Franchisee**

Strong may reasonably require the Franchisee to conduct inventory review of the Business at its Cost and provide the results of same to Strong within a reasonable time after a request by Strong.

20.6 **Inspection of records and inventory review by Strong**

- (1) Strong may at any time during Business Hours:
 - (a) inspect all business and financial records of the Business; and
 - (b) conduct a review of inventory of the Business.
- (2) For the purposes of the inspection or the inventory review, Strong may enter the Premises and, at its Cost:
 - (a) remove records so that they can be examined and photocopied. Any records removed must be returned promptly;
 - (b) interview and survey the Franchisee's Workers, Customers and inspect the Business generally; and
 - (c) access the computer and information systems as required.
- (3) The Franchisee must fully co-operate with Strong during any inspection or review of inventory under this clause 20.5.

20.7 Strong may appoint auditor

- (1) Strong may at any time during Business Hours audit the Business and the reports, financial statements, books, Transaction Records and other records of the Business. Strong may appoint an auditor to conduct the audit on its behalf.
- (2) The Franchisee must fully co-operate with the reasonable requirements of Strong and the auditor.
- (3) If the audit discloses that the Franchisee has understated the Revenue for any period:
 - (a) the Franchisee must pay to Strong the amount payable in respect of the understatement together with interest on that amount at the Interest Rate calculated from the date the amount should have been paid until payment; and
 - (b) if the Revenue has been understated by more than 3%, the Franchisee must, in addition, pay the Costs of the audit on demand.
- (4) The auditor's report is final and binding on the parties.

20.8 Collection statement and consent

- (1) Strong may collect information (**Information**) obtained by it under this clause 20 or through the Franchisee's Hardware or Software, for the purposes of controlling, administrating and promoting the Network. Information that Strong collects may be disclosed to:
 - (a) current and prospective Strong Franchisees;
 - (b) persons engaged by Strong to assist in the recruitment of Strong Franchisees;
 - (c) persons who provide administrative or other services to Strong, including Strong's professional advisers;
 - (d) parties granting Strong or a Related Party of Strong an Occupancy Right;
 - (e) current and prospective financiers and lenders of Strong; and
 - (f) on a confidential basis, parties proposing to acquire:
 - (i) the Network or other assets of Strong or the Strong Group; or
 - (ii) an interest in Strong or a Related Party of Strong.
- (2) The Franchisee consents to the use and disclosure of the Information in the manner detailed in clause 20.8(1). The Franchisee acknowledges that its consent extends to any Information that is "personal information" for the purposes of the Privacy Laws.
- (3) To the extent that the Franchisee is entitled pursuant to the Privacy Laws, the Franchisee may request access to information held by Strong about the Franchisee by making a written request to Strong.
- (4) The Franchisee agrees that all Information is and will be owned exclusively by Strong, and that Strong will have the right to access, download and use that Information in any manner that Strong deems appropriate without compensation to the Franchisee.

21 Solvency and Security Interests

21.1 Occurrence of Insolvency Event

An Insolvency Event constitutes a breach by the Franchisee Parties of their obligations under this Agreement.

21.2 Security Interest

To secure payment and performance of any and all obligations from time to time owing by the Franchisee to Strong or the Strong Group, including payment of any amount owing by the Franchisee to Strong or Strong Group in respect of goods and services from time to time purchased by the Franchisee, the Franchisee and the Guarantor covenant and agree to provide from time to time, on request by Strong, a security interest or interests by a security agreement, substantially in the form attached hereto as Schedule 4 in such of the inventory, equipment, leasehold improvements and other assets of Business and in such amount or amounts and upon such terms as Strong, in its absolute discretion, determines advisable. Failure to provide such security within ten (10) days following the receipt by the Franchisee or Guarantor of a written request therefor, specifying the nature and extent of the security required, shall be deemed to be a default under this Agreement.

21.3 Costs and expenses

The Franchisee must pay all Costs (including government imposts) connected with the negotiation, preparation, execution and registration of any security agreement or perfected security interest in such of the inventory, equipment, leasehold improvements and other assets of Business.

22 Customer database

22.1 Customer and Workers information

- (1) The Franchisee must comply with the Privacy Laws, all other applicable laws and Strong's privacy policy, when collecting, storing, disclosing or using, in any manner, any information, including from Customers, prospective Customers and the Franchisee's Workers.
- (2) The Franchisee must obtain all the necessary consents from individuals providing information to the Franchisee to enable the Franchisee to fully comply with its obligations under clause 20 and this clause 22.

22.2 Provide Customer details to Strong

Subject to at all times complying with its obligations under the Privacy Laws and any other applicable law, the Franchisee must:

- (1) collect the information from Customers specified in the Brand Standards Manual or otherwise in writing by Strong;
- (2) collect Customer Information only in the manner specified in the Brand Standards Manual or otherwise in writing by Strong;
- (3) not store or keep Customer Information in the form of a Customer database; and
- (4) provide Strong with all Customer Information, in the form specified by Strong, at the end of each Month or within 24 hours after receiving a request from Strong.

22.3 Customers are property of Strong

All Customer Information is and remains the sole property of Strong.

22.4 Customer database

- (1) Strong may establish and maintain a Customer database to store Customer Information and the Franchisee must record all Customer information within this database.
- (2) Any Customer database is the sole property of Strong and the Franchisee cannot use this database for any other purpose than as required for the effective operation of the Business in accordance with this Agreement.

23 Intellectual Property

23.1 Use of Intellectual Property

The Franchisee must:

- (1) subject to clauses 23.4 and 7.1(2), not register or seek to register any of the Intellectual Property;
- (2) not cause any of the Intellectual Property to be prejudicially affected or contested;
- (3) use the Intellectual Property only in the manner prescribed by Strong;
- (4) not make any alterations to the Intellectual Property;
- (5) not interfere with or inhibit the authorised use of the Intellectual Property by any other Strong Franchisee;
- (6) advise Strong immediately of any infringement, potential infringement or challenge of the rights of Strong in the Intellectual Property by a third party, and take and assist the taking of all reasonable action as may be directed by Strong to stop or prevent further infringement; and
- (7) subject to clause 7.1(2), not use the Trade Marks or the Network Name (or any trademarks or names substantially identical with or deceptively similar to Trade Marks or the Network Name) as or within any corporate name, business name, trade mark, domain name or otherwise.

23.2 Strong's Intellectual Property

The Franchisee acknowledges that, notwithstanding any other provision of this Agreement:

- (1) all rights in and relating to the Intellectual Property are and remain the property or under the control of a member of the Strong Group; and
- (2) the Franchisee does not acquire any right, title or interest in any of the Intellectual Property.

23.3 Trade Marks

- (1) The Franchisee must:
 - (a) when using Trade Marks, clearly indicate in an appropriate location that the Franchisee uses the Trade Marks as an independent business owner and operator and under licence from Strong, including affixing in a conspicuous location in or upon the Premises, a sign containing the following notice:

"This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark "STRONG", which trademark is owned by Strong Pilates IP Pty Ltd.";

- (b) stop using the Trade Marks at the end of the Franchise and thereafter not use or procure or assist any third party to use the Trade Marks (or any trade marks substantially identical with or deceptively similar to the Trade Marks); and
 - (c) not contest or oppose or assist any other person to contest or oppose any application for registration or any registration of the Trade Marks as trademarks or as business, company or domain names.
- (2) The Franchisee must not transfer the licence to use the Trade Marks granted to it without first obtaining the written consent of Strong, which consent Strong may withhold in its discretion.

23.4 Assignment of intellectual property in Franchisee's Improvements

- (1) If any Franchisee's Improvements are developed by or on behalf of the Franchisee during the Term, in respect of which the Franchisee obtains any intellectual property rights, the Franchisee assigns all of the Franchisee's rights to and intellectual property in the Franchisee's Improvements to Strong or its nominee as and when the intellectual property rights are created, free of all encumbrances.
- (2) If the Franchisee's rights to or intellectual property rights in the Franchisee's Improvements are not capable of assignment to Strong, the Franchisee grants to Strong or its nominee as and when the intellectual property rights are created an exclusive, worldwide, royalty free, fully assignable perpetual licence in respect of the Franchisee's Improvements, which may only be terminated by Strong, for Strong to use the Franchisee's Improvements and grant others the right to use the Franchisee's Improvements.
- (3) If Strong wishes to register the intellectual property rights in any of the Franchisee's Improvements and the Franchisee is the owner, or a necessary applicant for that registration, the Franchisee must immediately upon the request by Strong apply in the Franchisee's own name for registration and then sign all documents and deeds, perform all acts and do all things necessary to assign that registration or application to Strong or its nominee.
 - (a) If the Franchisee is the author of the Franchisee's Improvements for the purposes of applicable copyright legislation (**Author**), the Franchisee hereby waives all moral rights, or if the Franchisee is not the Author, procure from the Author, for the benefit of Strong or its nominee and any further assignee, licensee or successor in title of any of the Improvements or copyright in any of the Improvements, a waiver of all moral rights.

23.5 Modification of names and Trade Marks

- (1) If Strong notifies the Franchisee that it wishes to:
 - (a) modify or discontinue the use of any of the Trade Marks, the Business Name or the Network Name or use 1 or more additional or substitute trademarks; or
 - (b) modify the corporate colours, trade dress, decor, uniform specifications, any part of the Image and any other design, appearance and operation attributes of Strong Businesses;

the Franchisee must immediately comply with that notice at its own Cost and:

- (c) use the modified, additional or substitute trademarks, corporate colours, trade dress, decor, uniforms, designs, appearances or attributes in accordance with the terms of this Agreement;
- (d) cease to use any trade marks, corporate colours, trade dress, decor, uniforms, designs, appearances or attributes declared by Strong to be obsolete; and

- (e) undertake all reasonable refurbishments, fit outs, reprints and modifications to the Premises, Equipment, letterhead, business cards, stationery and uniforms as are reasonably required by Strong.
- (2) Strong is not liable to the Franchisee or any other person for any loss, Cost or damage arising from any change under this clause 23.5.

23.6 Rights to goodwill

Notwithstanding any other provision of this Agreement, the Franchisee agrees that all the goodwill and other rights and interests arising from the Franchisee's use of the Business Name (or any other derivative of the Network Name), the Trade Marks, the Image and the System belong to Strong or a Related Party of Strong.

24 Confidential Information

24.1 Information is derived from and owned by Strong

- (1) The Franchisee acknowledges that its knowledge of the operation, promotion and organisation of the Business, the System and the Network including products and services, marketing information, know-how and technology is entirely derived from the Confidential Information.
- (2) The Guarantor acknowledges that it may, due to its relationship with Strong, gain knowledge of the Confidential Information.
- (3) The Franchisee Parties acknowledge and agree that the Confidential Information:
 - (a) is provided or has been obtained under an obligation of strict confidence to Strong; and
 - (b) comprises trade secrets of Strong or Related Parties of Strong and is Strong's property or the property of a Related Party of Strong, even if part of it has been developed by the Franchisee.

24.2 Franchisee Parties must keep Confidential Information secret

Other than as may be required by law, the Franchisee Parties must not:

- (1) before or after the end of the Franchise use any Confidential Information other than to the extent necessary for the conduct of the Business or disclose any Confidential Information to any person other than to Workers of the Franchisee to the extent necessary for the conduct of the Business;
- (2) after the end of the Franchise or after a transfer of the Franchise by the Franchisee, use or disclose any part of the Confidential Information; and
- (3) For the avoidance of doubt, the Franchisee is not precluded by this Agreement from contacting or otherwise engaging with governmental authorities regarding the franchise. However, if/when The Franchisee receives a valid legal order or is otherwise required by applicable laws to disclose any of Strong's Confidential Information to any governmental agency or court, The Franchisee should promptly notify Strong in writing regarding such receipt of the request and provide a copy of the request and all relevant information regarding the request as it pertains to Strong's Confidential Information, including any specific required date for dissemination. Before complying with the request, subject to any specific disclosure deadline in the request, The Franchisee should provide Strong at least 14 days' time to review the request and, at Strong's election and cost, permit Strong to seek a protective order or other remedy with the requesting party. The Franchisee must provide Strong with reasonable assistance with any such action Strong elects to undertake. If Strong elects not to contest the request or if Strong is unsuccessful with its efforts and the Franchisee remains legally compelled

to make such disclosure, then the Franchisee may do so, but the Franchisee should: (a) only disclose that portion of the Confidential Information that it is required to disclose; (b) use reasonable efforts to ensure that such Confidential Information is afforded confidential treatment; and (c) concurrently provide Strong a copy of all information provided to the governmental authority.

24.3 Manager, directors, shareholders, agents and Workers must maintain confidentiality

The Franchisee must:

- (1) ensure that the Manager and all of its directors, shareholders, agents, Workers, employees and any Interested Party who will receive or who will have access to Confidential Information, execute all documents in a form approved by Strong, including a confidentiality agreement, before they receive or are granted access to any of the Confidential Information by which the Manager, directors, shareholders, agents and Workers are bound to maintain confidentiality in respect of the Confidential Information in the same manner and to the same extent as the Franchisee is bound by this Agreement;
- (2) use its best endeavours to cause its Manager and all of its directors, shareholders, agents, Workers and any Interested Party who receive or have access to Confidential Information to observe all of the Franchisee's obligations and undertakings contained in this clause 24; and
- (3) implement proper systems and procedures as may be necessary and as are required by Strong to maintain the confidentiality of the Confidential Information.

25 Internet and e-commerce

25.1 Conduct of business on the Internet

- (1) The Franchisee must not, without the prior written consent of Strong, conduct business or advertise for business on the Internet.
- (2) Strong may conduct business and advertise for business on the Internet.
- (3) Strong may offer for sale products and services via the Internet and Strong is not liable to the Franchisee for any money or benefits received by Strong or any of its Related Parties in connection with the sales.
- (4) The Franchisee must co-operate with Strong in its conduct of business on the Internet including by:
 - (a) advertising the domain name specified by Strong on the shopfront of the Premises, other locations in the Premises, and on all of the Franchisee's letterhead, business cards, invoices, statements and carry bags;
 - (b) accepting gift vouchers, returns and exchanges from customers who have made purchases of products and services via the Internet; and
 - (c) fulfilling orders for products from customers who have placed orders via the Internet.

25.2 Use of the Internet

The Franchisee must:

- (1) obtain Strong's prior written approval to any email address it uses in connection with the Business and, if necessary, change the email address;

- (2) acknowledge at all times that ownership and control of Strong's web sites and domain names remain with Strong or a Related Party of Strong;
- (3) not alter or allow to be altered the structure or layout of any of Strong's web sites;
- (4) not publish the Trade Marks or any information or material on the Internet or World Wide Web concerning the Business, the Premises, the Brand Standards Manual, the Image or any other Intellectual Property of the Strong Group without the prior written consent of Strong; and
- (5) not interfere in the use of any of Strong's web sites by Strong, any Related Party of Strong or by any other person.

25.3 **Registration of domain names**

The Franchisee must not register as a domain name the Network Name, any of the Trade Marks or any words comprising the Network Name or the Trade Marks or any words or names similar to the Network Name or the Trade Marks including the Business Name.

25.4 **Social media**

Strong or a Related Party of Strong may establish Strong Social Media Sites for use in the System, in which case:

- (1) Strong or a Related Party of Strong will have sole rights to and interest in the Strong Social Media Sites;
- (2) Strong or a Related Party of Strong will at all times:
 - (a) be the owner of and have full control over the Strong Social Media Sites; and
 - (b) have discretion regarding the content of the Strong Social Media Sites;
- (3) the Franchisee acknowledges that it will not acquire any right to, title or interest in the Strong Social Media Sites;
- (4) the Franchisee must:
 - (a) obtain Strong's prior consent before publishing any statement, comment or other material whatsoever on the Strong Social Media Sites in connection with the Business, Network, Approved Products and/or Approved Services;
 - (b) establish and use the Franchisee Social Media Sites subject always to any guidelines for such usage established by Strong and set out in the Brand Standards Manual from time to time;
 - (c) in any dealings with the Strong Social Media Sites or Franchisee Social Media Sites, comply at all times with Strong's relevant policies set out in the Brand Standards Manual or as otherwise specified in writing by Strong;
 - (d) not be involved in any way in the publication of any statement, comment or other material whatsoever on any social media sites in connection with the Business, Network, Approved Products and/or Approved Services, except as authorised under this Agreement, the Brand Standards Manual or as otherwise specified by Strong in writing;
 - (e) only advertise and promote the Strong Social Media Sites and the Franchisee Social Media Sites to prospective Customers and Customers and not advertise or promote any other social media sites in the Business except with Strong's prior written consent (which may be given or withdrawn at Strong's discretion); and

- (f) display the details of the Strong Social Media Sites and the Franchisee Social Media Sites as set out in the Brand Standards Manual or as otherwise specified by Strong in writing (e.g. on its stationery); and
 - (g) when using Instagram, the Franchisee must use the @STRONG handle and follow any other guidelines specified in the Brand Standards Manual when using Instagram to promote the Business.
- (5) the costs associated with establishing, maintaining, upgrading and updating the Strong Social Media Sites may be paid from the Marketing Fund.

26 Brand Standards Manual

26.1 Supply of Brand Standards Manual

Strong must supply or make available, either in hard copy or electronically, a copy of the Brand Standards Manual to the Franchisee by way of loan.

26.2 Franchisee must comply with Brand Standards Manual

- (1) The Franchisee must operate the Business strictly in accordance with the provisions of the Brand Standards Manual.
- (2) If the Brand Standards Manual is inconsistent with the terms of this document, the terms of this document prevail to the extent of the inconsistency.

26.3 Changes to Brand Standards Manual

- (1) Strong may add to, delete or otherwise modify the specifications, Brand Standards, operating procedures, systems, instructions and any other information set out in the Brand Standards Manual by giving written notice to the Franchisee of the change (including by updating any electronic version of the Brand Standards Manual).
- (2) A change takes effect and forms part of the Brand Standards Manual 7 days after it is notified to the Franchisee.
- (3) The Franchisee must at its Cost adopt, in the conduct of the Business, all changes to the Brand Standards Manual.

26.4 Franchisee must keep Brand Standards Manual secure

The Franchisee must:

- (1) keep the Brand Standards Manual in a safe and secure place;
- (2) not make any copies of the Brand Standards Manual; and
- (3) immediately on demand and at the end of the Franchise:
 - (a) return to Strong (or destroy) all hard copies of the Brand Standards Manual, including superseded, replaced or outdated copies; and
 - (b) delete all electronic copies of the Brand Standards Manual wherever stored.

27 Protection of Strong's goodwill

27.1 Restraints reasonable

The Franchisee Parties acknowledge and agree that:

- (1) Strong or a Related Party of Strong has considerable and recognised goodwill in the conduct of its business of developing and promoting the System and the Network;
- (2) Strong or a Related Party of Strong is entitled to protect that goodwill for its own benefit and the benefit of all Strong Franchisees by restricting the Franchisee's ability and the Guarantor's ability to damage that goodwill by competing with Strong or any Strong Franchisee; and
- (3) each of the restraints imposed upon the Franchisee Parties under clause 27.2 is fair and reasonable and is no greater than is reasonably necessary to protect this goodwill.

27.2 No other business interests

The Franchisee Parties jointly and severally agree with Strong that neither the Franchisee nor any Guarantor will:

- (1) during the Term finance, invest in or have a financial interest in any business other than the Business or an Additional Business without the prior written consent of Strong; or
- (2) during the Restraint Period, directly or indirectly do any of the following things:
 - (a) within the Restraint Area engage or be concerned or interested in any business that:
 - (i) supplies the Rowformer Machines and Bikeformer Machines or any type of exercise class utilising the Rowformer Machines and Bikeformer Machines; or
 - (ii) could be reasonably regarded as a market competitor of the Network or any Strong Business; or
 - (b) canvass or solicit with a view to supplying any product or service the same as or similar to those at any time supplied in the conduct of the Business, any person who is or has been in the 12 Months before the end of the Franchise a Customer of the Business or a customer of any other Strong Business.

27.3 Restraint applies to conduct of Franchisee in any capacity

The agreement by the Franchisee Parties in clause 27.2 applies to any of them acting:

- (1) either alone or in partnership or association with another person;
- (2) as principal, agent, representative, director, officer, employee or financier;
- (3) as member, shareholder, debenture holder, note holder or holder of any other security;
- (4) as trustee of or as a consultant or adviser to any person; or
- (5) in any other capacity.

27.4 Acceptable conduct

Nothing in this clause 27 prevents the Franchisee or any Guarantor from:

- (1) owning less than 5%, by value, of securities in a listed corporation;

- (2) engaging or being concerned or interested in the Business in accordance with this Agreement; or
- (3) engaging or being concerned or interested in an Additional Business.

28 Insurance

28.1 Insurance Policies

The Franchisee must prior to the Required Opening Date take out and during the Term maintain in full force and effect at its Cost, the Insurance Policies:

- (1) with reputable insurers and on terms and conditions acceptable to Strong;
- (2) naming Strong as additional insured; and
- (3) including a provision that Strong must receive at least 1 Month's prior written notice of the termination or cancellation of an Insurance Policy.

28.2 Proof of policies

Strong may require the Franchisee to produce evidence that each Insurance Policy exists, is current and is on terms and conditions approved by Strong.

28.3 Report claims

The Franchisee must promptly and in accordance with the terms of the relevant Insurance Policy report to both the insurer and Strong any claim, or event which may give rise to a claim, against the Franchisee or the Strong Group.

28.4 Increase in coverage

Strong may, from time to time, reasonably determine and increase the minimum insurance limits and require different or additional kinds of insurance as part of the Insurance Policies.

28.5 Strong may effect insurance

- (1) If the insurance coverage required by Strong is not effected by the Franchisee, Strong may obtain the insurance coverage on the Franchisee's behalf.
- (2) The Franchisee must:
 - (a) execute any forms required to obtain the insurance; and
 - (b) pay on demand all Costs incurred and premiums paid by Strong in obtaining insurance coverage on the Franchisee's behalf.

29 Business Entity Franchisee

29.1 Application of clause

This clause 29 applies if the Franchisee is a business entity.

29.2 Articles

- (1) Before the Required Opening Date, the Franchisee must give to Strong a certified copy of the Franchisee's articles of incorporation, certificate of formation or equivalent document, and certified copies of any other documents requested by Strong from the Franchisee's company register.

- (2) The Franchisee Parties warrant that the articles of incorporation, certificate of formation or equivalent document do not preclude the Franchisee from being granted the Franchise or otherwise from exercising its rights and performing its obligations under this Agreement.

29.3 Directorship and ownership of Franchisee

The Franchisee Parties:

- (1) warrant that the directors of the Franchisee as at the date of execution of this Agreement are the persons named as Guarantor in Item 4 of Schedule 1; and
- (2) must provide to Strong immediately upon request details of the shareholders or members of the Franchisee, including the number and class of shares or membership interests held by each shareholder as at:
 - (a) the date of execution of this Agreement; and
 - (b) any other date specified by Strong.

29.4 No changes without Strong's consent

- (1) The Franchisee must not allow any of the following to occur without first obtaining Strong's written consent:
 - (a) any change in the composition of the Franchisee's directors or officers;
 - (b) any alteration to the Franchisee's articles of incorporation, certification of formation or equivalent document;
 - (c) any Disposal of shares in the Franchisee; or
 - (d) any reduction or alteration of the Franchisee's capital.
- (2) Strong will not withhold consent unreasonably if:
 - (a) in the case of a Disposal of shares, the requirements of clause 29.5 are met; or
 - (b) in any other case, the change does not adversely affect the Franchisee's ability to perform its obligations under this Agreement.

29.5 Transfer of shares

Any Disposal of shares in the Franchisee, other than upon a restructure pursuant to clause 32.8, must be treated as a transfer by the Franchisee of the Franchise and clauses 32.2 and 32.4 apply to that Disposal. This means that the Franchisee must not allow a Disposal to occur without first:

- (1) offering to sell the Business to Strong in accordance with clause 32.4; and
- (2) if that offer is not accepted, satisfying all requirements of clauses 32.2 and 32.3.

30 Intentionally Deleted.

31 Transfer, merger or acquisition by Strong

31.1 Transfer or novation

Strong may transfer, sell or assign all or any part of its rights, interests, obligations or liabilities under this Agreement by transfer or novation without consent of the Franchisee. To the extent

that the purchaser or assignee shall assume the covenants and obligations of Strong under this Agreement, Strong shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations.

31.2 Refinancing and restructuring

Strong may, in addition to or as part of a transfer or novation pursuant to clause 31.1:

- (1) sell its assets including any of the Intellectual Property which it owns to a third party;
- (2) issue additional shares or other securities in itself;
- (3) engage in a private placement of some or all of its securities; and
- (4) undertake a refinancing, recapitalisation, leveraged buyout or other economic or financial restructuring.

31.3 Acknowledgment and agreement to transfer

If Strong elects to assign all or any part of its rights, interests, obligations or liabilities under this Agreement the Franchisee Parties must upon request by Strong execute any deed, agreement or notice of transfer acknowledging and agreeing to the transfer by Strong.

31.4 Novation agreement

If Strong elects to transfer all or any part of its rights, interests, obligations or liabilities under this Agreement by novation to a third party, the Franchisee Parties must upon request by Strong execute a deed or agreement of novation, in a form prepared by Strong, substituting in place of Strong a third party as being entitled to the benefits, and responsible for the rights, obligations and liabilities, of Strong under this Agreement.

31.5 Merger

Strong may purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business and:

- (1) operate, franchise or licence those businesses to operate using the Trade Marks and Intellectual Property of Strong from premises wherever located, including adjacent to the Premises; and
- (2) require the Franchisee to use or cease to use any Trade Marks, corporate colours, trade dress, decor, uniforms, designs, appearances or attributes in accordance with clause 23.5.

31.6 Consent

The Franchisee Parties consent to Strong at any time assigning or novating any of its rights, interests, obligations or liabilities under this Agreement or undertaking any of the actions outlined in clauses 31.4, 31.2 and 31.5 and waive any requirement for prior notice to the Franchisee or the Guarantor of the action.

32 Transfer and other dealings by Franchisee

32.1 Acknowledgment by Franchisee

The Franchisee acknowledges that:

- (1) the Franchise has been granted to the Franchisee following a consideration by Strong of the character, business experience and capability and financial capacity of the Franchisee Parties; and

- (2) because of this there are important restrictions in this clause 32 on the Franchisee's ability to deal with the Franchise and the Business.

32.2 Prohibition against transfer by Franchisee

- (1) Except in the case of a restructure under clause 32.8, the Franchisee must not sell or otherwise Dispose of its interest in the Franchise or the Business within the first 12 months of the Actual Opening Date and thereafter without first offering to sell the Business to Strong in accordance with clause 32.4.
- (2) If an offer made by the Franchisee pursuant to clause 32.2(1) is not accepted, the Franchisee may sell or otherwise Dispose of its interest in the Franchise or the Business subject to obtaining Strong's written consent which must not be unreasonably withheld if all of the conditions mentioned in clause 32.3 have been satisfied.
- (3) A request for Strong's consent under clause 32.2(2) must be made by the Franchisee in writing, and must be accompanied by all information that Strong reasonably requires to make an informed decision.
- (4) Strong may revoke any consent provided under clause 32.2(2) within 14 days, provided that:
 - (a) it informs the Franchisee in writing that Strong's consent is revoked, and the reasons why; and
 - (b) it does not unreasonably revoke its consent, but it will be reasonable to do so in the circumstances set out in clause 32.3.
- (5) Under no circumstances may the Franchisee transfer or attempt to transfer the Business or all or substantially all of the assets associated with the Business to a third-party who will operate a competitive pilates business or other similar business but not under the System, Brand Standards, Image, Trade Marks, and not under a franchise agreement with Strong.

32.3 Conditions to be satisfied before transfer can be approved

Strong will not unreasonably withhold its consent under clause 32.2(2) if the sale, transfer or other disposal is of the whole of the Franchisee's interest in the Franchise and the Business and each of the following conditions are satisfied:

- (1) the Franchisee establishes to Strong's reasonable satisfaction that the proposed transferee:
 - (a) possesses the financial resources necessary to conduct and operate the Business as a franchisee and to service any borrowings it makes in order to acquire the Business;
 - (b) is a reputable and responsible person having the business experience, necessary fitness or other qualifications (as deemed necessary by Strong in the Brand Standards Manual) and capabilities necessary to operate the Business successfully; and
 - (c) otherwise meets Strong's criteria for the selection of new Strong Franchisees including any site and premises requirements if the transferee proposes to relocate the Business;
- (2) the Franchisee pays to Strong the Transfer Fee;
- (3) the transferee completes the Initial Training Program, required by Strong at the time of the transfer, to Strong's satisfaction;

- (4) the Franchisee, when seeking consent to the transfer and when the transfer is to occur, has not failed to remedy a breach of this Agreement or any Related Agreement;
- (5) the transferee executes a franchise agreement in the form then used by Strong (which may contain different terms and conditions to those set out in this Agreement) for the balance remaining of the Initial Term (including any existing option for a New Term);
- (6) the Franchisee and the transferee executes any other documents then customarily used by Strong for its Strong Franchisees, including the Franchisee and the Guarantor delivering to Strong a release of Strong, its directors and officers, their affiliates and the directors and officers thereof from all obligations under this Agreement of any such persons, in a form satisfactory to Strong, but excepting any claims under an applicable franchise law statute that are not permitted to be waived or released under that statute;
- (7) where the transferee is a company:
 - (a) its directors and shareholders satisfy the criteria in clause 32.3(1); and
 - (b) those directors and shareholders or other Related Parties of the transferee nominated by Strong each:
 - (i) give a guarantee and indemnity and undertake similar personal restraints to those given by the Guarantors under this Agreement, in favour of, and in a form required by, Strong; and
 - (ii) execute the new franchise agreement in their personal capacities;
- (8) the transferee's proposed manager is approved by Strong and successfully completes (along with the directors of the transferee if different) Strong's Initial Training program for Strong Franchisees prior to any transfer becoming unconditional;
- (9) the Franchisee:
 - (a) gives to Strong all details of the proposed transfer including a copy of the contract for the sale of the Business (which complies with Strong's reasonable requirements) and any other agreements between the Franchisee and the transferee; and
 - (b) sells to the transferee all of the Franchisee's essential assets used in the Franchise (including any Occupancy Right);
- (10) the Premises comply with the then prevailing Image; and
- (11) the Franchisee establishes to Strong's reasonable satisfaction that the proposed transfer will not have a significantly adverse effect on the System or the Network.

32.4 Strong's right of first refusal

- (1) This clause 32.4 does not apply in the case of a restructure under clause 32.8.
- (2) If the Franchisee wants to:
 - (a) sell the Business; or
 - (b) allow the Disposal of shares to a person who is not an existing shareholder in the Franchisee;

the Franchisee must first offer to sell the Business to Strong on the same terms as any offer the Franchisee has received from an arm's length third party (**Third Party Offer**) by giving to Strong a written notice (**Offer Notice**) setting out the terms and conditions of the Third Party Offer.

- (3) Strong may accept the offer contained in the Offer Notice by giving notice of acceptance to the Franchisee before the end of the Offer Period (**Acceptance Notice**).
- (4) The Acceptance Notice may contain terms which vary the terms of the Offer Notice if the terms upon which Strong agrees to buy the Business are not commercially less favourable to the Franchisee than those contained in the Offer Notice.
- (5) For the purpose of this clause 32.4 **Offer Period** means the period of 30 days after Strong receives the Offer Notice.
- (6) If the Franchisee receives the Acceptance Notice during the Offer Period the Franchisee must sell and Strong must purchase the Business upon the terms and conditions contained in the Offer Notice as may be varied by the Acceptance Notice.
- (7) If Strong does not accept the offer contained in the Offer Notice within the Offer Period the Franchisee is entitled to sell the Business or allow the Disposal of shares or units to a third party within 60 days after the end of the Offer Period as long as:
 - (a) the Franchisee complies with clause 32.3; and
 - (b) the sale or Disposal is not made for less than the price specified in the Offer Notice or on terms and conditions more favourable to the third party than those contained in the Offer Notice.
- (8) If the Franchisee does not sell the Business or allow the Disposal of shares or units within the period referred to in clause 32.4(7) the rights of Strong are revived and the Franchisee must not permit any sale or Disposal without first offering the Business to Strong in accordance with this clause 32.4.

32.5 **No encumbrances**

The Franchisee must not create or allow the creation of any Security Interest over this Agreement, the Rowformer Machines and Bikeformer Machines, the Franchise or the Business without first obtaining Strong's written consent.

32.6 **No change to the partnership**

Where the Franchisee is a partnership, except where clause 32.8, clause 32.9 or clause 32.10 applies, it is a breach of this Agreement if the partnership is dissolved, any of the parties to the partnership are changed, or an application is made to a court for the dissolution of the partnership, unless this occurs with Strong's prior written consent.

32.7 **No subfranchises**

The Franchisee must not lease, licence, franchise or part with possession of the Business or the Franchise.

32.8 **Restructuring by Franchisee**

If the Franchisee is:

- (1) a company and 1 or more of the shareholders in the Franchisee want to Dispose of their shares in the Franchisee to an existing shareholder of the Franchisee;
- (2) made up of 2 or more persons and 1 or more of them want to assign their interest in the Franchise to 1 or more of the others; or
- (3) made up of 1 or more individuals who want to assign the Franchise to a company beneficially owned by them and incorporated by them for the sole purpose of conducting the Business;

Strong will not unreasonably withhold its consent to the transfer nor require payment of a Transfer Fee if each of the following conditions are satisfied:

- (4) the transferor transfers to the transferee all of its interest in the Franchise, the Business and any Related Agreement;
- (5) the transfer does not affect the assignor's obligations to any member of the Strong Group before the transfer;
- (6) Strong has been given details of the proposed transfer and any other details requested by Strong at least 30 days before the proposed transfer is to take effect;
- (7) the person or persons who will make up the Franchisee after the transfer have the financial capacity and the ability to operate the Franchise successfully without the transferor's involvement;
- (8) at the option of Strong, the transferee executes:
 - (a) a franchise agreement in the same terms as this Agreement for the balance remaining of the Initial Term (including any existing option for a New Term); or
 - (b) a deed of transfer of the Franchisee's rights and obligations under this Agreement to the transferee in a form required by Strong;and any other documents then customarily used by Strong for its Strong Franchisees;
- (9) if the transferee is a company, those directors and shareholders or other Related Parties of the transferee nominated by Strong each:
 - (a) give a guarantee and indemnity and undertake similar personal restraints to those given by the Guarantor under this Agreement, in favour of, and in a form required by, Strong; and
 - (b) execute the new franchise agreement or deed of transfer in their personal capacities; and
- (10) the Franchisee pays Strong's Costs in connection with the transfer.

32.9 **Death or permanent incapacity**

- (1) If the Franchisee:
 - (a) is made up of 1 or more natural persons, then if any of them;
 - (b) is a body corporate, then if any of its shareholders; orsuffers a Permanent Incapacity, the Franchisee (or where the Franchisee is made up of only 1 natural person, the Franchisee's executor or personal representative) must within 4 Months after the person becomes Permanently Incapacitated either:
 - (c) sell the Franchise and the Business; or
 - (d) procure the sale or transfer of the affected person's interest in the Franchise and the Business.
- (2) The provisions of this clause 32 apply to any sale under clause 32.9(1). This means that:
 - (a) if ownership of the Business is to be restructured in the manner contemplated by clause 32.8, that clause applies; and

- (b) otherwise:
 - (i) Strong has a right of first refusal to acquire the Business under clause 32.4; and
 - (ii) the sale must meet all the requirements of clause 32.3.
- (3) If the Franchisee is a body corporate and a director or key officer of the Franchisee dies or suffers permanent incapacity, the Franchisee must within 2 Months after the director or key officer dies or becomes permanently incapacitated, procure the removal of that director or key officer as a director or key officer of the Franchisee and seek consent under clause 29.4 to either:
 - (a) appoint a new director or key officer for the Franchisee; or
 - (b) continue with the remaining directors or key officers of the Franchisee.
- (4) If:
 - (a) a sale under clause 32.9(1) is not completed within the 4 Month period specified; or
 - (b) the Franchisee has not complied with clause 32.9(3) within the 2 Month period specified;

Strong may immediately terminate this Agreement and the Franchise by giving the Franchisee reasonable written notice in accordance with clause 33.2.

32.10 Separations

- (1) If the Franchisee is:
 - (a) made up of individuals, 2 of which are Spouses;
 - (b) a body corporate in which 2 of the shareholders are Spouses (or their children); or

and a Separation occurs, the provisions of this clause 32.10 apply.
- (2) Following a Separation:
 - (a) the Manager must continue to devote their time and effort exclusively to the management and conduct of the Business, and otherwise comply with the obligations of the Manager contained in this Agreement;
 - (b) the Spouses must come to an agreement by which 1 party sells their interest in the Business (or otherwise Disposes of their shares in the Franchisee), to the other party within 12 Months of the Separation; and
 - (c) Strong may notify the Franchisee in writing that, subject to the Spouses completing the sale contemplated by clause 32.10(2)(b) within the time frame specified, Strong terminates the Agreement and the Franchise, effective on the 1 year anniversary of the Separation, in accordance with clause 33.2.

32.11 Temporary operation

- (1) If:
 - (a) the Franchisee fails to keep the Business open during Business Hours;

- (b) the Franchisee stops running the Business or abandons the Business or the Premises;
- (c) clauses 32.9 or 32.10 apply and there has been no sale of the Business (within the timeframe required by that clause) on account of the Permanent Incapacity or the Separation occurring; or
- (d) in the opinion of Strong:
 - (i) the Manager ceases or is unable to operate the Business through accident, ill health or for any other reason; or
 - (ii) the Business is otherwise not being conducted in accordance with this Agreement;

Strong may, but does not have to, operate and manage the Business until:

- (e) the end of the Franchise;
 - (f) a sale is affected in accordance with clause 32.9; or
 - (g) the Manager is replaced and a new Manager trained in accordance with clause 11.
- (2) If Strong manages the Business pursuant to clause 32.11(1):
- (a) Strong is not liable to the Franchisee for any loss or damage suffered by the Franchisee arising out of the management;
 - (b) the Franchisee remains liable for and must indemnify Strong and its employees and agents against all damages, sums of money, Costs, charges, expenses, actions, claims, liabilities, injuries and demands made against or suffered by Strong, its employees or agents which arise out of the management; and
 - (c) the Franchisee must pay to Strong reasonable fees prescribed by Strong for managing the Business and any travelling, accommodation or other expenses in relation to the management.

33 Termination and default provisions

33.1 Termination before Business commences

- (1) If:
- (a) suitable premises for the conduct of the Business are not located within 9 months of the date of this Agreement;
 - (b) the Franchisee does not obtain an Occupancy Right in accordance with clause 13;
 - (c) the Franchisee has not completed all actions required by this Agreement and actually opened the Business to Customers prior to the Required Opening Date; or
 - (d) Strong considers that the Franchisee and/or Manager will not be able to complete or has not completed the Initial Training Program to Strong's satisfaction in accordance with clauses 10.3 and 11.2;

Strong may immediately terminate this Agreement and the Franchise pursuant to clause 33.2. In this regard, the parties agree that 10 Business Days will constitute reasonable notice in such circumstances.

- (2) If the Agreement is terminated pursuant to clause 33.1(1), Strong (or the relevant Related Party of Strong) may terminate any Related Agreement by written notice to the other parties to the agreement; and

33.2 Termination on reasonable notice

In the circumstances described in clauses 8.4(6), 13.3(3), 32.10(2)(c) and 33.1:

- (1) Strong may terminate this Agreement by giving the Franchisee reasonable notice of the proposed termination and the reasons for it; and
- (2) the Franchisee agrees that the period of notice stipulated in each clause permitting the termination constitutes reasonable notice in the relevant circumstances.

33.3 Termination by Strong for Franchisee's or Guarantor's default

- (1) Strong may terminate this Agreement and the Franchise if:
 - (a) the Franchisee or the Guarantor (**Defaulting Party**) breaches any provision of this Agreement or any Related Agreement;
 - (b) Strong gives to the Defaulting Party a written notice that:
 - (i) specifies the breach;
 - (ii) tells the Defaulting Party what Strong wants the Defaulting Party to do to remedy the breach;
 - (iii) gives the Defaulting Party a reasonable time (which need not be more than 30 days) to remedy the breach; and
 - (iv) states that Strong proposes to terminate this Agreement and the Franchise if the breach is not remedied within that time; and
 - (c) the Defaulting Party does not remedy the breach within the time allowed by a notice issued under clause 33.3(1)(b).
- (2) If the breach is remedied in accordance with, and within the time allowed by, a notice issued under clause 33.3(1), Strong cannot terminate this Agreement because of that breach.

33.4 Notification and prevention of breach

The Franchisee Parties must:

- (1) use their reasonable endeavours to prevent a breach of this Agreement and any Related Agreement by the Franchisee Parties; and
- (2) immediately notify Strong of the occurrence or likely occurrence of a breach of this Agreement or any Related Agreement.

33.5 Immediate termination

Strong may terminate this Agreement and the Franchise immediately by giving the Franchisee written notice if the Franchisee:

- (1) materially breaches any provisions of this Agreement or any Related Agreement and that breach is not capable of being remedied;
- (2) no longer holds a licence that the Franchisee must hold to carry on the Business;

- (3) suffers an Insolvency Event;
- (4) in the case of a Franchisee that is a company –the Franchisee or the Guarantor loses its charter by expiration, forfeiture or otherwise;
- (5) abandons the Business or the Franchise for a period of five (5) consecutive days or more;
- (6) is convicted of a serious offence;
- (7) operates the Business in a way that endangers public health or safety;
- (8) acts fraudulently in connection with the operation of the Business;
- (9) no longer maintains an Occupancy Right; or
- (10) agrees to the termination of this Agreement and the Franchise at the time of the termination.

33.6 Strong may rectify Franchisee's default

If the Franchisee does not perform or observe any obligation under this Agreement Strong may, but does not have to, remedy that default at the Franchisee's Cost. In doing so Strong is entitled to rely on the power of attorney in clause 38.

33.7 Disputes arising from termination

Clause 37.2 dealing with the resolution of disputes applies in relation to a dispute between Strong and the Franchisee arising from termination under clauses 33.1, 33.3 or 33.5.

33.8 Termination by Strong not to limit right of recovery

The parties agree that if Strong terminates this Agreement in accordance with this clause 33, that without prejudice to any other right or remedy that it has, Strong may obtain damages in respect of the money that would have been payable by the Franchisee to Strong under this Agreement for the unexpired residue of the Initial Term, less the amount (if any) Strong obtains should it be able to mitigate its loss.

34 Effect of the Franchise ending

34.1 Franchise comes to an end

After this Agreement is terminated or expires:

- (1) the Franchise comes to an end;
- (2) all rights and licences of the Franchisee to use any of the Intellectual Property (including the Business Name, the Trade Marks, the Strong Software and the Confidential Information) revert to Strong without the need for anything else to be done; and
- (3) the provisions of this clause 34 apply.

34.2 Obligations when the Franchise ends

At the end of the Franchise the Franchisee Parties must:

- (1) immediately stop:
 - (a) using and displaying in any manner the Business Name, any of the Trade Marks, any part of the Image or anything which imitates or is deceptively similar to these things;

- (b) using the Rowformer Machines and Bikeformer Machines; and
 - (c) using the Confidential Information.
- (2) if Strong terminates the Franchisee's Occupancy Right in accordance with clause 13.4 vacate the Premises when the Occupancy Right is terminated and in accordance with any document conferring the Occupancy Right;
- (3) if the Franchisee is to continue to occupy the Premises after the end of the Franchise, immediately alter the Premises and remove or change any signs, fixtures, fittings, colours and layout as requested by Strong to ensure that the appearance of the Premises cannot be confused with the Image for a Strong Business;
- (4) immediately deliver to Strong:
- (a) or make available for collection by Strong, all Rowformer Machines and Bikeformer Machines;
 - (b) all copies of the Brand Standards Manual and Strong Software (contained in any medium) and once delivered to Strong, uninstall and permanently delete any copies of the Brand Standards Manual and Strong Software electronically stored by the Franchisee;
 - (c) all forms, stationery, business cards, advertising material and any other printed matter and signs used in the Business which bear the Business Name or any of the Trade Marks;
 - (d) the original and all copies of the Customer Information, contained in any medium, and once delivered to Strong, destroy any copies of Customer Information electronically stored by the Franchisee;
 - (e) the original and all copies of databases and all lists held by the Franchisee of suppliers to the Business; and
 - (f) all other property of any member of the Strong Group;
- (5) do everything necessary to:
- (a) cancel or transfer to Strong or its nominee all registrations including, but not limited to, Franchisee Social Media Sites relating to the Franchisee's use of the Intellectual Property, including the Business Name, the Trade Marks and any business or corporate name of the Franchisee including signing and lodging with the appropriate authority any deed or document; and
 - (b) comply with clause 23.4;
- (6) transfer to Strong or its nominee:
- (a) all telephone, facsimile and other communications numbers used in the Business; and
 - (b) any email addresses and domain names used in the Business; and
- (7) immediately deliver any computer hardware and software (including the Application (if applicable)) used by the Franchisee in the Business to Strong for inspection to enable Strong to ensure that the Franchisee has complied with its obligations under clause 34.2(4)(a), 34.2(4)(d) and 34.2(4)(e).

34.3 **Settle accounts**

The Franchisee must, within 5 Business Days after the end of the Franchise, pay all amounts owing to:

- (1) the Strong Group; and
- (2) the Franchisee's trade creditors, suppliers and other creditors which are then unpaid.

34.4 **Further assurances**

The Franchisee must, at its Cost, do all things (including executing all documents) reasonably required by Strong and necessary or desirable to give full effect to the Franchisee's obligations at the end of the Franchise.

34.5 **Strong's rights**

If the Franchisee does not do anything that it is required to do under this clause 34 Strong may enter upon the Premises and, at the Franchisee's Cost, do whatever the Franchisee should have done. If Strong exercises this right:

- (1) it is not a trespasser and is not liable to the Franchisee as a trespasser or in any other way; and
- (2) Strong can rely on the power of attorney in clause 38.

34.6 **Strong's right to purchase the Business assets**

- (1) The Franchisee, on execution of this Agreement, grants to Strong (or its nominee) an option to purchase all of the Rowformer Machines and Bikeformer Machines and all or part of the Franchisee's other assets (including cash on hand) used in the Business (as specified by Strong) including the Equipment, free from Encumbrances, and to take over some or all of the leases of Equipment.
- (2) To exercise its right under clause 34.6(1), Strong must give to the Franchisee a written notice within 30 days after the end of the Franchise specifying the assets to be purchased (**Nominated Assets**) and the leases to be acquired. During this period the Franchisee must not deal with the assets or leases.
- (3) Ownership of the Nominated Assets passes to Strong (or its nominee) immediately on the date of exercise of the option. The Franchisee must do all things necessary to deliver clear title in the Nominated Assets to Strong (or its nominee).
- (4) The purchase price for the Nominated Assets is their fair market value as agreed between Strong and the Franchisee but if they cannot agree on this within 14 days after the Franchisee receives Strong's notice, the fair market value must be determined by an independent appraiser appointed by Strong.
- (5) In conducting the valuation, the appraiser:
 - (a) must not include any component for goodwill or for leasehold improvements; and
 - (b) acts as expert and not as an arbitrator.
- (6) The appraiser's decision is final and binding on Strong and the Franchisee and the appraiser's Costs must be shared equally between Strong and the Franchisee.
- (7) Strong may set off against the purchase price any amounts owed to it by the Franchisee.

34.7 **No Compensation**

The Franchisee acknowledges and agrees that at the end of the Franchise, the Franchisee is not entitled to receive any payment or compensation from Strong for any goodwill in connection with the Business Name, any other derivative of the Trade Marks, the Intellectual Property or the Premises.

34.8 **Continuing obligations**

At the end of the Franchise Strong retains any rights it has against the Franchisee in respect of any past breach of this Agreement or any Related Agreement, in addition to any other rights, powers or remedies provided by law.

35 Guarantee and indemnity

35.1 **Interested Party's guarantee**

The Franchisee must procure that:

- (1) each Interested Party give a guarantee and indemnity on the terms set out in this clause 35, which guarantee and indemnity is expressly acknowledged and consented to by each Interest Party's spouse (as applicable); and
- (2) any new Interested Party, upon becoming an Interested Party, sign a guarantee and indemnity in respect of the Franchisee's obligations under this Agreement on the then current terms used by Strong.

35.2 **Consideration**

The Guarantor has requested Strong to enter into this Agreement with the Franchisee and Strong does so in consideration of this guarantee and indemnity.

35.3 **Guarantee**

The Guarantor unconditionally and irrevocably guarantees to Strong prompt performance of all of the obligations of the Franchisee contained or implied in this Agreement. If the obligation is to pay money, Strong may recover the money from the Guarantor as a liquidated debt.

35.4 **Indemnity**

- (1) If the Franchisee is not bound by some or all of its obligations under this Agreement, the Guarantor agrees, by way of indemnity and principal obligation, to pay to Strong the amount which would have been payable by the Guarantor to Strong under the guarantee in clause 35.3 had the Franchisee been bound.
- (2) The Guarantor indemnifies Strong and agrees to hold it harmless in respect of any failure by the Franchisee to perform any of its obligations under this Agreement including any obligation to pay money to Strong.

35.5 **Continuing security**

This guarantee and indemnity is a continuing security, and is not discharged or prejudicially affected by any settlement of accounts, but remains in full force until a final release, if any, is given by Strong.

35.6 **Matters not affecting Guarantor's liability**

The Guarantor's liability under clauses 35.3 and 35.4 is not affected by:

- (1) the granting of time, forbearance or other concession by Strong to the Franchisee or any Guarantor;

- (2) an absolute or partial release of the Franchisee or any Guarantor or a compromise with the Franchisee or any Guarantor;
- (3) a variation of this Agreement;
- (4) a transfer of this Agreement by the Franchisee;
- (5) the termination of this Agreement;
- (6) any disputes or differences between the Franchisee and Strong;
- (7) the fact that this Agreement is wholly or partially void, voidable or unenforceable;
- (8) the non-execution of this Agreement by 1 or more of the persons named as Guarantor or the unenforceability of the guarantee or indemnity against 1 or more of the Guarantors; or
- (9) the exercise or purported exercise by Strong of its rights under this Agreement.

35.7 Payment later avoided

The Guarantor's liability is not discharged by a payment to Strong which is later avoided by law. If that happens, the parties are restored to their respective rights and obligations as if the payment had not been made.

35.8 Indemnity on disclaimer

If a liquidator or trustee in bankruptcy disclaims this Agreement, the Guarantor indemnifies Strong against any resulting loss.

35.9 Guarantor not to prove in liquidation or bankruptcy

Until Strong has received all money payable to it by the Franchisee, the Guarantor must:

- (1) not prove or claim in any liquidation, bankruptcy, composition, arrangement or transfer for the benefit of creditors; and
- (2) hold any claim it has and any dividend it receives on trust for Strong.

35.10 Guarantee to continue on transfer of rights

If Strong assigns its rights under this Agreement, the benefit of the guarantee and indemnity in this clause 35 extends to the assignee and continues concurrently for the benefit of Strong regardless of the transfer unless Strong releases the Guarantor in writing.

35.11 Certificate as to liability

A certificate signed by Strong or its attorneys about a matter or about a sum payable to Strong in connection with the Franchise is sufficient evidence of the matter or sum stated in the certificate unless the matter or sum is proved to be false.

36 Warranties and indemnity by the Franchisee Parties

36.1 Warranties by the Franchisee Parties

The Franchisee Parties warrant that:

- (1) all information provided to Strong for consideration by Strong in its decision to grant the rights under this Agreement is true and not misleading;

- (2) they have not been convicted or found guilty of a criminal offence that has not been disclosed in writing to Strong, or otherwise involved in any event that may prejudicially affect the reputation of Strong or the Image;
- (3) an Insolvency Event has not occurred; and
- (4) they have disclosed to Strong all facts and things about them (and where a Franchising Party is a body corporate about their directors and shareholders) including their respective financial positions and past business history which may be relevant to Strong's decision to grant the rights under this Agreement.

36.2 **Franchisee's indemnity**

The Franchisee indemnifies Strong against:

- (1) all losses incurred by the Strong Group;
- (2) all liabilities incurred by the Strong Group; and
- (3) all Costs incurred by the Strong Group in connection with a demand, action, arbitration, or other proceeding (including mediation, compromise, out of court settlement or appeal);

arising directly or indirectly as a result of or in connection with:

- (4) a breach by the Franchisee of this Agreement or any Related Agreement;
- (5) any injury to, or loss of property of, any person in or on premises from which the Business is conducted;
- (6) the Franchisee's taxes, liabilities or Costs of the Business;
- (7) any negligent or wilful act or omission of the Franchisee, its Workers, employees, agents, servants, contractors; and
- (8) any warranty, promise or representation made by the Franchisee Parties or any Worker, employee, agent, or other person acting on behalf of the Franchisee Parties being incomplete, inaccurate or misleading;

but does not indemnify the Strong Group in respect of costs incurred by Strong in relation to settling a dispute under this Agreement.

36.3 **Indemnity not affected**

Strong's rights at law and under this Agreement, including its right to be indemnified under this clause 36, are not affected by:

- (1) Strong ending the Franchise;
- (2) Strong accepting the Franchisee's repudiation of this Agreement; or
- (3) anything else.

37 Disputes

37.1 **Acknowledgments**

The Franchisee Parties acknowledge that:

- (1) Strong has advised the Franchisee to obtain independent legal, accounting and business advice with respect to this Agreement and all other aspects of operating the

Business before entering this Agreement and the Franchisee has had a reasonable opportunity to obtain that advice;

- (2) the success of the Business depends upon many factors, including the Franchisee's own effort and the Franchisee assumes responsibility for the success or failure of the Business; and
- (3) Strong does not guarantee any return on investment or profit to the Franchisee.

37.2 **Dispute resolution**

- (1) The Parties must use reasonable endeavours to resolve any and all Disputes by negotiation. If a Dispute is settled following negotiations under this clause 37.2, such settlement shall be recorded in writing and be signed by the Parties, whereupon it shall be final and binding on the Parties.
- (2) If the Parties cannot resolve their Dispute by negotiations under clause 37.2(1) within 20 Business Days, a Party may, by notice to the other, require that the Dispute be dealt with by mediation under the following terms:
 - (a) The mediation shall be conducted under the rules of a mediation body mutually agreed upon, or failing such agreement, as selected by Strong.
 - (b) The mediation shall be before one (1) mediator who shall be agreed upon within seven (7) days of the delivery of the notice required by this clause, failing which the mediator shall be appointed by the rules of the designated mediation body.
 - (c) The mediation shall take place in the city in the United States where Strong has its then current principal place of business at a location to be decided by the mediator.
 - (d) The Franchisee, the Guarantor and Strong agree that all aspects of the mediation including statements made and documents produced within the mediation will be confidential in nature and will not be admissible in any subsequent arbitration or other legal proceeding, except to the extent disclosure is required by Strong in accordance with applicable law.
 - (e) If the Dispute is settled at or following mediation under this clause 37.2, such settlement shall be recorded in writing and be signed by the Parties, whereupon it shall be final and binding on the Parties.
 - (f) The costs of the mediation, excluding the Parties' own legal and preparation costs, will be shared equally by the Parties.
- (3) Any Dispute between or involving the Franchisee, the Guarantor and Strong (and/or any affiliates of the Franchisee, the Guarantor or Strong, and/or any of their respective shareholders, directors, partners, officers, employees, agents, attorneys, accountants, associates or guarantors, and/or any of their successors or assigns) not resolved by way of mediation in accordance with this Agreement shall be submitted to arbitration under the following terms:
 - (a) The arbitration shall be conducted pursuant to the rules of an arbitration body selected by Strong.
 - (b) To the extent that there is any difference between the rules of the arbitration body selected and this Agreement, this Agreement shall prevail.
 - (c) The arbitration shall be commenced by way of written notice given to the parties to the Dispute. All parties shall bear their own costs for participation in the arbitration, except for any external costs of conducting the arbitration, including the arbitrator's costs, which shall be borne equally between them. The Franchisee, the Guarantor and Strong agree that all aspects of the arbitration

including statements made and documents produced within the arbitration will be confidential in nature and will not be admissible in any subsequent legal proceeding.

- (d) The arbitration shall take place in the city in the United States where Strong has its then current principal place of business at a location to be decided by the arbitrator.
 - (e) To the extent permitted by applicable law, arbitration, and any proceeding permitted under clause 37(4), will not be conducted on a group, class-wide, multiple claimant, consolidated or similar basis, and any such arbitration or other proceeding will not be consolidated with any other arbitration or other proceeding involving any other person.
 - (f) The arbitration will be heard by one (1) arbitrator who shall be appointed pursuant to the rules of the designated arbitration body selected by Strong. The arbitrator will have the right to award any relief deemed proper in the circumstances, including, without limitation, monetary damages (with interest on unpaid amounts from their due date(s)), specific performance, injunctive relief, and reimbursement of legal fees and related costs and disbursements to the prevailing party. The arbitrator will not have the authority to award punitive or aggravated damages (except as otherwise permitted by this Agreement), nor the right to declare any Trademark generic or otherwise invalid. The parties to the arbitration are bound by the provisions of any limitation period or the time by which claims must be brought under applicable law, or under this Agreement, whichever expires earlier. The award and decision of the arbitrator will be final and binding and judgment on the award may be entered in any court of competent jurisdiction. The parties acknowledge and agree that any arbitration award may be enforced against any party to the arbitration in a court of competent jurisdiction and no such party shall have any right to contest the validity or enforceability of such award.
 - (g) The arbitration provisions of this Agreement are intended to bind any third party non-signatory related or otherwise connected to any Dispute.
 - (h) The agreement to arbitrate provided for in this clause 37 shall continue in full force and effect subsequent to and notwithstanding the expiration, termination, non-renewal or purported rescission of this Agreement, for any reason.
 - (i) It is hereby acknowledged and agreed that any provision in any applicable arbitration statute that seeks to limit the effect of this clause 37(3) to any Dispute on the basis that the Dispute is proper for summary judgment shall not be applicable.
- (4) No Party may initiate or commence court proceedings relating to a Dispute unless it has complied with the procedure set out in this clause 37, provided that nothing in this Agreement, including this clause 37, will prevent Strong, the Franchisee or the Guarantee from making application to the courts:
- (a) for mandatory or injunctive relief;
 - (b) to recover a debt payable; or
 - (c) to enforce a settlement agreed to by the Parties under clause 37.2(1) or 37.2(2).
- (5) The Franchisee hereby agrees to waive any class action proceeding or counterclaim in respect of any Dispute against Strong and/or any of its affiliates or their respective shareholders, directors, partners, officers, employees, agents, attorneys, accountants, associates or guarantors, successors or assigns, whether at law or equity.

38 Power of Attorney

38.1 Appointment

In consideration of Strong entering into this Agreement and to secure performance by the Franchisee of its obligations under this Agreement, the Franchisee Parties irrevocably appoint Strong and each of its officers severally to be their attorney (**Attorney**) to exercise the powers described in this clause.

38.2 Powers

If the Franchisee Parties breach any provision of this Agreement or any Related Agreement or at the end of the Franchise the Attorney may, in the name and at the Cost of either the Franchisee or the Guarantor, do anything required to be done by the Franchisee Parties that the Franchisee Parties have not done or have not done promptly or properly. This includes the execution and delivery of documents, transfers, assignments, deeds, forms, notices or other instruments.

38.3 Powers continue despite the Franchise ending

The powers granted under this clause 38 commence when this Agreement is executed and continue despite the end of the Franchise.

38.4 Ratification

The Franchisee Parties:

- (1) ratify and confirm anything an Attorney lawfully does under this clause 38; and
- (2) must pay on demand all the Costs or other liabilities incurred by or on behalf of Strong or the Attorney under this clause 38.

39 Changes in laws

39.1 Taxes and charges

If any laws are changed or new laws are introduced or courts or any relevant authority interpret laws differently which results in Strong having to pay a tax, duty, excise or levy (**impost**) on amounts received from the Franchisee under this Agreement (other than income tax) or on goods or services supplied by Strong under this Agreement the Franchisee must pay to Strong an additional amount so that after Strong has paid the impost its yield under this Agreement is unchanged.

39.2 Amend Agreement to comply with future laws

The parties agree that if any laws are changed or introduced or any relevant authority publishes or issues any statement, rules, code or requirement which in the reasonable opinion of Strong or its attorneys renders or is likely to render all or part of this Agreement unenforceable, illegal or void, the parties will immediately amend this Agreement and do all things (including executing documents) necessary or desirable to ensure that this Agreement is not unenforceable, illegal or void.

40 Buy Back Option

40.1 Definitions

- (1) For the purposes of this clause 40:
 - a. **Purchase Price** means:

- i. For the purchase of a franchise less than 12 months after its Actual Opening Date, the Start-up Costs plus an amount of \$50,000 plus all applicable taxes (if any).
 - ii. For the purchase of a franchise more than 12 months after its Actual Opening Date, then the earnings of the Business before interest, tax, depreciation and amortization (EBITDA) for the last completed Financial Year, multiplied by 3.
- b. **Sale Agreement** means the agreement for sale and purchase of the Business prepared by Strong, and incorporating such amendments as agreed between the parties.
- c. **Start-up Costs** means the reasonable start-up costs paid by the Franchisee, comprising the Franchise Fee, Opening Promotional Amount and actual costs of fitting out the Premises.

40.2 Grant of option to purchase the Business

- (1) The Franchisee irrevocably grants to Strong the right to purchase the Franchisee's Business (**Buy-Back Option**) under the terms set out in this clause 40.2.
- (2) The Buy-Back Option is an irrevocable offer by the Franchisee to sell the Business to Strong, which may be accepted by Strong at any time, subject to the conditions in clause 40.3 and in the manner set out in clause 40.4.

40.3 Conditions of Exercise

- (1) The Buy-Back Option is conditional on the purchase being only for the purposes of the following in connection with Strong Group:
 - (a) Change of ownership or control;
 - (b) Roll-up acquisition or similar acquisition;
 - (c) Converting to a corporate owned network;
 - (d) Large trade sale; or
 - (e) Initial Public Offering.

40.4 Exercise of Option

- (1) This clause 40.4 applies where Strong wishes to exercise the Buy-Back Option.
- (2) To exercise the Buy-Back Option, Strong must give a notice in writing to the Franchisee of its intention to exercise the Buy-Back Option ("**Option Notice**").
- (3) The Buy-Back Option may be exercised at any time by Strong before the end of the Term.
- (4) If the Buy-Back Option is exercised by Strong in accordance with this clause 40.4, the Franchisee must sell and Strong or an entity nominated by Strong must purchase the Business for the Purchase Price and upon the terms and conditions set out in the Sale Agreement.
- (5) Within 14 days after receipt of the Option Notice, the Franchisee must provide to Strong all information necessary for Strong to calculate the Purchase Price and complete the Sale Agreement.

- (6) The parties shall use their best endeavours to execute the Sale Agreement within 15 Business Days after the date of the Option Notice.
- (7) The parties agree that the completion date under the Sale Agreement shall be no later than 60 days after the date of the Option Notice unless otherwise agreed by the parties.

40.5 Request for Information

- (1) To enable Strong to make an informed decision as to whether it will exercise the Buy-Back Option, Strong may first give notice in writing to the Franchisee requesting complete details of management accounts, 3 month forecasts, and any other information reasonably required ("Request for Details").
- (2) The Franchisee must give to Strong the requested information within 14 days of receiving the Request for Details.

40.6 No Obligation

Nothing in this clause 40 obliges Strong to exercise the Buy-Back Option.

41 General provisions

41.1 Force majeure

- (1) If a party (**Affected Party**):
 - (a) is prevented from or delayed in performing an obligation (other than to pay money) by a Prescribed Event; and
 - (b) promptly and diligently acts to mitigate or remove the Prescribed Event and its effect;

then the obligation is suspended during, but for no longer than, the period the Prescribed Event continues and such further period as is reasonable in the circumstances.

- (2) Nothing in clause 41.1(1)(b) obliges the Affected Party to settle any strike, lockout, ban, limitation of work or other industrial dispute.
- (3) In this clause 41.1 **Prescribed Event** means any of the following events:
 - (a) act of God;
 - (b) war, terrorism, riot, insurrection, vandalism or sabotage;
 - (c) strike, lockout, ban, limitation of work or other industrial disturbance;
 - (d) law, rule or regulation of any government or governmental agency or executive or administrative order or act of general or particular application (whether lawful or unlawful);
 - (e) outbreaks of disease, pandemic or quarantine;
 - (f) explosion;
 - (g) power shortage; or
 - (h) breakdown of plant, machinery or equipment;

which:

- (i) is unforeseen by the Affected Party;

- (j) is beyond the control of the Affected Party; and
- (k) occurs without the fault or negligence of the Affected Party.

41.2 Notices

- (1) A notice or other communication connected with this Agreement (**Notice**) has no legal effect unless it is in writing.
- (2) In addition to any other method of service provided by law, the Notice may be:
 - (a) sent by prepaid courier (such as Federal Express) to the address of the addressee set out in this Agreement or subsequently notified by the addressee to the other parties in writing;
 - (b) sent by electronic mail to the electronic mail address of the addressee;
 - (c) published on an intranet system established for the use of Strong and its franchisees, so long as the publication of the Notice is also specifically notified to the addressee whether on the intranet or by separate electronic mail or other means; or
 - (d) delivered at the address of the addressee set out in this Agreement or subsequently notified by the addressee to the other parties in writing.
- (3) A Notice must be treated as given and received:
 - (a) if sent by prepaid courier, on the 2nd Business Day (at the address to which it is sent) after pickup by the courier;
 - (b) if sent or notified by electronic mail before 5pm on a Business Day at the place of receipt, on the day it is sent or notified and otherwise on the next Business Day at the place of receipt; or
 - (c) if otherwise delivered before 5pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.
- (4) Despite clause 41.2(3)(b):
 - (a) an electronic mail message is not treated as given or received if the sender's computer reports that the message has not been delivered; and
 - (b) an electronic mail or intranet message is not treated as given or received if it is not received in full and in legible form and the addressee notifies the sender of that fact within 3 hours after the transmission ends or by 12 noon on the Business Day on which it would otherwise be treated as given and received, whichever is later.
- (5) A Notice sent or delivered in a manner provided by clause 41.2(2) must be treated as validly given to and received by the party to which it is addressed even if:
 - (a) the addressee has been liquidated or deregistered or is absent from the place at which the Notice is delivered or to which it is sent; or
 - (b) the Notice is returned unclaimed.
- (6) Any Notice by a party may be given and may be signed by its attorney.
- (7) Any Notice to a party may be given to its attorney by any of the means listed in clause 41.2(2) to the attorney's business address or facsimile number.

41.3 **Authority to complete**

By their execution of this Agreement, the Franchisee Parties authorize Strong to complete any items in Schedule 1 that are blank on the date of execution, with the details that Strong determines.

41.4 **Severability**

If anything in this Agreement is unenforceable, illegal or void then it is severed and the rest of this Agreement remains in force.

41.5 **Entire understanding**

Subject to law and the provisions of any written material entered into and approved by Strong and to which Strong and the Franchisee are parties, this Agreement:

- (1) is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement; and
- (2) supersedes any prior agreement or understanding on anything connected with that subject matter.

Notwithstanding the foregoing, nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Strong made to Franchisee in the Franchise Disclosure Document that Strong provided to Franchisee.

41.6 **Variation**

An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.

41.7 **Waiver**

- (1) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.
- (2) The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.
- (3) A waiver is not effective unless it is in writing.
- (4) Waiver of a power or right is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.

41.8 **Further assurance**

Each party must promptly at its own Cost do all things (including executing and if necessary delivering all documents) necessary or desirable to give full effect to this Agreement.

41.9 **Governing law and jurisdiction**

- (1) This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.
- (2) Subject to the mediation and arbitration requirements of this Agreement, if any, the parties agree that any action or other proceeding brought by Franchisee, Guarantor or Strong, in any court, shall be brought in Austin, Texas, or if required by applicable law, in such other city in the state in which the Business is located as Strong shall designate. Franchisee and Guarantor hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

41.10 **Non-merger**

Each obligation, which expressly or by nature survives or is capable of surviving the end of the Franchise, continues in force despite the termination of this Agreement and the end of the Franchise.

41.11 **Time of the essence**

- (1) Time is of the essence of this Agreement.
- (2) If the parties agree to vary a time requirement the time requirement so varied is of the essence of this Agreement.
- (3) An agreement to vary a time requirement must be in writing.

41.12 **Receipt of Disclosure**

Master Franchisee and Guarantors acknowledge that that they received a complete copy of this Agreement and all Attachments and agreements relating thereto at least seven (7) days calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it has received Strong's Franchise Disclosure Document required by applicable state law or by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) calendar days prior to the date on which this Agreement was executed).

41.13 **Required NASAA Disclosure**

The following only applies in *California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin*: No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

41.14 **Execution of counterparts**

- (1) This Agreement may be executed in any number of counterparts (including by way of electronic transmission). Each counterpart is an original but the counterparts together are one and the same agreement.
- (2) This Agreement is binding on the parties on the exchange of executed counterparts. A copy of an original executed counterpart sent by facsimile machine or by email:
 - (a) must be treated as an original counterpart;
 - (b) is sufficient evidence of the execution of the original; and
 - (c) may be produced in evidence for all purposes in place of the original.
- (3) A party may sign this Agreement by way of the application of that party's (or its relevant signatory's) electronic signature. In addition, the witness of a party's electronic signature may witness such signature by means of the application of that witness' electronic.

41.15 **Separate Legal Entity and Controlling Shareholder**

- 1) A separate legal entity must be established for the operation of the Business only. In the case where the Franchisee Parties or their Related Entities operate another or multiple Strong Franchises, the Franchisee must form a separate legal entity for each Strong Franchise.

- 2) Strong requires that a controlling shareholder be the contact for the Franchisee at all times, not less than 51% of the voting shares of the Franchisee will be held by a single shareholder at the time of signing this Agreement and at all other times.

41.16 **Special Conditions**

Any conditions set out in Item 26 of Schedule 1 form part of this Agreement. If there is any inconsistency between a provision of the Special Conditions and a provision of this Agreement the provision of the Special Conditions prevails to the extent of the inconsistency.

[completed and executed on the following page]

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

**Strong Pilates US, Inc.,
Texas corporation**

By: _____
Name: _____
Title: _____
Effective Date: _____

FRANCHISEE:

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

GUARANTORS:

By: _____
Name: _____

Acknowledgment and Consent of Spouse (if applicable)

By: _____
Name: _____

By: _____
Name: _____

Acknowledgment and Consent of Spouse (if applicable)

By: _____
Name: _____

By: _____
Name: _____

Acknowledgment and Consent of Spouse (if applicable)

By: _____
Name: _____

Schedule 1

Item 1 **Date of this Agreement**

Date:

Item 2 **Franchisee**

Name: #Full name of franchisee#

Business Number: #

Address: #Franchisee's registered address#

Item 3 **Intentionally Deleted.**

Item 4 **Guarantor**

Name: #Full name of 1st guarantor#

Address: #Address of 1st guarantor#

Name: #Full name of 2nd guarantor#

Address: #Address of 2nd guarantor#

Item 5 **Manager**

Name: #Full name of manager#

Address: #Manager's address#

Item 6 **Required Opening Date/Actual Opening Date**

Required Opening Date is the date that is one year from the Date of this Agreement.

Actual Opening Date is _____, or such other date as agreed in writing between the Parties

Item 7 **Business Name**

Strong Pilates #location#

Item 8 **Premises**

#The Premises located within the Territory and approved by the Strong in accordance with this Agreement# or #Address of premises#

Item 9 **Trade Marks**

Applications for registration of the below Trade Marks have been filed in the United States of America by Strong's affiliate, Strong Pilates IP Pty Ltd.:

Mark	Registration Number (Application Number)	Registration Date (Application Date)
STRONGFORMER	(97915985)	(May 1, 2023)
STRONG PILATES	(97915981)	(May 1, 2023)
STRONG (and Design)	(98368418)	(January 21, 2024)

		
STRONG PILATES (and Design) 	(98368416)	(January 21, 2024)
STRONG PILATES ROW. RIDE. REFORM. (and Design) 	(98368420)	(January 21, 2024)
STRONGFORMER (and Design) 	(98368423)	(January 21, 2024)

Item 10

Franchise Fee

- (a) Amount: \$59,000 (plus applicable taxes)
- (b) Payment terms: On execution of this Agreement

Item 11

Franchise Royalty Fee

- (a) Amount: 8% of Revenue
- (b) Payment terms: 7 days after the last date for each Month during the Term in respect of the Revenue for the previous Month, payable by direct debit; provided that the obligation to pay the Franchise Royalty Fee commences 3 months following the Actual Opening Date

Item 12

Marketing Contribution

- (a) Amount: 2% of Revenue
- (b) Payment terms: 7 days after the last date for each Month during the Term in respect of the Revenue for the previous Month, payable by direct debit; provided that the obligation to pay the Marketing Contribution commences 3 months following the Actual Opening Date

Item 13

Technology Fee

- (a) Amount: An amount we set each calendar year based on our anticipated costs, paid monthly; currently \$250 per month
- (b) Payment terms: 7 days after the last date for each Month during the Term in respect of the Revenue for the previous Month, payable by direct debit

Item 14

Transfer Fee

The following amounts:

- (a) 40% of the Franchise Fee charged by Strong to incoming franchisees as at the date of transfer;

- (b) all Strong's Costs (including Legal Costs) of and incidental to:
 - (i) the instructions for and the negotiation, preparation and execution of an assignment or surrender of this Agreement and all Related Agreements; and
 - (ii) the instructions for and the review and negotiation in relation to the sale of business agreement entered into by the Franchisee; and
- (c) all other reasonable costs and expenses.

Item 15 **New Term Fee**

The following amounts:

- (a) \$10,000 (plus applicable taxes, if any) to reflect the Costs of Strong investigating and reviewing the status of the Franchisee and the proposed guarantors;
- (b) all Strong's Costs (including Legal Costs) of and incidental to the instructions for and the negotiation, preparation and execution of the new franchise agreement, surrender of this Agreement and other incidental documents; and
- (c) all other reasonable costs and expenses.

Item 16 **Opening Promotional Amount**

\$25,000 (plus applicable taxes). The Opening Promotional Amount must be spent as directed by Strong. If required by Strong, Franchisee must pay all of part of the Opening Promotional Amount to Strong or an approved third party, who will conduct grand opening promotions on Franchisee's behalf. If directed to pay the Opening Promotional Amount to Strong, Franchisee must pay the Opening Promotional Amount to Strong four months prior to the Actual Opening Date.

Item 17 **Initial Term**

From the Date of this Agreement until the date that is 10 years from the Actual Opening Date

Item 18 **New Term**

10 years from the end of the Initial Term

Item 19 **Restraint Period**

Restraint Period means a period 18 months after the expiration, termination, non-renewal or transfer of this Agreement.

Item 20 **Restraint Area**

Restraint Area at the Premises or within twenty-five (25) kilometres of any other business using the System and the Trademarks in existence as of the date of the expiration, termination, non-renewal or transfer of this Agreement.

Item 21 **Minimum Performance Criteria**

For the first Assessment Period:

- Revenue of \$4,000 minimum per week (average).

- Customer loyalty program transactions of 10% of Revenue per week (average).
- No more than 2 Customer complaints per week (average).
- Sell at least 5 Strong Human memberships per week (average)
- Class Numbers:

Number of Classes per week	50
Minimum number of Classes per week	30

For each Assessment Period thereafter:

- The weekly average Revenue KPI set for the previous Assessment Period, increased by 5%.
- Customer loyalty program transactions of 10% of Revenue per week (average).
- No more than 2 Customer complaints per week (average).
- Sell at least 5 Strong Human memberships per week (average)
- Class Numbers per week and minimum number of Classes per week to be set prior to each Assessment Period. Class Number will not decrease from the first Assessment Period.

Item 22 Assessment Period

Each period of 6 Months during the Term, commencing the Month following the first 3 Months from the Actual Opening Date.

Item 23 Review of Minimum Performance Criteria

To be re-evaluated and specified by Strong on each anniversary of the Actual Opening Date.

Item 24 Strong Academy Fee

- (a) Amount: \$9,000.00 plus any applicable tax for a private studio Strong Academy
- (b) Payment terms: Prior to the commencement of the Strong Academy and upon receipt of an invoice from Strong.

Item 25 Insurance Policies

The cover levels will be specified in the Brand Standards Manual from time to time, but are currently as follows:

1. Comprehensive General Liability \$1,000,000 combined single limit per occurrence, \$2,000,000 general aggregate, \$2,000,000 product liability, \$1,000,000 personal and advertising injury, \$300,000 fire legal liability, and \$5,000 medical payment limits
2. Workers Comp with employer liability limit of bodily injury by accident \$1,000,000 each accident, by disease \$1,000,000 policy limit, and by disease

\$1,000,000 each employee

3. Professional Liability \$3,000,000 limit of liability and Abuse and Molestation with a minimum of \$300,000
4. Employment Practices Liability including third-party coverage for not less than \$500,000 aggregate
5. An "umbrella" policy providing excess coverage with limits of not less than \$3,000,000
6. Builder's risk insurance (for fit out / construction)

Item 26

Special Conditions

The following, if applicable.

Schedule 2 – Form of Lease Rider

LEASE RIDER

This Lease Rider is executed as of the date set forth below by and among Strong Pilates US, Inc., a Delaware limited liability company with current business address at 301-315 Pier Avenue, Hermosa Beach, CA 90254 ("Strong"), the Franchisee entity described in the signature below ("Franchisee") and the landlord described ("Landlord"), as a Rider to the lease (as amended, renewed, and/or extended from time to time, "the Lease") for the premises described below (the "Location").

WHEREAS, Franchisee has executed or intends to execute a Franchise Agreement (the Franchise Agreement") with Strong" for the operation of a Strong Pilates Studio at the Location, and as a requirement thereof, the lease for the Location must include the provisions contained in this Rider; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein will supersede any terms to the contrary set forth in the Lease;

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Franchisee hereby agree as follows:

- A. Landlord will deliver to Strong a copy of any notice of default or termination of the Lease at the same time such notice is delivered to Franchisee.
- B. Notwithstanding anything to the contrary contained in the Lease, Franchisee will have the absolute right to sublet, assign or otherwise transfer its interest in the Lease to Strong or its affiliate, or to a business entity with which Franchisee or Strong may merge or consolidate, without Landlord's approval, written or otherwise, and without execution of a guarantee of Strong's obligations thereunder.
- C. Franchisee will, if requested by Strong, assign to Strong, and Landlord hereby irrevocably and unconditionally consents to such assignment, all of Franchisee's rights, title and interest to and under the Lease upon any termination or expiration, or if no successor franchise agreement is executed, but no such assignment will be effective unless: (a) the Franchise Agreement is terminated or expires without execution of a successor franchise agreement; and (b) Strong notifies the Franchisee and Landlord in writing that Strong assumes Franchisee's obligations under the Lease.
- D. Strong will have the right, but not the obligation, upon giving written notice of its election to Franchisee and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests there under.
- E. The Lease may not be modified, amended, renewed or extended in any manner or assigned by Franchisee without Strong's prior written consent.
- F. Franchisee and Landlord acknowledge and agree that Strong will have no liability or obligation whatsoever under the Lease unless and until Strong assumes the Lease in writing pursuant to its rights under this Lease Rider. In such case of assignment, Strong will assume all of Franchisee's obligations under the lease from and after the date of assignment, but will have no obligation to pay any delinquent rent or to cure any other default under the lease that occurred or existed prior to the date of the assignment.
- G. If Strong assumes the Lease, as above provided, Strong may further assign the Lease to another person or entity to operate Franchisee's Strong Pilates Studio at the Location, subject to Landlord's consent which consent will not be unreasonably withheld, conditioned or delayed. Landlord agrees to execute such further documentation to confirm its consent to the assignments and subleases permitted under this Rider as Strong may request.
- H. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Strong and its personnel or agents will have the right to enter the Location for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Strong, its personnel or agents. Landlord and Franchisee hereby further acknowledge that in the event the Franchise Agreement expires (without execution of a successor franchise agreement) or is terminated; Franchisee is obligated to take certain steps under the Franchise Agreement to de-

identify the location as a Strong Pilates Studio. Landlord agrees to permit Strong, its personnel or agents, to enter the Location and remove signs, decor and materials displaying any marks, designs or logos owned by Strong, provided Strong will bear the expense of repairing any damage to the Location as a result thereof.

- I. Copies of any and all notices required or permitted hereby or by the Lease pursuant to this Lease Rider will also be sent to the party at the addresses set forth below or such other address as a party will specify by written notice to the others.
- J. Under the Franchise Agreement, any lease for the location of Franchisee's Strong Pilates Studio is subject to Strong's approval. Accordingly, the Lease is contingent upon such approval.

IN WITNESS WHEREOF, the undersigned have entered into this Lease Rider as witnessed by their signatures below.

FRANCHISOR
Strong Pilates US, Inc.,
a Texas corporation

FRANCHISEE

_____,

By: _____
Print Name: _____
Its: _____
Effective Date: _____
Date of Franchise Agreement _____

By: _____
Print Name: _____
Its: _____
Date: _____

Strong's Address for Notice Purposes:

Franchisee's Address for Notice Purposes:

Attention: _____
Email: _____

Attention: _____
Email: _____

LANDLORD:

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

Landlord's Address For Notice Purposes:

Attention: _____
Facsimile: _____
Email: _____

Schedule 3 – Form of Authorization Agreement for Pre-Authorized Payments

**AUTHORIZATION AGREEMENT
FOR PRE-AUTHORIZED PAYMENTS**

Strong Pilates US, Inc. ("FRANCHISOR")

FEDERAL TAX ID NUMBER: _____

The undersigned ("DEPOSITOR") authorizes FRANCHISOR to initiate debit entries to the Checking Account indicated below at the DEPOSITORY named below, and authorizes DEPOSITORY to debit to such account all entries FRANCHISOR initiates.

DEPOSITORY

NAME _____ BRANCH _____

CITY _____ STATE _____

CHECKING ACCOUNT NO. _____

ROUTING NUMBER _____

DEPOSITOR agrees that this authorization will remain in full force and effect until DEPOSITOR has given FRANCHISOR written notice of its revocation in such time and in such manner as to afford FRANCHISOR and DEPOSITORY a reasonable opportunity to act on the notice.

DEPOSITOR'S
NAME _____ ID NUMBER _____

DEPOSITOR'S SIGNATURE _____

TITLE OF PERSON SIGNING (if signed in a representative capacity) _____

DATE _____

NOTE: ALL WRITTEN DEBIT AUTHORIZATIONS MUST PROVIDE THAT THE DEPOSITOR MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE DEBIT ORIGINATOR (FRANCHISOR) IN THE MANNER SPECIFIED IN THE AUTHORIZATION

Annexure A

##TBC##

The area outlined in the attached map being the Territory known as the #TBC# territory.

Where the boundaries of the Territory run along a road, creek, river, park or other geographical feature (collectively the “boundary road”) the boundary of the Territory will be deemed to be the centre of the boundary road.

STATE SPECIFIC ADDENDA TO FRANCHISE AGREEMENT (as applicable)

**AMENDMENT TO STRONG PILATES US, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Strong Pilates US, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Amendment”):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Financial Protection and Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to You concerning termination of the Franchise Agreement. The Federal Bankruptcy Code also provides rights to You concerning termination of the Franchise Agreement upon certain bankruptcy-related events. To the extent the Franchise Agreement contains a provision that is inconsistent with these laws, these laws will control.
- b. Franchisee is required in the Franchise Agreement to execute a release of claims in connection with renewals and transfers, but such release will exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.
- c. The Franchise Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Franchise Agreement. The covenant may be unenforceable under California law.
- d. The Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California (specifically in Austin, Texas). The requirement may be unenforceable under California law.
- e. The Franchise Agreement requires that it be governed by a state’s law, other than the State of California (specifically Texas law). Such requirement may be unenforceable.
- f. 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.
- g. Sections 37.1 Acknowledgments and 41.12 Receipt of Disclosure of the Franchise Agreement are deleted and of no force and effect in the State of California.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Franchise Agreement on _____, _____.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

Effective Date: _____

FRANCHISEE

By: _____
Print Name: _____
Its: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF HAWAII**

The Strong Pilates US, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Amendment”):

HAWAII LAW MODIFICATIONS

1. The Hawaii Department of Commerce and Consumer Affairs has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from Hawaii franchisees until we have completed all of our pre-opening obligations and you are open for business.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Hawaii law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Franchise Agreement on _____, _____.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

Effective Date: _____

FRANCHISEE

By: _____
Print Name: _____
Its: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Strong Pilates US, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Amendment”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 - 705/44 (1994) (the “Act”). To the extent that this Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

- a. Sections 705/19 and 705/20 of the Act provide rights to franchisees concerning nonrenewal and termination of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Franchise Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, are unenforceable with respect to claims under the Act.
- c. Any provision that designates jurisdiction or venue or requires Franchisee to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, except arbitration may take place outside the state of Illinois.
- d. If this Agreement requires that it be governed by a state’s law, other than the State of Illinois, to the extent that such law conflicts with Illinois law, Illinois law will control.
- e. To the extent that the Act prohibits the disclaimer of representations contained in Franchisor’s Franchise Disclosure Document, the Franchise Agreement is amended to include representations made in Franchisor’s Franchise Disclosure Document to the extent required by law.
- f. Section 41 of the Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in this Agreement is inconsistent with Illinois law, Illinois law will control.

2. The Illinois Attorney General’s Office has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from Illinois franchisees until we have completed all of our pre-opening obligations and you are open for business. For Illinois 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. In other words, the total amount to be collected must be prorated and collected by the franchisor as each unit is opened under the Development Agreement. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

3. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

4. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Illinois law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Franchise Agreement on _____, _____.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

Effective Date: _____

FRANCHISEE

By: _____
Print Name: _____
Its: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

The Strong Pilates US, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. Sections 14-201 - 14-233 (1998 Repl. Vol. & Supp. 2002). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- b. This Agreement is hereby amended to reflect that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- c. This Agreement requires litigation to be conducted in a forum other than the State of Maryland. The requirement will not be interpreted to limit any rights Franchisee may have under Sec. 14-216 (c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.
- d. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release will exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments will be void with respect to claims under the Law.
- e. Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. This Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law. Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law resulting from the offer or sale of the franchise.
- f. Section 41.12 entitled “Receipt of Disclosure” is deleted and not applicable in the State of Maryland.
- g. 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.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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

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

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

The parties have duly executed and delivered this Amendment to the Franchise Agreement on _____, _____.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

AMENDMENT TO STRONG PILATES US, INC.

FRANCHISE AGREEMENT FOR THE STATE OF MINNESOTA

The Strong Pilates US, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Franchise Agreement and Franchise Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that Franchisee’s use of the Proprietary Marks infringes trademark rights of the third party. Franchisor does not indemnify against the consequences of Franchisee’s use of the Proprietary Marks except in accordance with the requirements of the Franchise Agreement, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within 10 days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that Franchisee be given written notice of a Franchisor’s intention not to renew 180 days prior to expiration of the franchise and that Franchisee be given sufficient opportunity to operate the franchise in order to enable Franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure). If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

d. If the Franchise Agreement and/or the Franchise Disclosure Document requires Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.

e. If the Franchise Agreement and/or the Franchise Disclosure Document requires that it be governed by a state’s law, other than the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. If the Franchise Agreement and/or the Franchise Disclosure Document requires Franchisee to sue Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate

or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

g. Minn. Rule 2860.4400J. prohibits Franchisor from requiring You to consent to liquidated damages and prohibits waiver of a jury trial. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Minn. Rule, the provisions of the Franchise Agreement and/or the Franchise Disclosure Document shall be superseded by the Minn. Rule's requirements and shall have no force or effect.

h. Due to the negative financial condition reported in the franchisor's most recent financial statement, the Commissioner of Commerce for the State of Minnesota requires that franchisor defer payment of initial franchise fees until business opens.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Agreement and/or the Franchise Disclosure Document shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

4. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Franchise Agreement on _____, _____.

h.

FRANCHISOR

FRANCHISEE

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

By: _____
Print Name: _____
Its: _____

Effective Date: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

The Strong Pilates US, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Amendment”):

NEW YORK LAW MODIFICATIONS

IN WITNESS WHEREOF, Franchisee acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Franchise Agreement on _____, _____.

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release will exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments will be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Franchise Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.
- c. Notwithstanding any rights you may have in the Franchise Agreement permitting You to terminate the Franchise Agreement, You may also have additional rights to terminate the Franchise Agreement on any grounds available by law.
- d. With respect to any transfer or assignment by Franchisor, no assignment will be made except to an assignee who, in good faith and judgment of Franchisor, is willing and financially able to assume Franchisor's obligations under the Franchise Agreement.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

4. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

i.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

The Strong Pilates US, Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the “Amendment”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate North Dakota Law, or a rule or order under North Dakota Law, such release shall exclude claims arising under North Dakota Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota Law. If the Franchise Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under North Dakota Law.
- d. If the Franchise Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law shall control.
- e. If the Franchise Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under North Dakota Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location shall be determined by the arbitrator.
- f. The Franchise Agreement is amended to reflect that all liquidated damages provisions in the Franchise Agreement (if any) are deleted in their entirety.
- h. Any waiver of a right to seek damages is deleted in its entirety.
- i. Any waiver of the right to a jury trial is deleted in its entirety.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of North Dakota Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement. Upon execution and delivery of this Agreement by both parties the effective date shall be the date first above written.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

Effective Date: _____

FRANCHISEE

By: _____
Print Name: _____
Its: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON**

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE
FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS**

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise

agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** 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.
16. **Questionnaires and Acknowledgments.** 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.
17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this ____ day of __20____.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____
Effective Date: _____

FRANCHISEE

By: _____
Print Name: _____
Its: _____
Date: _____

EXHIBIT C
DEVELOPMENT AGREEMENT



Dated

**Strong Pilates Development Agreement for use in the United States
(#Development Area#, State, United States of America)**

Parties

Strong Pilates US, Inc., a Texas corporation

#Full name of Developer#

#Full name of Guarantor#

Agreement made on the date it is executed by the parties

Parties

Strong Pilates US, Inc., a Texas corporation.

of [Insert Strong Address]

(Strong)

_____, of _____

(Developer)

_____, of _____

_____, of _____

_____, of _____

(collectively, **Guarantors**)

Introduction

- a. Strong and its affiliates have developed and own a unique and distinctive format and system relating to the establishment, development, opening, and operation of fitness training studios that offer customers a Pilates based workout infused with cardio (each, a **“Strong Business”**) by using a modified rowing machine built into a traditional Pilates bed (together with other products and services, the **“Approved Products”** and the **“Approved Services”**) utilizing Strong’s proprietary methods and various other standards and specifications (the **“System”**).
- b. Strong is engaged in the business of granting franchisees the right to operate one or more Strong Businesses.
- c. The distinguishing characteristics of the System include, without limitation, business formats, systems, methods, procedures, policies, operations, standards and controls upon the operation of Strong Businesses as specified in Strong’s Brand Standards Manuals or otherwise in writing by Strong.
- d. The System and Strong Businesses are identified by the mark Strong Pilates, as well as certain other trade names, trademarks, service marks and trade dress, all of which Strong may modify, update, supplement or substitute in the future as Strong deems appropriate in its discretion (collectively, the **“Trade Marks”**). The parties agree and acknowledge that Strong has established substantial goodwill and value in its Trade Marks and System.
- e. Strong grants qualified third parties the right to develop a certain number of Strong Businesses within a defined geographical area (the **“Development Area”**) in accordance with the terms of this Agreement to which Developer must strictly adhere. Each Strong Business within the Development Area and related franchise rights are granted only pursuant to the terms and conditions set forth in a separate form of Strong’s then-current form of franchise agreement (each, a **“Franchise Agreement”**).
- f. Developer has applied for the right to open and operate a certain number of Strong Businesses within the Development Area as set forth in this Agreement, and Strong has approved such application in reliance on Developer’s representations made therein.
- g. Developer hereby acknowledges that adherence to the terms of this Agreement, including Strong’s operations manual and other System standards and specifications, are essential to the operation of all Strong Business and the System as a whole.

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

AGREEMENT

1. Development Area. Subject to the terms and conditions set forth herein, Strong grants Developer the right, and Developer undertakes the obligation, to develop and establish a total of ___ Strong Businesses within the Development Area defined in Exhibit A, provided Developer opens and commences operations of such Strong Businesses in strict accordance with the mandatory development schedule also set forth in Exhibit A (the "**Development Schedule**") and otherwise subject to the terms and conditions set forth herein. During the term of this Agreement and except as provided herein, Strong will not open or operate, or license any third party the right to open or operate, any full-size, bricks and mortar Strong Businesses utilizing the Trade Marks and System within the Development Area.

2. Development Fee. Developer will pay Strong the development fee set forth in Exhibit A (the "Development Fee") for the right to develop the foregoing Strong Businesses within the Development Area under this Agreement, with the parties agreeing and acknowledging that this Development Fee is deemed fully earned upon payment and is not refundable under any circumstances.

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

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

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

6. Term and Termination.

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

6.2 Strong will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons a Strong Business for three (3) consecutive months, or any shorter period that indicates an objective intent by

Developer to discontinue development of the Strong Businesses within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, and fails to cure such default within 30 days of receiving notice thereof; (iv) if Developer fails to pay any Initial Franchise Fee within 10 days of receiving notice from Strong that such amount is due and owing; or (v) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Strong, pursuant to the terms of that Franchise Agreement.

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

8. Sale or Assignment. Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign this Agreement or any right granted under this Agreement without Strong's prior written consent, which Strong may withhold for any reason in Strong's sole discretion. Developer may not may not sell, transfer, or assign any right granted herein unless all then existing Franchise Agreements are also sold, transferred or assigned to the same party. If Strong grants a sale or assignment as described in this Section 8, Developer will pay Strong a transfer fee in an amount equal to 40% of Strong's then-current Initial Franchise Fee immediately upon transfer. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's Initial Franchise Agreement. Strong has the right to assign this Agreement in whole or in part in its sole discretion.

9. Acknowledgments. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to: (i) operate a Strong Business; or (ii) use Strong's Trade Marks in any manner. Such rights are solely granted under a Franchise Agreement for a specific Strong Business.

Franchisor and Developer are not joint employers of Developer's employees and other personnel. Franchisor does not and will not share or codetermine any of Developer's employees' essential terms and conditions of employment. More specifically, in no case does Franchisor have any authority to determine or set Developer's employees': (1) wages, benefits, and other compensation; (2) hours of work and scheduling; (3) the assignment of duties to be performed; (4) the supervision of the performance of duties; (5) work rules and directions governing the manner, means, and methods of the performance of duties and the grounds for discipline; (6) the tenure of employment, including hiring and discharge; and/or (7) working conditions related to the safety and health of employees. Developer alone has sole authority to determine any or all Developer's employees' essential terms and conditions of employment.

10. Notices. All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand or overnight delivery via recognized courier to the addresses set forth above (which may be changed by written notice).

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

12. Jurisdiction and Venue. The parties agree that any actions arising out of or related to this Agreement must be initiated and arbitrated or litigated to conclusion in accordance with the Dispute resolution terms and conditions of the Franchise Agreement, and specifically section 37.2 of the Franchise Agreement.

13. Injunctive Relief. Developer acknowledges and agrees that irreparable harm could be caused to Strong by Developer's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Strong will be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer's use of the Trade Marks and Strong's confidential information; (ii) Developer's covenant not to compete, as well as any other violations of

the restrictive covenants set forth in this Agreement or any Franchise Agreement with Strong; (iii) Developer's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Trade Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of Strong's rights with respect to confidentiality under this Agreement; and/or (vi) prohibiting any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Strong's franchise system or threatens other franchisees of Strong. Developer's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

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

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

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

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

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

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

20. Severability. The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon

such provisions, Strong reserves the right to terminate this Agreement.

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

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

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

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

25. Receipt of Disclosure. Developer and Guarantors acknowledge that that they received a complete copy of this Agreement and all Attachments and agreements relating thereto at least 7 days calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it has received Strong’s Franchise Disclosure Document required by applicable state law or by the Trade Regulation Rule of the Federal Trade Commission entitled “Disclosure Requirements and Prohibitions Concerning Franchising” at least 14 calendar days prior to the date on which this Agreement was executed).

26. Required NASAA Disclosure. The following only applies in *California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin*: No statement, questionnaire, or acknowledgment signed or agreed to by Franchisor 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

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

[COMPLETED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____

Name: _____

Title: _____

Effective Date: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

Date: _____

GUARANTORS:

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

EXHIBIT A TO DEVELOPMENT AGREEMENT

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

2. **Development Fee.** The Development Fee that is due and payable to Strong immediately upon execution of this Agreement will be \$_____.

3. **Development Schedule.** The Development Schedule referred to in Sections 1 and 5 of the Development Agreement is as follows:

Expiration of Development Period (each, a "Development Period")	# of New Strong Businesses to be Opened Within Development Period	Cumulative # of Strong Businesses that Must Be Open and Operating at End of Development Period	Payment Timing for Executing Franchise Agreement and Paying Initial Franchise Fee
__ months from Effective Date	1	1	Upon execution of Development Agreement
__ months from Effective Date	1	2	__ months prior to the scheduled opening date for this Strong Business.
__ months from Effective Date	1	3	__ months prior to the scheduled opening date for this Strong Business.
__ months from Effective Date	1	4	__ months prior to the scheduled opening date for this Strong Business.

STATE SPECIFIC ADDENDA TO DEVELOPMENT AGREEMENT (as applicable)

**AMENDMENT TO STRONG PILATES US, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Strong Pilates US, Inc. Development Agreement between _____ (“Developer” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Financial Protection and Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to You concerning termination of the Development Agreement. The Federal Bankruptcy Code also provides rights to You concerning termination of the Development Agreement upon certain bankruptcy-related events. To the extent the Development Agreement contains a provision that is inconsistent with these laws, these laws will control.
- b. Developer is required in the Development Agreement to execute a release of claims in connection with renewals and transfers, but such release will exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.
- c. The Development Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Development Agreement. The covenant may be unenforceable under California law.
- d. The Development Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California (specifically in Austin, Texas). The requirement may be unenforceable under California law.
- e. The Development Agreement requires that it be governed by a state’s law, other than the State of California (specifically Texas law). Such requirement may be unenforceable.
- f. 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.

- g. Sections 25 Receipt of Disclosure of the Development Agreement is deleted and of no force and effect in the State of California.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Development Agreement on _____, _____.

FRANCHISOR

DEVELOPER

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____

By: _____

Print Name: _____

Print Name: _____

Its: _____

Its: _____

Effective Date: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF HAWAII**

The Strong Pilates US, Inc. Development Agreement between _____ (“Developer” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

HAWAII LAW MODIFICATIONS

1. For Hawaii 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. In other words, the total amount to be collected must be prorated and collected by Franchisor as each unit is opened under the Development Agreement.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Hawaii law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Development Agreement on _____, _____.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

Effective Date: _____

DEVELOPER

By: _____
Print Name: _____
Its: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS**

The Strong Pilates US, Inc. Development Agreement between _____ (“Developer” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 - 705/44 (1994) (the “Act”). To the extent that this Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

- a. Sections 705/19 and 705/20 of the Act provide rights to franchisees concerning nonrenewal and termination of a franchise. If the Development Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Development Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, are unenforceable with respect to claims under the Act.
- c. Any provision that designates jurisdiction or venue or requires Developer to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, except arbitration may take place outside the state of Illinois.
- d. If this Agreement requires that it be governed by a state’s law, other than the State of Illinois, to the extent that such law conflicts with Illinois law, Illinois law will control.
- e. To the extent that the Act prohibits the disclaimer of representations contained in Franchisor’s Franchise Disclosure Document, the Development Agreement is amended to include representations made in Franchisor’s Franchise Disclosure Document to the extent required by law.
- f. Section 41 of the Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in this Agreement is inconsistent with Illinois law, Illinois law will control.

2. The Illinois Attorney General's Office has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from Illinois franchisees until we have completed all of our pre-opening obligations and you are open for business. For Illinois 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. In other words, the total amount to be collected must be prorated and collected by the franchisor as each unit is opened under the Development Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

3. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

4. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Illinois law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on _____, _____.

FRANCHISOR

DEVELOPER

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____

By: _____

Print Name: _____

Print Name: _____

Its: _____

Its: _____

Effective Date: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND**

The Strong Pilates US, Inc. Development Agreement between _____ (“Developer” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. Sections 14-201 - 14-233 (1998 Repl. Vol. & Supp. 2002). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- b. This Agreement is hereby amended to reflect that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- c. This Agreement requires litigation to be conducted in a forum other than the State of Maryland. The requirement will not be interpreted to limit any rights Developer may have under Sec. 14-216 (c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.
- d. If Developer is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release will exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments will be void with respect to claims under the Law.
- e. Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. This Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law. Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law resulting from the offer or sale of the franchise.
- f. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, the franchisor agrees to defer all development fees and initial payments by

area developers until the first franchise under the development agreement opens for business.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

The parties have duly executed and delivered this Amendment to the Development Agreement on _____, _____.

FRANCHISOR

DEVELOPER

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

By: _____
Print Name: _____
Its: _____

Effective Date: _____

Date: _____

AMENDMENT TO STRONG PILATES US, INC.

DEVELOPMENT AGREEMENT FOR THE STATE OF MINNESOTA

The Strong Pilates US, Inc. Development Agreement between _____ (“Developer” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Development Agreement and Franchise Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that Developer’s use of the Proprietary Marks infringes trademark rights of the third party. Franchisor does not indemnify against the consequences of Developer’s use of the Proprietary Marks except in accordance with the requirements of the Development Agreement, and, as a condition to indemnification, Developer must provide notice to Franchisor of any such claim within 10 days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. If the Development Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Development Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that Developer be given written notice of a Franchisor’s intention not to renew 180 days prior to expiration of the franchise and that Developer be given sufficient opportunity to operate the franchise in order to enable Developer the opportunity to recover the fair market value of the franchise as a going concern. If the Development Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Development Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that Developer be given 90 days’ notice of termination (with 60 days to cure). If the Development Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Development Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

d. If the Development Agreement and/or the Franchise Disclosure Document requires Developer to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would

violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.

e. If the Development Agreement and/or the Franchise Disclosure Document requires that it be governed by a state's law, other than the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights of Developer as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. If the Development Agreement and/or the Franchise Disclosure Document requires Developer to sue Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights of Developer as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

g. Minn. Rule 2860.4400J. prohibits Franchisor from requiring You to consent to liquidated damages and prohibits waiver of a jury trial. If the Development Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Minn. Rule, the provisions of the Development Agreement and/or the Franchise Disclosure Document shall be superseded by the Minn. Rule's requirements and shall have no force or effect.

h. Due to the negative financial condition reported in the franchisor's most recent financial statement, the Commissioner of Commerce for the State of Minnesota requires that franchisor defer payment of initial development fees and initial franchise fees until the first business opens.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Agreement and/or the Franchise Disclosure Document shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

4. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on _____, _____.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

DEVELOPER

By: _____

Print Name: _____

Its: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK**

The Strong Pilates US, Inc. Development Agreement between _____ (“Developer” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

NEW YORK LAW MODIFICATIONS

IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on _____, _____.

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Developer is required in the Development Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release will exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments will be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Development Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon Developer under the New York General Business Law, Article 33, Sections 680 through 695.
- c. Notwithstanding any rights you may have in the Development Agreement permitting You to terminate the Development Agreement, You may also have additional rights to terminate the Development Agreement on any grounds available by law.
- d. With respect to any transfer or assignment by Franchisor, no assignment will be made except to an assignee who, in good faith and judgment of Franchisor, is willing and financially able to assume Franchisor's obligations under the Development Agreement.

2. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document

executed in connection with the franchise.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

4. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

FRANCHISOR

DEVELOPER

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

By: _____
Print Name: _____
Its: _____

Effective Date: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

The Strong Pilates US, Inc. Development Agreement between _____ (“Franchisee” or “You”) and Strong Pilates US, Inc. (“Franchisor”) dated _____ (the “Development Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Development Agreement (the “Amendment”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Development Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate North Dakota Law, or a rule or order under North Dakota Law, such release shall exclude claims arising under North Dakota Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Development Agreement are enforceable only under certain conditions according to North Dakota Law. If the Development Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Development Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under North Dakota Law.
- d. If the Development Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law shall control.
- e. If the Development Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under North Dakota Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location shall be determined by the arbitrator.
- f. The Development Agreement is amended to reflect that all liquidated damages provisions in the Development Agreement (if any) are deleted in their entirety.

- h. Any waiver of a right to seek damages is deleted in its entirety.
- i. Any waiver of the right to a jury trial is deleted in its entirety.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of North Dakota Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement. Upon execution and delivery of this Agreement by both parties the effective date shall be the date first above written.

FRANCHISOR

FRANCHISEE

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____

By: _____
Print Name: _____
Its: _____

Effective Date: _____

Date: _____

**AMENDMENT TO STRONG PILATES US, INC.
DEVELOPMENT AGREEMENT
FOR THE STATE OF WASHINGTON**

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE
FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS**

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

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

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____, 20_____.

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____
Print Name: _____
Its: _____
Effective Date: _____

DEVELOPER

By: _____
Print Name: _____
Its: _____
Date: _____

EXHIBIT D

APPLICANT CONFIDENTIALITY AGREEMENT AND AUTHORIZATION

APPLICANT CONFIDENTIALITY AGREEMENT AND AUTHORIZATION

This Applicant Confidentiality Agreement and Authorization (“Agreement”) is entered into effective as of _____, 20__, by and among _____ (collectively, “Applicant,” “you,” or “your”) and Strong Pilates US, Inc., a Texas corporation with its principal business address at Creative Cubes, Level 5/111 Cecil St., South Melbourne, Victoria, Australia, 3205 (“Strong Pilates”, “we”, “us” or “our”), with reference to the following facts:

RECITALS

We and our affiliates own, operate and grant franchises to develop and operate fitness training studios (each a “Strong Pilates Studio”) that offer customers a Pilates-based workout infused with cardio via specially designed Pilates beds that include a built-in rowing machine, together with related services and products, under the name Strong Pilates.

The distinguishing features of a Strong Pilates Studio include, but are not limited to, the name “Strong Pilates”; specially designed equipment and other emblems, insignia, logos, trade names, trademarks and service marks (the “Strong Pilates Marks”); products, methods, procedures, distinctive products and the formula and quality standards therefor; and instructional materials and training courses (collectively, the “Strong Pilates System”).

You are considering purchasing a franchise for a Strong Pilates Studio, and we wish to give you access to certain confidential and proprietary information and documents related to our business in order to assist you to evaluate the purchase of a franchise for a Strong Pilates Studio from us.

You wish to also grant us authorization to conduct a background check and other due diligence on you in connection with your interest in purchasing a franchise for a Strong Pilates Studio.

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Definition of Confidential Information. The term “Confidential Information” means all information, oral or written, know-how and documents (including, without limitation, our Manuals) relating to our franchise for a Strong Pilates Studio and the development and operation of a Strong Pilates Studio, furnished by us or our representatives to you or your representatives. Confidential Information also includes any analysis or study prepared by or for you which to any extent is based on our Confidential Information.

2. Your Agreement to Maintain Confidentiality. You acknowledge that it is important to our business to maintain the confidentiality of the Confidential Information and that we are making the Confidential Information available to you only for the limited purpose of investigating the purchase of a franchise for a Strong Pilates Studio. You further acknowledge and agree that the Confidential Information is proprietary to and a valuable trade secret of ours and that any disclosure or unauthorized use of the Confidential Information will cause us irreparable loss and harm. In consideration of the opportunity to obtain access to the Confidential Information, you hereby agree as follows:

a. To use the Confidential Information solely to carry out your evaluation of purchasing a franchise for a Strong Pilates Studio. During and after your evaluation, you will not use the Confidential Information for your own use, including in connection with any business, other than a Strong Pilates Studio operated under a valid Development Agreement with us. You agree not to disclose the Confidential Information, except (i) as may be required by law, or (ii) to your employees, outside counsel, accountants, and

other representatives or affiliates who need to know such information for the purpose of helping you evaluate the purchase of a franchise for a Strong Pilates Studio. In the event you or any persons to whom you disclose the Confidential Information become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, you will give us prompt prior written notice of such requirement so that we may seek a protective order or other appropriate remedy and/or waive compliance with the terms hereof. In the event that such protective order or other remedy is not obtained, or we waive compliance with provisions hereof, you agree to furnish only that portion of the Confidential Information which you are advised by written opinion of counsel is legally required and exercise your best efforts to obtain assurances that confidential treatment will be accorded such Confidential Information.

b. To ensure that all your employees, outside counsel, accountants and other representatives and affiliates who are given access to the Confidential Information on your behalf will be bound by, and will conduct their evaluation in accordance with the terms of this Agreement. You will be fully responsible for any breach of this Agreement by any person to whom you give access to the Confidential Information.

c. Not to make copies of the Confidential Information except as necessary to assist you in your evaluation of the purchase of a franchise for a Strong Pilates Studio.

d. If you do not enter into a franchise relationship with us, or upon our request, to promptly return to us all Confidential Information and to retain no copies thereof.

3. Absence of Representations or Warranties. You understand and acknowledge that we are not making any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information, and neither we nor any of our officers, directors, employees, agents or affiliates will have any liability to you or any other person resulting from your use of the Confidential Information. Only those representations and warranties, if any, that are made to you in any franchise and/or Franchise Agreements when, as, and if executed, and subject to such limitations and restrictions as may be specified therein, will have any legal effect.

4. Ownership. You acknowledge and agree that the Confidential Information is owned solely by we and our affiliates, and that this Agreement does not grant to you any rights in or to the Confidential Information except the limited right to use the Confidential Information to evaluate the purchase of a franchise for a Strong Pilates Studio.

5. Remedies. You agree that your obligations hereunder are necessary and reasonable in order to protect us and expressly agree that monetary damages would be inadequate to compensate us for any breach of any covenant or agreement set forth herein. Accordingly, you agree and acknowledge that any such violation or threatened violation will cause irreparable injury to us and that, in addition to any other remedies that may be available, in law, in equity or otherwise, we shall be entitled to obtain injunctive relief and specific performance against you for the threatened breach of this Agreement or the continuation of any such breach, without proof of actual damages and without posting bond.

6. Your Authorizations, Consents and Releases regarding this Agreement and Your Personal Information.

a. You understand that we will be requesting information on you from various companies, financial and other institutions, universities, credit reporting agencies, professional and academic certification law enforcement agencies, former employers, and/or the military, and you hereby authorize such entities to release any information that they may have about you to us and our agents and designees, and release them from any liability arising out of or related to their release of such information.

b. You authorize all financial institutions holding funds or other property on your behalf or on behalf of any business entity in which you hold a beneficial interest, whether or not identified in this Agreement, to release all records including signature cards, statements and all documentation reflecting the source of deposited funds, whether the funds were received in the form of cash, credit, electronic fund transfer or wire transfer.

c. You also authorize us and our agents and designees to obtain such credit and other civil and criminal investigative reports as they consider necessary to evaluate this Agreement, and understand that these reports may contain information about your background, mode of living, character and personal reputation. This authorization is valid for any current and future reports and updates that may be requested and you agree to execute all additional documents, waivers or releases that might be necessary for us or our agents and designees to obtain such information or reports.

You request a copy of your credit report
 You do not request a copy of your credit report

d. You further authorize us and our agents and designees to contact individuals or entities identified by you, or whose names arise in connection with the civil and criminal investigative reports described above for purposes of obtaining character references and verifying the information contained in this Agreement. You hereby authorize any individual or entity contacted by us or our agent or designee to provide all requested information, and release them from any liability arising out of or related to their release of such information.

7. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the undersigned parties, their successors and assigns; provided however that the Confidential Information shall not be assigned without our prior written consent.

8. Amendments and Waiver. This Agreement may be amended only in writing executed by the parties hereto. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES. Failure to enforce any provision of this Agreement in one or more instances shall not constitute a waiver of any term hereof.

9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Texas (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

10. JURISDICTION, VENUE AND WAIVER OF JURY TRIAL. ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT SHALL BE BROUGHT EXCLUSIVELY IN THE STATE COURTS OF THE STATE OF TEXAS, COUNTY OF TRAVIS, OR IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF TEXAS-AUSTIN DIVISION LOCATED IN AUSTIN, TEXAS. FOR THE PURPOSES OF SUCH EXCLUSIVE JURISDICTION, THE PARTIES HEREBY IRREVOCABLY WAIVE ANY OBJECTIONS WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE JURISDICTION OR VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT BROUGHT IN SUCH COURTS AND HEREBY FURTHER IRREVOCABLY WAIVE ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE PARTIES HEREBY FURTHER IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED AGREEMENTS.

The undersigned parties have executed and delivered this Agreement to be effective as of the day and year first above written.

APPLICANT

By: _____

Print Name: _____

Its: _____

Date: _____

FRANCHISOR

**Strong Pilates US, Inc.,
a Texas corporation**

By: _____

Print Name: _____

Its: _____

Date: _____

EXHIBIT E

FRANCHISE APPLICATION

STRONG PILATES STUDIOS
FRANCHISE APPLICATION

INSTRUCTIONS: Thank you for expressing an interest in obtaining rights from Strong Pilates US, Inc. (“we” or “Strong Pilates”) to develop and operate one or more franchised Strong Pilates Studios (each a “Strong Pilates Studio”). This Franchise Application (“Application”) should be completed by (1) the business entity that will hold the franchise rights and/or own the Strong Pilates Studio(s) (collectively, referred to as “you” and “your” in this Application) and (2) the business entity that will directly or indirectly control you. Please print your responses clearly, attach all required documents and then execute this Application in the signature page at the end of the Application.

Authorized Signers: Authorized signers for this Franchise Application include the following:

<u>Applicant</u>	<u>Signer (s)</u>
Corporation	President, Vice President or other Authorized Officer
General Partnership	Each General Partner
Limited Partnership	Any General Partner
Limited Liability Company	Managing Member(s), Authorized Member(s), or Manager(s)
Trust	Trustee(s)
Estate	Executor/Executrix, Administrator/Administratrix

When completed and signed, please send your Application to the attention of Mr. Mark Francis Armstrong at mark@strongpilates.com.au.

Your General Information

*Each Business Entity applicant must complete and submit the Organizational Information Checklist attached at the end of this Application.

Business Entity Name: _____

Jurisdiction of Formation: _____

Date of Formation: _____

Business Registration Number: _____

Business Tax ID Number: _____

Current Registered Address: _____

Main Telephone Number: _____

Main E-Mail Address: _____

Mailing Address (if different): _____

***Please attached a list identifying your officers and directors (or equivalent executives) and equity owners (shareholders, partners or members), and the type of interest held and ownership interest of each. If you have more than twenty owners, please list the largest ten owners by name.**

Name and Information for Your Key Contact for Your Strong Pilates Studio

Full Name: _____

National Identification Number: _____

Date of Birth: _____

Citizenship: _____

Current Home Address: _____

Telephone Numbers: Home: _____ Business: _____ Mobile: _____

E-Mail Address: _____

*Please attach to this Application a copy of such persons' foreign passport or national identification card.

Other Background Information

Have you or your key officers or directors ever been convicted of felony or other crime involving moral turpitude?

Yes

No

If you answered "yes," please state the name and address of the court, the case number and the date of conviction, and provide brief description of the charges for which you were convicted:

Are there any civil judgments pending against you or your key officers and directors that have not been satisfied?

Yes

No

If you answered "yes," please state the name and address of the court, the case number and the date and amount of the judgment:

Are you or your key officers and directors currently involved as a defendant in any litigation or arbitration proceeding?

Yes

No

If you answered "yes," please state the name and address of the court, the case number and provide a brief description of the allegations against you and the amount of the claim:

Have you or any other business entity to which you have held a majority ownership interest or exercised control over management ever filed for bankruptcy or sought other similar debt relief?

Yes

No

If you answered "yes," please provide a brief description of the proceedings:

Your Interest in Strong Pilates Studios and Your Relevant Experience

Have your key officers or directors been to a Strong Pilates Studio?

Yes No

If you answered "yes," please identify the Strong Pilates Studio(s) you have visited:

When can your key officers or directors visit us to discuss your interest in acquiring a franchise? _____

Outline, briefly, the experience(s) that would qualify you to develop and operate a Strong Pilates Studio business such as a Strong Pilates Studio. A separate presentation may be attached to this Application.

Describe briefly the experience and qualifications for your organization; including corporate officers, partners, and management who would be responsible for Operations, Human Resources/Recruiting, Real Estate, Construction, Marketing and Finance. A separate presentation may be attached to this Application.

Please describe the geographic area (the "territory") in which you are interested in developing and operating one or more Strong Pilates Studios? _____

How many Strong Pilates Studio(s) are you interested in developing in the territory? _____

Briefly describe the market for one or more Strong Pilates Studios in the territory, including existing or known competitors: _____

Your Anticipated Investment

Please describe range of investment you are interested in making in connection with the development and operation of one or more Strong Pilates Studios _____

Please detail the source of funds you plan on investing (including name of financial institution, if applicable, and contact person)? _____

Name of Financial Institution _____

Address _____ DESCRIPTION OF

ACCOUNT

City, Country, Zip Code _____

Phone No. _____

Account No. _____

Contact Person _____

What percentage of the funds will be borrowed? _____

On what terms would you borrow the funds? _____

Your Partners and Co-Applicants

Please indicate the names of all the business entities that are not directly or indirectly affiliated with you that will have a direct, indirect or beneficial ownership in the franchise or the entity that will own the franchise. All entities or individuals identified below must also complete an Application.

Please describe any additional information you would like Strong Pilates to consider in connection with your Application:

Your Business References

Please provide the requested information concerning five individuals familiar with your business.

References	Brief Description of Affiliation
(1) Name _____ Address _____ _____ City, County, Zip _____ Phone _____	_____ _____ _____ _____ _____
(2) Name _____ Address _____ _____ City, Country, Zip _____ Phone _____	_____ _____ _____ _____ _____
(3) Name _____ Address _____ _____ City, Country, Zip _____ Phone _____	_____ _____ _____ _____ _____
(4) Name _____ Address _____ _____ City, Country, Zip _____ Phone _____	_____ _____ _____ _____ _____
(5) Name _____ Address _____ _____	_____ _____ _____

City, Country, Zip _____
 Phone _____

Please identify each financial institution (both in your country of origin and within the United States) holding funds or property on your behalf or on behalf of a business entity in which you hold a beneficial ownership interest. Please add additional pages, as necessary.

Name of Financial Institution _____
 Address _____ DESCRIPTION OF
 ACCOUNT
 City, Country, Zip Code _____
 Phone No. _____
 Account No. _____

Name of Financial Institution _____
 Address _____ DESCRIPTION OF
 ACCOUNT
 City, Country, Zip Code _____
 Phone No. _____
 Account No. _____

Name of Financial Institution _____
 Address _____ DESCRIPTION OF
 ACCOUNT
 City, Country, Zip Code _____
 Phone No. _____
 Account No. _____

Name of Financial Institution _____
 Address _____ DESCRIPTION OF
 ACCOUNT
 City, Country, Zip Code _____
 Phone No. _____
 Account No. _____

Your Business Interests

Please identify material business enterprises in which you hold a controlling beneficial ownership interest or that is otherwise involved in franchising. The term “business enterprise” includes a corporation, association, partnership, business trust, sole proprietorship, or other business, the shares of which are not listed on a securities exchange or otherwise regularly traded.

Under “legal form of business,” please describe the type of business entity in which you hold an interest (e.g., corporation, partnership, etc.)

Name and Address of Business	Legal Form of Business	Nature of Business	% Ownership	Current Value
				\$

[CONTINUED ON THE FOLLOWING PAGES]

Your Financial Statement

Financial Statement Documentation will be required to support these statements.

Financial Condition as of _____, 20____

Assets	Dollar s	Cents	Liabilities	Dollar s	Cent s
Cash on Hand			Note Payable to Banks – Unsecured		
Cash in Bank					
Notes Receivable – Secured by Mortgage					
Notes Receivable – Otherwise Secured			Notes Payable – Other than to Banks – Unsecured		
Accounts Receivable – Current			Accounts Payable		
Accounts Receivable – Past Due			Loans on Life Insurance		
U.S. Govt. Obligations			Taxes		
Stocks, Bonds and other Investments			Mortgages or Liens on Real Estate (Itemize Below)		
Include Funds in Savings & Loan Companies (Itemize Page 2)			Any Other Indebtedness – Due within One Year		
Cash value –Life Insurance					
Real Estate (Itemize Below)			Any Other Indebtedness – Due Beyond One Year		
Total Asses			Total Liabilities		
			Net Worth (Total Assets – Total Liabilities = Net Worth)		

Schedule of Real Estate Owned

Legal Description & Location	Title in Whose Name	Improved or Unimproved	Appraised Value	Mortgages	Tax Value	Insurance

Contingent Liability of any Kind (if None, Indicate So)

Dollars Cents

Upon Notes Or Accounts Receivable Discounted Sold, or Assigned		
As Guarantor For Other on Notes, Bonds, Contacts, Etc.		
Any Other Contingent Liability – Itemized		
Total Contingent Liabilities		

[CONTINUED ON THE FOLLOWING PAGES]

Your Acknowledgments and Representations Regarding this Application

By completing and submitting this Application to Strong Pilates, you acknowledge and/or represent to Strong Pilates on your own behalf and behalf of your key officers and directors that:

- Strong Pilates is relying upon the information provided in this Application and upon the documents you submit in connection with, or in support of, this Application (including all business information, business plans and/or financial statements you provide).
- All information contained in, and documents submitted in connection with, this Application is true, correct and complete as of the date submitted and you understand that any misrepresentation or inaccuracy in the information provided by you will be grounds for termination of any franchise or development rights that Strong Pilates may grant to you based on the information in this Application. You will promptly inform Strong Pilates of any material change in any of the information or documents submitted.
- Neither the submission of this Application nor the execution of any definite agreements will violate or conflict with the terms of any other agreement to which you are a party or by which you are bound. You have not been induced by Strong Pilates to terminate or breach any agreement with respect to any opportunity to develop or operate one or more Strong Pilates Studios.
- Strong Pilates does not enter into, and has not entered into, oral agreements or understandings with respect to (i) the development and operation of one or more Strong Pilates Studios, or (ii) matters pertaining to the granting of development and franchise rights for one or more Strong Pilates Studios.
- Strong Pilates has no obligation to grant to you development or franchise rights for one or more Strong Pilates Studios and no such rights to develop or operate one or more Strong Pilates Studios shall be granted or obtained unless and until definitive Development and/or Development Agreements are signed.
- Strong Pilates reserves the right to approve or reject this Application in its sole discretion, and if Strong Pilates rejects this Application, Strong Pilates shall have no liability to you or any other person or entity.
- Any projections and other financial information you provide Strong Pilates in connection with this Application is voluntarily provided or made by you and has or will have been prepared by you and/or your advisors. Strong Pilates has not, and will not, participate or provide any assistance to you in connection with the preparation of such projections or other financial information prepared by you.
- You will indemnify Strong Pilates and its affiliates and the directors, employees, agents, representatives and assignees thereof and will hold them harmless from all liability, costs, damages and expenses (including legal and accounting fees and expenses) in connection with the breach of any contract or any representation, warranty or information contained in this Application or in connection with Strong Pilates's reliance on such representations, warranties and information. Strong Pilates shall have the right independently to take any action it may deem necessary in its sole discretion, to protect and defend itself against any threatened action without regard to the expense, forum or other parties involved. Strong Pilates shall have sole and exclusive control over the defense of any such action (including the right to be represented by counsel of its choosing) and over the settlement, compromise or other disposition thereof.
- You will keep all oral and written information regarding the Strong Pilates Studio franchise program that you may receive or have access to, in strict confidence for an indefinite time period,

and will neither use for your own benefit nor disclose or divulge to any other person any part of such information.

- The terms of this Application will survive any approval or rejection of this Application by Strong Pilates.

Applicant's Initials _____

Your Authorizations, Consents and Releases regarding this Application and Your Personal Information

- **You understand that Strong Pilates will be requesting information from various companies, financial and other institutions, universities, credit reporting agencies, professional and academic certification law enforcement agencies, former employers, and/or the military, and you hereby authorize such entities to release any information that they may have about you to Strong Pilates and its agents and designees, and release them from any liability arising out of or related to their release of such information.**
- **You authorize all financial institutions holding funds or other property on your behalf or on behalf of any business entity in which you hold a beneficial interest, whether or not identified in this Application, to release all records including signature cards, statements and all documentation reflecting the source of deposited funds, whether the funds were received in the form of cash, credit, electronic fund transfer or wire transfer.**
- **You also authorize Strong Pilates and its agents and designees to obtain such credit and other civil and criminal investigative reports as they consider necessary to evaluate this Application, and you understand that these reports may contain information about your background, mode of living, character and personal reputation. This authorization is valid for any current and future reports and updates that may be requested, and you agree to execute all additional documents, waivers or releases that might be necessary for Strong Pilates or its agents and designees to obtain such information or reports.**
- **You have a right to request a copy of your credit report. Please signify your request below:**
 - You request a copy of your credit report
 - You do not request a copy of your credit report
- **You further authorize Strong Pilates and its agents and designees to contact individuals or entities identified in this Application, or whose names arise in connection with the civil and criminal investigative reports described above for purposes of obtaining character references and verifying the information contained in this Application. You hereby authorize any individual or entity contacted by Strong Pilates or its agent or designee to provide all requested information, and release such persons from any liability arising out of or related to their release of such information.**

APPLICANT:

Entity Name: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT F

STATE ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT

**Addendum to Disclosure Document
For the Franchise Registration States**

The following only applies in *California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin*:

Required NASAA Statement. 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.

**Addendum to Disclosure Document
Pursuant to the California Franchise Investment Law**

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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

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.

1. Item 3 is amended to state that neither we nor any person or franchise broker named 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 persons from membership in such association or exchange.
2. Item 5 of this Disclosure Document is amended by adding the following:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a Development Agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.
3. Item 6 is supplemented to reflect that 10% per annum is the highest interest rate allowed in California.
4. Items 17 (b), (c), (d), (e), (f), (g), (h), (i) and (w) are amended to state that California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. In particular, Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act. If the Development Agreement/Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
5. Item 17 (h) is amended to state that the Development Agreement/Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).
6. Item 17 (w) is amended to state that the Development Agreement/Franchise Agreement contains a provision requiring application of the laws of Texas. This provision may not be enforceable under California law.
7. Item 17 (v) is amended to state that the Development Agreement/Franchise Agreement requires submission of disputes to courts located in Travis County, Texas unless we sue you where your Strong Pilates Studio is located. This provision may not be enforceable under California law.

8. Items 17 (c) and (m) are amended to state that you must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
9. Item 17 (s) is amended to state that California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Financial Protection and Oversight prior to a solicitation of a proposed material modification of an existing franchise.
10. The Development Agreement/Franchise Agreement contains a covenant not to compete which extends beyond the termination of the agreement. This provision may not be enforceable under California law.
11. The Development Agreement/Franchise Agreement requires you to waive your right to a trial by jury. This provision may not be enforceable under California law.
12. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

**Addendum to Disclosure Document
Pursuant to the Hawaii Franchise Investment Law**

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

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

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

THE GENERAL RELEASE LANGUAGE CONTAINED IN THE DEVELOPMENT AGREEMENT/FRANCHISE AGREEMENT SHALL NOT RELIEVE US OR OUR AFFILIATES FROM LIABILITY IMPOSED BY THE LAWS CONCERNING FRANCHISING OF THE STATE OF HAWAII.

Item 5 of this Disclosure Document is amended by adding the following:

The Hawaii Department of Commerce and Consumer Affairs has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from Hawaii franchisees until we have completed all of our pre-opening obligations and you are open for business. For Hawaii 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. In other words, the total amount to be collected must be prorated and collected by the franchisor as each unit is opened under the Development Agreement.

**Addendum to Disclosure Document
Pursuant to the Illinois Franchise Disclosure Act**

Item 5 of this Disclosure Document is amended by adding the following:

The Illinois Attorney General's Office has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from Illinois franchisees until we have completed all of our pre-opening obligations and you are open for business. For Illinois 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. In other words, the total amount to be collected must be prorated and collected by the franchisor as each unit is opened under the Development Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Item 13 is amended to provide that while we do not own the Trade Marks, our affiliate owns the Trade Marks and has licensed us to use the Trade Marks and to sublicense the Trade Marks to you.

The **State Cover Page** and **Item 17** of this disclosure document are amended by adding the following:

- a. Any provision in the Development Agreement/Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois, except that the Development Agreement/Franchise Agreement may provide for arbitration outside Illinois. In addition, Illinois law will govern the Development Agreement/Franchise Agreement.
- b. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning non-renewal and termination of the Development Agreement/Franchise Agreement. If the Development Agreement/Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
- c. Any release of claims or acknowledgments of fact contained in the Development Agreement/Franchise Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act will be void and are deleted with respect to claims under the Act.
- d. Section 41 of the Illinois Franchise Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void." To the extent that any provision in the Development Agreement/Franchise Agreement is inconsistent with Illinois law, Illinois law will control.

No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

**Addendum to Disclosure Document
Pursuant to the Maryland Franchise Registration and Disclosure Law**

The following provisions will supersede anything to the contrary in the Franchise Disclosure Document and will apply to all franchises offered and sold under the laws of the State of Maryland:

1. Item 5 is amended to add the following:

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 for business.

2. Item 17, under the Summary column of parts (c) and (m), is amended to include the following paragraph:

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

3. Item 17, under the Summary column of part (h), is amended to include the following sentence:

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

4. Item 17, under the Summary column of part (v), is modified to include the words "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

5. Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

MICHIGAN ADDENDUM TO DISCLOSURE DOCUMENT

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

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

franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the Development Agreement/Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

**OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION, FRANCHISE SECTION
525 W. OTTAWA ST.
G. MENNEN WILLIAMS BUILDING, FIRST FLOOR
LANSING, MICHIGAN 48933
517-373-7117**

**Addendum to Disclosure Document
Pursuant to the Minnesota Franchise Investment Law**

The following is added to Item 17 of the disclosure document:

1. Minnesota law provide that we must indemnify you against liability to third parties resulting from claims by third parties that your use of our trademarks infringes trademark rights of the third party. We do not indemnify you against the consequences of your use of our trademarks except in accordance with the requirements of the Development Agreement/Franchise Agreement, and, as a condition to indemnification, you must provide notice to us of any such claim and tender the defense of the claim to us within 10 days after the claim is asserted. If we accept the tender of defense, we have the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
2. Under Minnesota law and except in certain specified cases, we must give you 90 days' notice of termination with 60 days to cure. We also must give you at least 180 days' notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Agreement is inconsistent with the Minnesota law, the Minnesota law will control.
3. Minn. Rule 2860.4400J prohibits us from requiring you to assent to a general release. To the extent that the Development Agreement/Franchise Agreement requires you to sign a general release as a condition of renewal or transfer, the Development Agreement/Franchise Agreement will be considered amended to the extent necessary to comply with Minnesota law.
4. Item 17 (i) is amended to state that Minnesota Rule 2860.4400J prohibits requiring you to consent to liquidated damages.

5. To the extent that any condition, stipulation or provision contained in the Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the nonwaiver provision of the Minnesota Franchises Law.
6. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or Development Agreement/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. Specifically, we cannot require you to consent to us obtaining injunctive relief, however, we may seek such relief through the court system.
7. To the extent that any condition, stipulation or provision contained in the Development Agreement/Franchise Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the nonwaiver provision of the Minnesota Franchises Law.
7. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.
8. Due to the negative financial condition reported in the franchisor's most recent financial statement, the Commissioner of Commerce for the State of Minnesota requires that franchisor defer payment of initial franchise fees until business opens.
9. No statement, questionnaire, or acknowledgment signed or agreed to by Strong 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 Strong. This provision supersedes any other term of any document executed in connection with the franchise.

**Addendum to Disclosure Document
Pursuant to the New York Franchise Sales Act**

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

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

FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations. C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years 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.

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

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

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the nonwaiver 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 a franchisee": "You may terminate the agreement on any grounds available by law."

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

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

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**Addendum to Disclosure Document
Pursuant to the North Dakota Franchise Disclosure Act**

1. Item 17 (i) is amended to reflect that all liquidated damages provisions in the Development Agreement/Franchise Agreement are deleted in their entirety.
2. Item 17 (w) is amended to state that the laws of the State of North Dakota supersede any provisions of the Development Agreement/Franchise Agreement, the other agreements or New York law if such provisions are in conflict with North Dakota law. The Development Agreement/Franchise Agreement will be governed by North Dakota law.
3. Item 17 (v) is amended to state that any provision in the Development Agreement/Franchise Agreement which designates jurisdiction or venue or requires the Licensee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted.
4. Item 17 (w) is amended to state that any provision in the Development Agreement/Franchise Agreement which requires you to waive your right to a trial by jury is deleted.
5. Items 17 (c) and (m) are amended to state that no release language set forth in the Development Agreement/Franchise Agreement shall relieve us or our affiliates from liability imposed by the North Dakota Franchise Disclosure Act.

**Addendum to Disclosure Document
Additional Information Required by the State of Rhode Island**

In recognition of the requirements of the State of Rhode Island Franchise Investment Act §19-28.1 *et seq.* (the "Act"), the Franchise Disclosure Document for use in the State of Rhode Island is amended as follows:

Item 17 (h) is amended to state that termination of a Development Agreement/Franchise Agreement as a result of insolvency or bankruptcy may not be enforceable under federal bankruptcy law.

Items 17 (c) and (m) are amended to state that any release signed as a condition of transfer or renewal will not apply to any claims you may have under the Rhode Island Franchise Investment Act.

Items 17 (u), (v) and (w) are amended to state that any provision in the Development Agreement/Franchise Agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

**Addendum to Disclosure Document
Pursuant to the Virginia Retail Franchise Act**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17 of the Franchise disclosure document for use in the Commonwealth of Virginia is amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Development Agreement/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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Development Agreement/Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

Any securities offered or sold by the franchisee as part of the Slim Chicken’s franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

**Addendum to Disclosure Document
Pursuant to the Washington Franchise Investment Protection Act**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in

connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

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

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

EXHIBIT G

LIST OF CURRENT FRANCHISEES
(as of December 31, 2024)

FRANCHISEES WITH OPEN STRONG BUSINESSES AS OF DECEMBER 31, 2024:

State/Store Nickname	Franchisee Contact	Franchisee Name	Corporate Address	Phone Number
Texas				
Strong Stone Oak	TPC Pilates LLC	Tory Krawczynski	8475 Park Lane Drive, Garden Ridge, TX 78266	vpk6885@gmail.com

FRANCHISEES THAT HAVE SIGNED FRANCHISE AGREEMENTS, BUT HAVE NOT YET OPENED STRONG BUSINESSES AS OF DECEMBER 31, 2024:

State/Store Name	Name	Contact Person	Address	Email	Contact Phone
California					
Strong Santa Monica	Momentic Fitness LLC*	Max Darsonval	2529 Manchester Ave, Cardiff CA, 92007	max@momenticbrands.com	1 310 733 7148
Strong West Hollywood	Momentic Fitness LLC*	Max Darsonval	2529 Manchester Ave, Cardiff CA, 92007	max@momenticbrands.com	1 310 733 7148
New Jersey					
Strong Garwood	NJ Strong Pilates LLC	Rico Macaraeg	138 Mt Tabor Way, Ocean Grove, NJ 07756	rico@njsweat.co	1 260 471 5425
Strong Morristown	NJ Strong Pilates LLC	Rico Macaraeg	138 Mt Tabor Way, Ocean Grove, NJ 07756	rico@njsweat.co	1 260 471 5425
New York					
Strong Commack	Core Strength 1	Michael Caputo	301 Rose Lane, Smithtown NY 11787	mcaputo5723@gmail.com	1 631 987 2682
Strong Ronkonkoma	LI Strong Corporation	Michael Napoli	16 Pilgrim Drive, Port Jefferson NY 11777	mikenapoli@me.com	1 631 484 7160
Strong Syosset	By Ko	Jenna Ko	7914 150th Street, Flushing, NY 11367	jjennaako@gmail.com	1 347 592 6246
Strong Williston Park	Built Strong Island LLC	Patrick Campana	630 Fulton Street T-4, Farmingdale NY 11735	patrick.campana@yahoo.com	1 516 246 0242
Texas					
Strong Central Austin	Togher & Blair LLC	Shannon Togher	10505 S 1-35, Apt 217, Austin, TX 78747	shannonbrid@gmail.com	1 808 740 8010
Strong Cinco Ranch	Numode LLC	Nuha Dessoukey	4618 Devonberry Lane. Katy TX 77494	nuhadessoukey@gmail.com	1 713 979 6787

FRANCHISEES THAT HAVE SIGNED DEVELOPMENT AGREEMENTS AS OF DECEMBER 31, 2024:

Name	Contact Person	Address	Email	Contact Phone
California				
Momentic Fitness LLC	Max Darsonval	2529 Manchester Ave, Cardiff CA, 92007	max@momenticbrands.com	1 310 733 7148

EXHIBIT H

LIST OF FORMER FRANCHISEES
(as of December 31, 2024)

None

EXHIBIT I

FINANCIAL STATEMENTS

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

Balance Sheet

STRONG PILATES US, INC.

As of March 31, 2025

MAR 31, 2025

Assets

Current Assets

Cash and Cash Equivalents

First United Commercial	745,438.06
Total Cash and Cash Equivalents	745,438.06

Accounts Receivable	716,799.30
Cash on Hand	100.00
Prepayments - Buxton	15,990.00
Prepayments - Construction Work	122,500.00
Prepayments - Other	7,395.30
Prepayments - Rent	672.84
Prepayments - Retainer fees	11,496.00
Right of Use Asset (Operating)	2,995,578.00
ST Loan - Strong Pilates UK	100,100.00
Total Current Assets	4,716,069.50

Fixed Assets

Computer Equipment	2,868.90
Furniture & Fittings	4,800.00
Less Accumulated Depreciation on Computer Equipment	(2,502.74)
Less Accumulated Depreciation on Furniture & Fittings	(121.07)
Total Fixed Assets	5,045.09

Long Term Assets

Security Deposit - Sandy Feet, LLC	58,223.00
Security Deposit - Sunny California	5,000.00
Total Long Term Assets	63,223.00

Total Assets	4,784,337.59
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Liabilities and Equity

Liabilities

Current Liabilities

Accounts Payable	64,435.19
Accrued Benefits	36,176.27
Lease Liability (Operating) - Short Term	223,418.00
Sales Tax	58,689.55
Wages Payable	(12,579.76)
Total Current Liabilities	370,139.25

MAR 31, 2025

Long Term Liabilities	
Annual Leave Provision	142,539.13
Customer Prepayments	1,000,000.00
Intercompany Loan - Strong Pilates Holdings Pty Ltd	666,258.80
Lease Liability (Operating) - Long Term	2,938,303.00
Loan - Mark Armstrong	(10,000.00)
Security Deposit Payable - Recoverie Pty Ltd	29,111.50
Unearned Revenue - Territory Fees - USA	1,450,000.00
Total Long Term Liabilities	6,216,212.43
Total Liabilities	6,586,351.68
Equity	
Current Year Earnings	(301,772.91)
Members' Contribution	50,100.00
Retained Earnings	(1,550,341.18)
Total Equity	(1,802,014.09)
Total Liabilities and Equity	4,784,337.59

Income Statement (Profit and Loss)

STRONG PILATES US, INC.

For the 3 months ended March 31, 2025

JAN-MAR 2025

Income

Bikeformer Machine Sales	123,900.00
Equipment Sales	19,600.00
Freight Income	30,192.82
Merchandise Sales	545.99
Movement & Mobility Starter Pack Income	2,280.00
Ongoing Franchise Income - US	9,355.24
Ongoing Marketing Fee Income - US	8,005.23
Reception Starter Pack Income	24,483.75
Rowformer Machine Sales	291,500.00
Total Income	509,863.03

Cost of Goods Sold

COGS - Bikeformers	76,563.00
COGS - Equipment	(2,433.00)
COGS - Freight & Courier	81.85
COGS - Rowformers	249,174.00
Total Cost of Goods Sold	323,385.85

Gross Profit

186,477.18

Operating Expenses

Accounting Fees - Whitley Penn	500.00
Advertising & Marketing - Social Media	5,815.00
Annual Leave Expense	19,301.09
Bank Service Charges	175.37
Benefits	12,704.97
Bond Fee	125.01
Consulting Fees - Other	54,925.00
Contractors - SuperTalent	21,000.00
Depreciation	149.42
Employees expense reimbursements	1,725.63
Freight & Courier	3,800.02
Interest Expense	7,729.37
Legal Fees	14,051.95
Medical Insurance	15,981.76
Payroll Fees	4,799.77
Payroll Taxes	12,252.53
Recruiting fees	27,500.00

JAN-MAR 2025

Rent	40,370.43
Salaries & Wages	240,424.78
Subscriptions - Buxton TX Subscription	4,797.00
Subscriptions - Xero	120.99
Total Operating Expenses	488,250.09
<hr/>	
Operating Income	(301,772.91)
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Net Income	(301,772.91)

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STRONG PILATES US, INC.

FINANCIAL STATEMENTS

**For the Year Ended December 31, 2024
with Report of Independent Auditors**

STRONG PILATES US, INC.
FINANCIAL STATEMENTS
For the Year Ended December 31, 2024

Table of Contents

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REPORT OF INDEPENDENT AUDITORS

To the Shareholder of
Strong Pilates US, Inc.

Opinion

We have audited the financial statements of Strong Pilates US, Inc. (the “Company”), which comprise the balance sheet as of December 31, 2024, and the related statements of operations, changes in shareholder’s deficit, and cash flows for the year ended December 31, 2024, and the related notes to the financial statements (the “financial statements”).

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Whitley Penn LLP

Dallas, Texas
May 1, 2025

STRONG PILATES US, INC.

BALANCE SHEET

December 31, 2024

Assets

Current assets:

Cash and cash equivalents	\$ 111,870
Accounts receivable	154,729
Prepaid expenses and other current assets	<u>26,062</u>
Total current assets	292,661

Property and equipment, net	5,195
Right of use assets - operating lease, net	2,995,578
Other assets	<u>34,111</u>

Total assets	<u><u>\$ 3,327,545</u></u>
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Liabilities and Shareholder's Deficit

Current liabilities:

Accounts payable	\$ 73,993
Accrued expenses	300,143
Unearned revenue	875,000
Current portion of operating lease liability	<u>223,418</u>
Total current liabilities	1,472,554

Operating lease liability, net of current portion	2,938,303
Note payable, related party	<u>575,739</u>
Total liabilities	4,986,596

Shareholder's deficit	<u>(1,659,051)</u>
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Total liabilities and shareholder's deficit	<u><u>\$ 3,327,545</u></u>
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The accompanying notes are an integral part of these financial statements.

STRONG PILATES US, INC.
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2024

Revenue	\$ 269,639
Cost of revenue	<u>201,299</u>
Gross profit	68,340
General and administrative expenses	<u>1,539,842</u>
Operating loss	(1,471,502)
Other expense	
Interest expense	<u>(28,589)</u>
Net loss	<u><u>\$ (1,500,091)</u></u>

The accompanying notes are an integral part of these financial statements.

STRONG PILATES US, INC.
STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIT
For the Year Ended December 31, 2024

Balance at December 31, 2023	\$ (158,960)
Net loss	<u>(1,500,091)</u>
Balance at December 31, 2024	<u><u>\$ (1,659,051)</u></u>

The accompanying notes are an integral part of these financial statements.

STRONG PILATES US, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2024

Operating Activities:

Net loss	\$ (1,500,091)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	2,474
Provision for credit losses	100,100
Amortization of right of use assets	218,887
Non-cash lease expenses	121,925
Changes in operating assets and liabilities:	
Accounts receivable	(154,729)
Prepaid expenses and other current assets	(126,162)
Other assets	(34,111)
Accounts payable	73,993
Accrued expenses	289,432
Unearned revenue	875,000
Lease liability	(174,669)
Net cash used in operating activities	(307,951)

Investing Activities:

Purchases of property and equipment	(7,669)
Net cash used in investing activities	(7,669)

Financing Activities:

Proceeds from note payable, related party	695,828
Payments on note payable, related party	(278,438)
Net cash provided by financing activities	417,390

Net increase in cash and cash equivalents	101,770
Cash and cash equivalents at beginning of year	10,100
Cash and cash equivalents at end of year	\$ 111,870

Supplemental Disclosure of Cash Flow Information

Cash paid for taxes	\$ -
Cash paid for interest	\$ -

Non-Cash Item of Cash Flow Information

Right of use asset assumed through lease liability	\$ 3,214,465
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The accompanying notes are an integral part of these financial statements.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

A. Nature of Business

Strong Pilates US, Inc. (the “Company”), is a Texas corporation that was formed on February 3, 2023, to establish a franchise network of pilates studios in the United States. As per the Company’s business model, the franchise is for the development and operation of one or more fitness training studios that offer customers a Pilates-based workout.

The Company generated a net loss of approximately \$1,500,000 and had negative cash flows from operating activities of approximately \$308,000 for the year ended December 31, 2024. However, the Company continues to expand its operations with the sale of franchises and development agreements through 2025 and further expand into new markets across the United States. Further, the projections of the Company’s revenues and operating profit are sufficient to support the Company’s operations for at least one year from the date of this report. Based on these factors, the Company has the ability to fund its operations for at least one year from the date of this report.

B. Significant Accounting Policies

A summary of the Company’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accounts are maintained, and the financial statements has been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2024, the Company had no such investments. The Company maintains deposits in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses related to amounts in excess of FDIC limits.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

B. Significant Accounting Policies – continued

Accounts Receivable, Notes Receivable and Allowance for Credit Losses

Accounts receivable are stated at amounts management expects to collect from outstanding balances and do not bear interest. During the normal course of business, the Company may provide financing to franchisees in the form of notes receivable. These notes receivable do not bear interest and are based on the franchisee's individual franchise and territory mix, including any renewals. The notes are classified as current or long term on the accompanying balance sheet depending on the maturity dates of the notes receivable. The Company regularly monitors and assesses its risk of not collecting amounts owed to the Company. The Company operates as a franchisor and its accounts receivables are primarily derived from franchisees. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company's operators have not significantly changed. Actual balances are not applied against the reserve until substantially all collection efforts have been exhausted. At December 31, 2024, the Company did not have an allowance for credit losses.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income (or an offset to provision for credit losses) in the year of recovery. The Company wrote off one note receivable during the year, which management believes was an isolated circumstance, in the amount of \$100,100. There were no write offs of accounts receivable during the year or recoveries of previously written off amounts.

Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements are stated at cost, less accumulated depreciation. Depreciation of property and equipment is provided on a straight-line basis over three to five years, which approximates the useful lives of the assets. Leasehold improvements are depreciated on a straight-line basis over the lesser of the useful life of the asset or term of the related lease.

Revenue Recognition

The Company's revenue from operations consists of franchise fees, royalties, technology fees, marketing fees and equipment sales. The Company sells individual franchisees the right to operate a pilates studio within a defined territory using the franchise name. The initial term of franchise agreements is typically ten years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid.

When a franchisee no longer wishes to operate their franchise, they have the choice to terminate it or to transfer the franchise to a new or existing franchisee, for a fee. The termination of a franchise results in all outstanding revenue being fully recognized at the time of the termination. The franchise transfer fees typically have a ten-year contract term, and the fee is recognized upon opening of the locations.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Significant Accounting Policies – continued

Revenue Recognition – continued

The Company has obligations to provide franchisees with the franchise rights to operate a pilates studio, training, and site selection. The Company has concluded that these items represent a single performance obligation. Therefore, initial franchise fees, transfer fees, and renewal fees for each agreement are allocated to each individual franchise and recognized upon opening of the locations. Income for royalties and advertising fees are recognized over the term of the respective franchise agreement as the underlying sales occur. During the year ended December 31, 2024, there were no royalty fees incurred and therefore, they have not been disaggregated on the statement of operations.

Payment Terms

Initial franchise and transfer fees are typically paid at or near the beginning of the franchise term. Royalties and advertising fees are paid on a monthly basis based upon a percentage of franchisee net sales. Franchise fees are collected prior to the satisfaction of the Company's performance obligation, resulting in the Company recognizing contract liabilities. The portion of contract liabilities that is expected to be recognized as revenue within one year is classified as current on the balance sheet as unearned revenue. Unearned revenue as of December 31, 2024, was \$875,000. The opening balance of unearned revenue as of January 1, 2024 was \$0.

Contract assets represent the Company's right to consideration based on satisfied performance obligations from contracts with customers and consist of accounts receivable as of December 31, 2024. Accounts receivable as of December 31, 2024, were \$154,729. The opening balance of accounts receivable as of January 1, 2024, was \$0.

Allocating the Transaction Price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to operate a pilates studio. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that agreements will not be canceled, renewed, or modified.

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties and marketing fees, as the transaction price is based on the franchisees' sales. The license of the franchise right is the predominant item to which the royalty relates; therefore, the variable consideration is recognized based on the actual amounts incurred each month.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

B. Significant Accounting Policies – continued

Advertising and Marketing Fund

In accordance with the franchise agreement, franchisees pay a percentage of monthly sales to the Company's advertising and marketing fund to be used for advertising, marketing, and other promotional purposes. The Company's advertising and marketing fund fees are accounted for on a gross basis in the accompanying statements of operations as net revenue.

Advertising and marketing expense is charged to expense during the year in which it is incurred. Advertising and marketing expense for the year ended December 31, 2024 was \$77,786 and is included within general and administrative expenses in the accompanying statement of operations.

Income Taxes

Income taxes are determined using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the statement of operations of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized. The Company's tax positions are evaluated in a two-step process to evaluate uncertainty. The Company did not have any uncertain tax positions as of December 31, 2024. The Company first determines whether it is more likely than not a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense which is greater than 50 percent likely to be realized upon ultimate settlement. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. The Company has not recorded any liability related to uncertain tax positions. The Company has a net operating loss carryforward of approximately \$348,000 which is fully reserved with a valuation allowance. Additionally, the Company did not record a tax benefit on the statement of operations due to the change in valuation allowance.

The Company did not incur any penalties or interest during the year ended December 31, 2024.

Taxes Collected from Customers

In the course of doing business, the Company collects taxes from customers, including but not limited to sales taxes. It is the Company's policy to record these taxes on a net basis in the statement of operations; therefore, the Company does not include the taxes collected as a component of revenues.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Significant Accounting Policies – continued

Leases

The Company has a lease for its office space and studio location. A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. In accordance with Accounting Standards Codification (“ASC”) 842, Leases, operating lease right of use assets (“ROU assets”) represent the Company’s right to use an underlying asset for the lease term. Operating lease liabilities (“lease liabilities”) represent the Company’s obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term. Operating leases may contain renewal options that provide for rent increases based on prevailing market conditions. The terms used to calculate the ROU assets and lease liabilities include the renewal options that the Company is reasonably certain to exercise.

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes its incremental borrowing rate at the time of inception, which is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Company’s assets. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company’s lease agreements do not contain significant residual value guarantees, restrictions or covenants.

We rent or sublease certain real estate to third parties, which consists mainly of operating leases for office and studio space. Sublease income recognized and disclosed for the lease for the year ended December 31, 2024 was approximately \$73,000 and is recorded net with rent expense in general and administrative expenses on the statement of operations.

Fair Value of Financial Instruments

The Company calculates the fair value of its assets and liabilities that qualify as financial instruments under this statement and includes additional information in notes to the Company’s consolidated financial statements when the fair value is different than the carrying value of those financial instruments.

The estimated fair value of cash equivalents, accounts receivables, accounts payable and accrued expenses approximate the carrying value due to the relatively short-term maturity of these instruments. As it relates to notes payable, related party, the carrying value approximates fair value given that the Company’s note payable, related party bears a fixed interest rate. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

C. Accrued Expenses

Accrued expenses consisted of the following at December 31, 2024:

Payroll related expenses	\$ 160,917
Other accrued expenses	<u>139,226</u>
	<u>\$ 300,143</u>

D. Leases

Total operating lease costs were approximately \$341,000 for the year ended December 31, 2024.

Maturities of lease liabilities as of December 31, 2024 are as follows:

	<u>Operating Leases</u>
2025	\$ 361,984
2026	375,422
2027	390,439
2028	406,056
2029	422,299
Thereafter	<u>1,947,876</u>
Total lease payments	3,904,076
Less present value discount	<u>(742,355)</u>
Lease liability	<u>\$ 3,161,721</u>

Weighted average lease term and discount rate as of December 31, 2024 are as follows:

Weighted average remaining lease term (years)	
Operating lease	5.36
Weighted average discount rate	
Operating lease	4.54%

Cash paid during December 31, 2024 for the operating lease was approximately \$175,000. The Company expects to receive approximately \$175,000 of sublease income for the next ten years until the termination of the sublease agreement.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

E. Note Payable, Related Party

The Company entered into an unsecured note payable agreement with its parent company, Strong Pilates Holdings Pty Ltd, on June 20, 2023 for an amount up to \$1,000,000 AUD. The Company has agreed that the unpaid principal outstanding after July 1, 2023, shall accrue interest at a rate of 5% payable monthly, with a maturity date of December 31, 2029. There are no debt covenants. As of December 31, 2024, the outstanding balance of the note payable was \$575,739, with \$35,837 of accrued interest included in accrued expenses on the balance sheet.

F. Commitments and Contingencies

Litigation

The Company is involved in various suits and claims arising in the normal course of business. In management's opinion, the ultimate outcome of these items will not have a material adverse effect on the Company's consolidated results of operations or financial position.

Major Customers

During the year ended December 31, 2024, three customers accounted for approximately 42%, 36% and 16% of revenue. At December 31, 2024, 100% of outstanding accounts receivable was due from these customers. The loss of these customers could have a material adverse effect on the Company.

Major Vendors

At December 31, 2024, approximately 90% of outstanding accounts payable was due to three vendors. The loss of these vendors could have a material adverse effect on the Company.

G. Related Party Transactions

In addition to the note payable agreement with its parent company as indicated in Note E, the Company also entered into a short term loan receivable from CEO of the Company in the amount of \$10,000 as of December 31, 2024, which is included in prepaid expenses and other current assets on the balance sheet.

H. Subsequent Events

The Company has evaluated subsequent events through May 1, 2025, the date the financial statements were available to be issued.

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STRONG PILATES US, INC.

FINANCIAL STATEMENTS

**Period from February 3, 2023 (Inception) to
December 31, 2023
with Report of Independent Auditors**

STRONG PILATES US, INC.

FINANCIAL STATEMENTS

**Period from February 3, 2023 (Inception) to
December 31, 2023**

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REPORT OF INDEPENDENT AUDITORS

To the Shareholder of
Strong Pilates US, Inc.

Opinion

We have audited the financial statements of Strong Pilates US, Inc. (the “Company”), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, changes in shareholder’s deficit, and cash flows for the period from February 3, 2023 (Inception) through December 31, 2023, and the related notes to the financial statements (the “financial statements”).

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the period from February 3, 2023 (Inception) through December 31, 2023 in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Whitley Penn LLP

Dallas, Texas
April 3, 2024

STRONG PILATES US, INC.

BALANCE SHEET

December 31, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 10,100
Total current assets	<u>10,100</u>
 Total assets	 <u><u>\$ 10,100</u></u>

Liabilities and Shareholder's Deficit

Current liabilities:

Accounts payable and accrued expenses	\$ 10,711
Total current liabilities	<u>10,711</u>
 Note payable, related party	 <u>158,349</u>
Total liabilities	<u>169,060</u>
 Shareholder's deficit	 <u>(158,960)</u>
Total liabilities and shareholder's deficit	<u><u>\$ 10,100</u></u>

The accompanying notes are an integral part of these financial statements.

STRONG PILATES US, INC.
STATEMENT OF OPERATIONS

Period From February 3, 2023 (Inception) through December 31, 2023

General and administrative expenses	<u>\$ 151,209</u>
Operating loss	151,209
Interest expense	<u>7,851</u>
Net loss	<u><u>\$ 159,060</u></u>

The accompanying notes are an integral part of these financial statements.

STRONG PILATES US, INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIT

Period From February 3, 2023 (Inception) through December 31, 2023

Balance at February 3, 2023 (Inception)	\$ -
Net loss	(159,060)
Contributions	<u>100</u>
Balance at December 31, 2023	<u><u>\$ (158,960)</u></u>

The accompanying notes are an integral part of these financial statements.

STRONG PILATES US, INC.
STATEMENT OF CASH FLOWS

Period From February 3, 2023 (Inception) through December 31, 2023

Operating Activities:	
Net loss	\$ (159,060)
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	<u>10,711</u>
Net cash used in operating activities	<u>(148,349)</u>
Financing Activities:	
Proceeds from note payable, related party	158,349
Shareholder's contribution	<u>100</u>
Net cash provided by financing activities	<u>158,449</u>
Net increase in cash and cash equivalents	10,100
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 10,100</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for taxes	<u>\$ -</u>
Cash paid for interest	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

A. Nature of Business

Strong Pilates US, Inc. (the “Company”), is a Texas corporation that began on February 3, 2023, to establish a franchise network of pilates studios in the United States. As per the Company’s business model, the franchise is for the development and operation of one or more fitness training studios that offer customers a Pilates-based workout.

The Company generated a net loss of approximately \$159,000 and had negative cash flows from operating activities of approximately \$148,000 for the period from February 3, 2023 (Inception) to December 31, 2023. However, the Company is ramping up operations with the sale of franchises in 2024 and the Company has a commitment from its parent company who has the intent and the ability to provide additional capital to fund the Company’s operations for at least the next twelve months. Based on these factors, the Company has the ability to fund its operations for at least one year from the date of this report.

B. Significant Accounting Policies

Basis of Accounting

The accounts are maintained, and the financial statements has been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2023, the Company had no such investments. The Company maintains deposits in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses related to amounts in excess of FDIC limits.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Significant Accounting Policies – continued

Income Taxes

Income taxes are determined using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the statement of operations of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized. The Company's tax positions are evaluated in a two-step process to evaluate uncertainty. The Company first determines whether it is more likely than not a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense which is greater than 50 percent likely to be realized upon ultimate settlement. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. The Company has not recorded any liability related to uncertain tax positions. The Company has a net operating loss carryforward of approximately \$33,000 which is fully reserved with a valuation allowance. Additionally, the Company did not record a tax benefit on the statement of operations due to the change in valuation allowance.

Recently Adopted Accounting Guidance

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" or "standard") 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Subsequently, the FASB issued several clarifying standard updates to clarify and improve the ASU. These ASUs significantly change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model that will be based on an estimate of current expected credit loss ("CECL"). Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Company adopted the standard effective February 3, 2023. However, as the Company has not commenced operations as of December 31, 2023 and has no trade accounts receivable, there was no impact of the adoption to the financial statements and primarily resulted in new and enhanced disclosures only.

STRONG PILATES US, INC.

NOTES TO FINANCIAL STATEMENTS *(continued)*

C. Related Party Transactions

The Company entered into a note payable agreement with its parent company, Strong Pilates Holdings Pty Ltd on June 20, 2023 for an amount up to \$1,000,000 AUD. The Company has agreed that the unpaid principal outstanding after July 1, 2023, shall accrue interest at a rate of 5% payable monthly, with a maturity date of December 31, 2029. There are no debt covenants.

D. Subsequent Events

The Company has evaluated subsequent events through April 3, 2024, the date the financial statements were available to be issued.

STRONG PILATES US, INC.

FINANCIAL STATEMENT

**As of March 10, 2023
with Report of Independent Auditors**

STRONG PILATES US, INC.

FINANCIAL STATEMENT

As of March 10, 2023

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REPORT OF INDEPENDENT AUDITORS

To the Shareholder of
Strong Pilates US, Inc.

Opinion

We have audited the financial statement of Strong Pilates US, Inc. (the “Company”), which comprises the balance sheet as of March 10, 2023, and the related notes to the financial statement.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company as of March 10, 2023, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 statement.

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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Whitley Penn LLP

Dallas, Texas
March 29, 2023

STRONG PILATES US, INC.

BALANCE SHEET

March 10, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 10,100
Total current assets	<u>10,100</u>

Total assets	<u>\$ 10,100</u>
--------------	------------------

Liabilities and Shareholder's Equity

Current liabilities:

Note Payable - loan to parent company	\$ 10,000
Total current liabilities	<u>10,000</u>

Shareholder's equity:

Common stock, \$0.01 par value (1,000 shares authorized, issued, and outstanding)	10
Additional paid-In-capital	<u>90</u>
Total shareholder's equity	<u>100</u>

Total liabilities and shareholder's equity	<u>\$ 10,100</u>
--------------------------------------------	------------------

See accompanying notes to financial statement.

STRONG PILATES US, INC.
NOTES TO FINANCIAL STATEMENT

March 10, 2023

A. Nature of Business

Description of Business

Strong Pilates US, Inc. (the “Company”), is a Texas corporation that began on February 3, 2023, to establish a franchise of Pilates studios in the United States. As per the Company’s business model, the franchise is for the development and operation of one or more fitness training studios that offer customers a Pilates-based workout.

B. Significant Accounting Policies

Basis of Accounting

The accounts are maintained, and the financial statement has been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of the financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statement. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains deposits in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses related to amounts in excess of FDIC limits.

C. Related Party Transactions

The Company issued a \$10,000 promissory note to its parent company, Strong Pilates Holdings Pty Ltd. The Company promises to pay the amount above on demand upon presentation by the parent company. The Company acknowledges that the unpaid principal after July 1, 2023, shall accrue interest at a rate of 5% payable monthly. There is no maturity date on the note and no debt covenants.

D. Subsequent Events

The Company has evaluated subsequent events through March 29, 2023, the date the financial statement was available to be issued.

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Exhibit K

State Effective Dates

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

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

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

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 L

RECEIPTS

ITEM 23

**RECEIPT
(Your copy to keep)**

This Disclosure Document summarizes provisions of the Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Strong Pilates US, Inc. offers you a franchise, it must provide this Disclosure Document to you at least 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. Under Michigan law, if applicable, Strong Pilates US, Inc. must provide this Disclosure Document to you 10 business days before signing any contract or making any payment relating to the franchise relationship. Under New York and Oklahoma law, Strong Pilates US, Inc. must provide this Disclosure Document to you at the earliest of the first personal meeting or 10 business days before signing any contract or making any payment relating to the franchise relationship. Under Iowa law, if applicable, Strong Pilates US, Inc. must provide this Disclosure Document to you at the earliest of the first personal meeting or 14 days before signing any contract or making any payment relating to the franchise relationship.

If Strong Pilates US, Inc. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20590 or the appropriate state agency listed in Exhibit A.

Date of Issuance: May 1, 2025

The name and address of our registered agent authorized to receive service of process is shown in Exhibit A.

The franchise sellers are Mark Francis Armstrong (Y/N), Michael Peter Ramsey (Y/N), Heather Christie (Y/N), and Elliot Capner (Y/N) (circle as applicable) (each can be reached Creative Cubes, Level 5/111 Cecil St., South Melbourne, Victoria, Australia, 3205 and 011-3-61-422-096-604) and _____.

I have received a Disclosure Document dated May 1, 2025 that included the following Exhibits:

- A – State Administrators/Agents for Service of Process
- B – Franchise Agreement (including State Addenda)
- C – Development Agreement (including State Addenda)
- D – Applicant Confidentiality Agreement and Authorization
- E – Franchise Application
- F – State Addenda to Franchise Disclosure Document
- G – List of Current Franchisees
- H – List of Former Franchisees
- I – Financial Statements
- J – Table of Contents to Brand Standards Manual
- K – State Effective Dates
- L – Receipts

PROSPECTIVE FRANCHISEE:

Print Name: _____
Date: _____

PROSPECTIVE FRANCHISEE:

Print Name: _____
Date: _____

ITEM 23

RECEIPT

(Sign receipt and return to us)

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PROSPECTIVE FRANCHISEE:

PROSPECTIVE FRANCHISEE:

Print Name: _____

Print Name: _____

Date: _____

Date: _____