

## FRANCHISE DISCLOSURE DOCUMENT



Iron Tribe Franchise, LLC  
300 27<sup>th</sup> Street South  
Birmingham, Alabama 35233  
(205) 226-8669  
www.irontribefitness.com

We franchise the right to operate Iron Tribe Fitness training facilities (each, a “Facility” or “Franchised Business”) focused on providing a group-oriented fitness and workout Facility using the Iron Tribe Fitness business system.

The total investment necessary to begin operation of an Iron Tribe Fitness franchise is \$360,750 – \$544,250. This includes an initial franchise fee of \$50,000 that must be paid to us.

We offer qualified individuals the right to own and operate multiple Facilities in a designated development area by entering into a Multi-Unit Development Agreement (“MDA”). The total initial investment necessary to begin operating under the MDA will vary depending on the number of Facilities to be opened in your designated area (a “Development Area”). The total estimated initial investment for three Facilities ranges from \$409,750 – \$593,250, which includes \$99,000 you must pay to us or our affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Forrest Walden at 300 27<sup>th</sup> Street South, Birmingham, Alabama 35233, local (205) 226-8669, toll free (855) 226-8699.

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

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

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

Issuance Date: April 30, 2023.

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation only in the state of Alabama. Out-of-state mediation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate with the franchisor in Alabama than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

## TABLE OF CONTENTS

<b>ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....</b>	<b>1</b>
<b>ITEM 2. BUSINESS EXPERIENCE .....</b>	<b>3</b>
<b>ITEM 3. LITIGATION .....</b>	<b>4</b>
<b>ITEM 4. BANKRUPTCY .....</b>	<b>4</b>
<b>ITEM 5. INITIAL FEES .....</b>	<b>4</b>
<b>ITEM 6. OTHER FEES .....</b>	<b>5</b>
<b>ITEM 7. ESTIMATED INITIAL INVESTMENT .....</b>	<b>11</b>
<b>ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....</b>	<b>15</b>
<b>ITEM 9. FRANCHISEE’S OBLIGATIONS .....</b>	<b>20</b>
<b>ITEM 10. FINANCING.....</b>	<b>21</b>
<b>ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING ..</b>	<b>21</b>
<b>ITEM 12. TERRITORY.....</b>	<b>32</b>
<b>ITEM 13. TRADEMARKS.....</b>	<b>35</b>
<b>ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....</b>	<b>37</b>
<b>ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....</b>	<b>38</b>
<b>ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....</b>	<b>39</b>
<b>ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....</b>	<b>39</b>
<b>ITEM 18. PUBLIC FIGURES.....</b>	<b>49</b>
<b>ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS .....</b>	<b>49</b>
<b>ITEM 20. OUTLETS AND FRANCHISEE INFORMATION .....</b>	<b>49</b>
<b>ITEM 21. FINANCIAL STATEMENTS .....</b>	<b>4</b>
<b>ITEM 22. CONTRACTS.....</b>	<b>4</b>
<b>ITEM 23. RECEIPTS.....</b>	<b>4</b>

### EXHIBITS

Ex. A	Franchise Agreement	
	Ex. A	Licensed Marks
	Ex. B	Guaranty of Performance
	Ex. C	Confidentiality and Restrictive Covenants
	Ex. D	Conditional Assignment of Lease
	Ex. E	Conditional Assignment of Phone Numbers and Domain Names
	Ex. F	EFT Authorization
	Ex. G	Franchisee Questionnaire
	Ex. H	State Specific Addenda
	Ex. I	Site Selection Addendum
Ex. A-1	Multi-Unit Development Agreement	
Ex. B	Financial Statements	
Ex. C	Current Franchisee Information	
Ex. D	Manual Table of Contents	
Ex. E	State Agents and	

Ex. F Registered Agents  
Ex. G State Specific Addenda  
Ex. H State Effective Dates  
Receipts

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

### **Franchisor**

The Franchisor is Iron Tribe Franchise, LLC and is referred to in this disclosure document as “Company” or “we,” “us,” or “our.” The person who buys the franchise is referred to in this disclosure document as “you.” If you are a corporation, limited liability company, partnership or other type of legal entity, the provisions of the franchise agreement described herein also apply to your owners by virtue of our requirement that your owners personally guarantee, and be personally bound by your obligations under the franchise agreement. Our agents for service of process are listed in Exhibit E of this Disclosure Document.

We are an Alabama limited liability company, formed on June 6, 2011. We conduct our business under our Company name and “Iron Tribe Fitness.” Our principal business address and registered office is 300 27<sup>th</sup> Street South, Birmingham, Alabama 35233. Our registered agent at that address is Forrest Walden.

The Iron Tribe Fitness concept was developed by Forrest Walden and our affiliate, ITF, LLC, an Alabama limited liability company, which operates Iron Tribe Fitness Facilities in the Birmingham, Alabama market. The first ITF Facility opened in Homewood, Alabama in February 2010, and the second opened on Highway 280, Birmingham, Alabama, in February 2011. ITF’s third Facility opened in Downtown Birmingham in February of 2012 and the fourth facility opened in Mountain Brook, Alabama on March 15, 2012. The Companies’ fifth and sixth facilities both opened in Hoover, Alabama in January, and March of 2013. The Company acquired its right to use and license to franchisees the Marks by an assignment of marks and registrations dated as of May 11, 2012, from Forrest Walden. Our affiliate has not offered franchises in any line of business. Other than ITF, the Company has no parents, predecessors, or affiliates.

The Company offers and sells franchises for Iron Tribe Fitness Facilities. We are engaged only in the business activities that relate to franchising Iron Tribe Fitness Facilities and have not offered franchises in any other lines of business. We do not operate a business of the type being franchised. The Company has no predecessors and no affiliates that offer franchises in any other line of business or that provide products to franchisees of the Company.

As a franchisee, you will operate a group-oriented fitness and Facility which will offer a unique exercise regimen that will include both strength and conditioning. Your Facility, utilizing optimal equipment and labor overhead, will include fitness and nutrition training and will contain approximately 3,000 to 4,000 square feet. Iron Tribe Fitness Facilities will most likely be located in suburban areas, in business districts, and lifestyle centers. Your Facility will be open year-round, closing only on selected holidays and Sundays.

## **The Franchised Business**

We have developed a comprehensive system for opening and operating Iron Tribe Fitness Facilities, which includes trademarks, marketing and advertising, an interactive website, extensive computer and camera systems for monitoring and reporting, approved apparel, and a proven method for training coaches (each, a “Coach”), all of which we may improve, further develop, or otherwise modify (“System”). You must operate your Iron Tribe Fitness Facility in strict accordance with our System.

Each Iron Tribe Fitness Facility will be operated from an agreed upon location (“Location”) within a certain territory (“Territory”) pursuant to our standard form franchise agreement (“Franchise Agreement”). A copy of the Franchise Agreement is attached as Exhibit A. The Franchise Agreement governs the development and operation of the Facility. You will operate your Facility in accordance with the provisions of the Franchise Agreement and our operations manual.

In addition to our single unit offering, we grant qualified individuals the right to own and operate multiple Facilities through a Multi-Unit Development Agreement (the “MDA”). If you sign an MDA, you are required to develop a certain number of Facilities in the Development Area within a specified period of time (“Development Schedule”). A copy of the MDA is attached as Exhibit A-1. You must sign our then-current form of franchise agreement before you open each Facility. You will operate your Facility in accordance with the provisions of the applicable franchise agreement and our operations manual (“Manual”).

## **Competition**

The general market for this business is well developed and is highly competitive. The market can change based on local, regional and national economic conditions, changes in consumer tastes, and increases in the number and types of personal fitness facilities. Various factors can adversely affect the personal fitness industry including inflation, the availability of suitable sites, fluctuating interest and insurance rates, state and local regulations and licensing requirements, and the availability of an adequate number of qualified employees and coaches. In addition, other national and regional personal fitness chains with greater financial resources have similar or competing concepts. We compete primarily on the basis of our unique group training regimen and the positive interaction with our athletes. Your ability to compete will be primarily dependent on your site, general economic conditions in your area, and your abilities as an operator of the Iron Tribe Fitness Facility. Affiliation and use of our System does not guaranty a successful or profitable operation. Our business is not substantially seasonal. Your competitive advantage in the marketplace will be based on your adherence to our standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service.

## **Regulations**

The Franchised Business is subject to the laws and regulations in your county, state or municipality pertaining to businesses generally and laws pertaining to the regulation of fitness centers, including those regarding health clubs generally, consumer protection, operations and licenses (including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, trade regulation, worker's compensation, and unemployment insurance). Certain aspects of the fitness industry are highly regulated by local, state and federal laws and regulations that apply to the ownership and operation of a Facility, including specific contractual prohibitions, health, sanitation, EEOC, discrimination, employment and other health club laws and regulations, as well as by state and local departments of health and other agencies with laws and regulations concerning fitness and health clubs. State laws and regulations may require registration with the state and the filing of a corporate surety bond or letter of credit, and may regulate the language of your Facility membership agreements.

You are also subject to employment laws such as the Fair Labor Standards Act and various state laws governing such matters as minimum wages, overtime and working conditions. You will also be subject to other laws or regulations that are not specific to the industry, but applicable to businesses generally, including labor laws, insurance requirements, business licensing laws and tax regulations, and the Americans with Disabilities Act.

We have not investigated the laws or regulations applicable to your Facility. You are solely responsible for investigating all applicable federal, state, and local laws and regulations, and your cost to comply with such laws and regulations, and you should do so before purchasing a franchise from us. We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such laws and regulations prior to purchasing a franchise from us. Applicable laws and regulations are subject to change.

## **ITEM 2. BUSINESS EXPERIENCE**

### **CEO: Forrest Walden**

Mr. Walden has served as our CEO since June 2011 in Birmingham, Alabama. He has also been a member of our affiliate, ITF, LLC, which is located in Birmingham, Alabama, from the period beginning on its formation in 2009 and continuing through the present.

### **Member: Richard A. Brooks**

Mr. Brooks has served as a member of the Company since its formation in June 2011. He is also a member of our affiliate, ITF, LLC, in Birmingham, Alabama, since its formation in January 2011. Mr. Brooks also previously served as the Chief Executive officer of Express Oil Change, LLC, which is located in Birmingham, Alabama, from 1996 to May 2021.

**President: Karen Broadwater**

Ms. Broadwater currently serves as our President and has held this position since February 2011 in Birmingham, Alabama.

**ITEM 3. LITIGATION**

No litigation must be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

No bankruptcy information must be disclosed in this Item.

**ITEM 5. INITIAL FEES**

**Franchise Agreement**

The initial fee for your first Iron Tribe franchise is \$50,000 and is due upon signing the Franchise Agreement in the form of cashier’s check or other form of payment acceptable to us (the “Initial Fee”). The Initial Fee is non-refundable upon payment.

We will impose the Initial Fee uniformly for all franchisees currently buying a franchise.

**Multi-Unit Development Agreement**

The MDA requires you to pay a development fee which is determined by the number of Iron Tribe Fitness franchises to be developed. You must pay us a development fee upon execution of your MDA. The development fee is deemed fully earned and non-refundable upon payment. The development fee is uniformly imposed. The development fee will be paid in a lump sum as follows passed on the number of franchises we are granting you the right to development (the “Development Fee”):

<b><u>Number of Iron Tribe Franchises</u></b>	<b><u>Development Fee</u></b>
1	\$50,000
2	\$74,500
3	\$99,000
4	\$110,000
5	\$130,000

If you wish to develop more than five (5) franchises, then you will pay \$20,000 for each additional Iron Tribe franchise.

## ITEM 6. OTHER FEES<sup>1</sup>

Type of Fee	Amount	Due Date	Remarks
Royalty	6% of Gross Sales for the prior month	Deducted monthly from your bank account via an Electronic Funds Transfer System (“EFT”)	See Note 2.
Brand Development Fund	1% of Gross Sales for the prior month	Once established, deducted monthly from your bank account via an Electronic Funds Transfer System (“EFT”)	See Note 3.
Initial Marketing Fee	\$4,000 beginning 30 days prior to opening the Facility for business; plus \$1,000 on grand opening event.	Payable to 3 <sup>rd</sup> Party Vendors	See Note 4.
Local Advertising Fee	5% of Gross Sales or a minimum of \$2,500 each month	Payable to 3 <sup>rd</sup> Party Vendors	See Note 5.
Late Fee/ Interest/ Declined Payment Fee	Late fee of 3%; Fees and Costs Incurred/Interest at 12%	Immediately when assessed	See Note 6.
State and Local Taxes	Variable	When assessed (if assessed)	If we are assessed state or local sales, use, property, or similar taxes based on your Gross Sales or on our receipt of fees from you (but excluding our ordinary income taxes or receipts taxes for fees due to it), then you will pay those taxes to us or the taxing authority.
Successor Agreement	\$5,000	Upon executing successor agreement	You must pay a renewal fee of \$5,000 when you exercise your right to renew the Franchise Agreement. There are various other conditions you must meet for us to approve your renewal request.
Audit	Variable	Upon completion of audit, if due	If we elect to audit your finances, and audit reveals understatement of Gross Sales of 3% or more, then you will reimburse us for the costs of the audit.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Transfer	\$7,500	Prior to effective date of transfer	We have the right to condition the proposed sale or transfer of your Facility or of your interest in the Facility upon your payment of a transfer fee of \$7,500. There are various other conditions you must meet for us to approve your transfer request.
Fees and Costs of Dispute Resolution	Variable	Pursuant to judgment	Prevailing party in litigation is entitled to recover reasonable costs, experts', and attorneys' fees.
Indemnity-related fees and costs	Variable	As incurred	You are required to defend and indemnify us for any third-party claims based on your acts or breaches of the Franchise Agreement.
Technology Fee	\$600 per month	When invoiced	This includes fees related to: (i) hosting your website; (ii) ClubReady; (iii) Infusionsoft; and (iv) Google Apps. See Note 7.
Insurance	Cost of insurance. If you fail to maintain your insurance as required, we have the right to procure insurance on your behalf and charge an 18% administrative fee in addition to the cost of the insurance	As required by insurer or broker	See Item 8 of this Franchise Disclosure Document for more information regarding the types and amounts of insurance you must maintain.
Regional Advertising Ad Co-op	An amount determined by a majority of Ad Co-op members	Monthly in the manner required by the Ad Co-op	We have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative for each type of Facility ("Ad Co-op"), and to determine whether you must participate in an Ad Co-op. You will receive credit for Ad Co-op contributions against the Local Advertising Requirement.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Additional Training	\$500 per trainee or the then-current training fee	At time of additional training	Subject to the availability of our training personnel, we will train your additional and/or replacement managers or employees at our then-current tuition rate, which is currently \$500 per day, per person, excluding transportation, lodging, and meals.
Financial Records and Reports	Cost of preparing Gross Sales Reports and other reports required by us	As required by bookkeeper and/or certified public accountant	See Note 8.
Supplier Approval/ Testing Costs	Costs of testing and evaluating supplier	When incurred	If we incur any costs in connection with testing a particular product or evaluating a supplier at your request, you must pay us a fee to reimburse us for our reasonable testing costs, regardless of whether we subsequently approve the product or supplier.
Post-Termination and Post-Expiration Expenses	Costs and expenses associated with your ceasing of and de-identification with the business	When incurred	Upon termination of the Franchise Agreement by either us or you, regardless of the cause, and upon expiration and nonrenewal or transfer of the Franchise Agreement, you must pay all costs and expenses associated with your ceasing operation of the Facility and de-identifying yourself with the System.
Annual Convention	Then-current registration fee	As incurred	We are permitted to establish an annual convention or meeting of franchisees (the “Annual Convention”), which you and your operations manager (“Operations Manager”) will attend if required by us. We reserve the right to charge a registration fee for attendance at the Annual Convention and you will pay the travel, accommodations, wages, and all other expenses for your representatives attending the Annual Convention.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Toll Free Telephone Number	Then-current fee for establishment, operation and maintenance of the toll free telephone number	As incurred	You must obtain a new telephone number and telephone listing at your expense, to be listed under the “Iron Tribe Fitness” name and not under your corporate, partnership, or individual name, and to be used exclusively in connection with your operation of the Facility.
Camera System	Then-current cost to maintain the camera system	As incurred	You will purchase, install and maintain the camera system specified by us. Such system will be turned on and operational at all times during the term of the Franchise Agreement and accessible to us for monitoring on the Internet or otherwise.
Google App User Fee	\$5 per month if you exceed 7 email users	As incurred	We will pay for email accounts for the Facility for up to seven users. If you request more than seven users, you must pay us a fee of \$5 per month for such additional emails.
Product Non-Compliance Fee	\$250 per occurrence	As incurred	If we discover you are selling unauthorized or unapproved products from your Facility, you must pay us a non-compliance fee equal to \$250 (“Non-Compliance Fee”). Additionally, if you fail to remedy this non-compliance within 14 days notification, we will assess the Non-Compliance Fee again and will continue to assess the fee every 14 days until the non-compliance is cured.

**Notes:**

**Note 1.** Unless otherwise indicated, all fees are payable only to us for our account, and we intend to impose them uniformly. All fees are nonrefundable.

**Note 2.** You must pay us a monthly royalty fee equal to 6% of your Gross Sales no later than the 15<sup>th</sup> day of each calendar month for the preceding month’s Gross Sales. “Gross Sales” means all sales generated through the Franchised Business, and includes fees for any goods and services leased or sold by you, and all other income of any kind or nature related to the Franchised Business; except that “Gross Sales” does not include any sales tax collected from your customers and tendered to any taxing authority, and does not include the portion of the normal full price of any goods or services that is not collected by you as a result of an authorized sales discount or employee

discount.

The royalty must be paid on a monthly basis, and will be collected via an electronic funds transfer program (the “EFT Program”) under which we automatically deduct all payments owed to us under the Franchise Agreement, or any other agreement between you and us, from your bank account. Upon written notice to you, we may designate another method of payment.

Note 3. Upon 90 days’ written notice to you, we will have the right to establish, maintain and administer a regional or national advertising, marketing, and promotions program for advertising, marketing and promotions selected by us in our sole discretion.

Note 4. You will spend for initial marketing \$4,000 (the “Initial Marketing Fee”) starting 30 days prior to opening the Facility for business. Your Initial Marketing Fee does not decrease or affect your obligations with respect to local advertising, any Ad Co-op, or any Brand Development Fund Contributions. In addition, you will spend no less than \$1,000 to promote and host a grand opening event at the Location (“Grand Opening Event”).

Note 5. Each month, you will spend an amount of five percent (5%) of your Gross Sales for the preceding month or a minimum of \$2,500 on local advertising, marketing, and promotions within the area reasonably surrounding the Location. You shall provide us a report documenting all local advertising expenses in the Monthly Report. You may, in your sole discretion, spend additional amounts on local advertising.

Note 6. If the payment of any fee is denied or declined by your bank or financial institution, or if any other method of payment provided by you fails to allow us to receive when due any payment, then you will reimburse us for all costs incurred in connection with that denial or decline. All delinquent payments and sums due to us under any provision of the Franchise Agreement will bear interest at an annual percentage rate of 12% or the highest rate permitted by law, whichever is lower, and at our option, each delinquent sum will be subject to an administrative charge of 3% of the overdue amount per occurrence to partially compensate us for our efforts in accounting for and collecting delinquent sums.

Note 7. You agree to pay all fees assessed by us or suppliers in connection with the installation and maintenance of the website and software programs. You shall pay this fee in accordance with the EFT Program or by another form of payment specified by us in our sole discretion. You must establish your own web page through our Website Management System or other designated source.

Note 8. You must maintain for at least seven fiscal years from their preparation complete financial records for the operation of the Facility in accordance with generally accepted accounting principles and must provide us, at our request, with Monthly Reports, annual financial reports and operating statements in the form we specify, state and local tax returns and unaudited quarterly profit and loss statements, and such other reports as we may from time to time require. You will keep accurate records and books of account in relation to the Franchised Business, including records of all goods and services provided to Athletes, all prices charged, and all Gross Sales

received or credited, in a form and detail prescribed or approved by us in the Manual. You will acquire at your own expense and use any accounting or other record-keeping software (including any web-based software or system) required by us. We have the right to require you to utilize computer-based point-of-sale cash registers with non-resettable cash register receipts which are fully compatible with any computer program or system which we, in our discretion, may employ. If we require computerized cash registers, all Gross Sales and sales information will be recorded on this equipment. We will have full access to all of your data, system, and related information by means of direct access, whether in person, or by telephone/modem installed and maintained at your sole expense.

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## ITEM 7. ESTIMATED INITIAL INVESTMENT

### A. YOUR ESTIMATED INITIAL INVESTMENT UNDER A SINGLE-UNIT FRANCHISE AGREEMENT<sup>1</sup>

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Initial Franchise Fee <sup>2</sup>	\$50,000	Cash	Upon signing the Franchise Agreement	Company
Rent and Lease Deposit <sup>3</sup>	\$5,000 to \$8,000	As Arranged	As Arranged	Landlord
Leasehold Improvements <sup>4</sup>	\$150,000 - \$280,000 (new facility)	Check or cash	When work is performed	Approved or Designated Vendors and Contractors
Fixtures, furnishings, and other fixed assets <sup>5</sup>	\$20,000 - \$22,000	Check or cash	Upon delivery	Approved or Designated Vendors
Gym Equipment <sup>6</sup>	\$50,000 - \$55,000	Check or cash	Upon delivery	Approved or Designated Vendors
Computer Equipment, Software and Website <sup>7</sup>	\$5,500 - \$6,250	As Agreed	Before Opening	Approved Vendor
Inventory <sup>8</sup>	\$9,000 - \$10,000	Check or cash	Upon delivery	Approved or Designated Vendors
Signage <sup>9</sup>	\$5,000 - \$8,000	Check or cash	Upon installation	Third-Party Suppliers
Permits, Licenses, Architecture Fees and Professional Services	\$13,750 - \$14,250	Check or cash	Upon application	Cities and counties
Training (transportation, lodging, etc.) <sup>10</sup>	\$4,000 - \$6,000	Cash	When incurred	Vendors, hotels, employees, etc.
Utility deposits and other prepaid expenses	\$500 - \$750	Check or cash	Upon application	Vendors, regulatory agencies and other 3 <sup>rd</sup> parties
Initial Marketing and Grand Opening Event <sup>11</sup>	\$5,000	As incurred	As incurred	Approved Marketing Vendor
Legal Fees	\$3,000 - \$4,000	Cash	When incurred	3 <sup>rd</sup> parties
Working capital required during the initial phase of the business (3 months) <sup>12</sup>	\$40,000 - \$75,000	As incurred	As incurred	Employees, vendors, etc.

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
<b>Total</b>	<b>\$360,750 to \$544,250</b>			

**Notes:**

Note 1. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.

Note 2. The Initial Franchise Fee is \$50,000 and is described in greater detail in Item 5 of this Franchise Disclosure Document.

Note 3. You must lease or sublease a location at which to operate the Facility. Real estate expenses will vary based on the Facility’s location and size. An average Facility will be between 3,000 and 4,000 square feet. Figures above include the estimated cost of lease deposits plus three months’ rent. Because of a number of variables, the costs projected in the chart for the lease deposit of the lease are an estimate only, and your initial investment may be higher or lower. Be sure to investigate all real estate costs thoroughly before signing a lease.

Note 4. The Facility must conform to our standards and specifications for appearance, layout and design. We may provide you our specifications for construction, remodeling and decorating the Location and general floor plans and interior layout and design. You will submit to us for approval all construction and design plans for adapting our specifications to your Location, which plans will comply with any requirements identified by us. We will review those plans and will approve or disapprove them in writing no later than 30 days after receipt. You will ensure that all design, construction, and remodeling work is performed in a competent and professional manner, and that the Location meets all specifications identified by us. The buildout figure includes the building permit. Alternatively, if you purchase a space to use for the Facility instead of leasing a space, the upfront costs you will incur for leasehold improvements will greatly decrease because you will be able to include the costs for such improvements in the mortgage for the Facility.

The costs incurred in connection with the design, remodeling, decorating and/or construction of a Facility will vary greatly depending on a number of factors, including the size and location of the Facility, as well as the amount of construction or remodeling needed and the prior use of the premises. You will employ qualified personnel to perform all design, construction, and remodeling work at the Location. At our request, you will provide us with any requested information concerning the personnel employed by you for design, construction, or remodeling, and we are permitted to disapprove any of those personnel if we conclude that they are not reasonably qualified or financially capable of performing that work. At our option, you will employ any design, construction, and remodeling professionals identified by us. If you obtain financing from a third party for some or all of the construction costs, you will also have to pay interest on the amount borrowed. If leasehold improvement costs are estimated to exceed the amounts set forth in this Disclosure Document, you may wish to investigate and/or obtain an

alternate site for your Facility.

You must purchase or lease furniture, fixtures and other equipment and supplies necessary for the Facility including Facility equipment. Leasing furniture, fixtures, and equipment may significantly reduce your initial investment by spreading these “start-up” costs over a longer period of time. The estimate set forth in the table assumes that you purchase your furniture, fixtures, and equipment from our designated or approved suppliers.

Note 5. You must purchase required gym equipment that meets our current standards and specifications from our designated supplier. This figure includes all training equipment, aluminum package, and aluminum shipping. This entry will vary depending on how far your Facility is located from the shipping facility. See Item 8 for more information about our current computer equipment requirements.

Note 6. You must purchase required computer equipment and software that meets our current standards and specifications from our designated supplier. This estimate includes fees related to: (i) hosting your website; (ii) ClubReady; (iii) Infusionsoft; and (iv) Google Apps. You must establish your own web page through our Website Management System or other designated source. See Item 11 for more information about our current computer equipment requirements.

Note 7. You must purchase an initial supply of inventory items including janitorial supplies, men and women’s gym apparel and accessories, nutritional supplements, towels, water bottles, decals, wristbands and duffle bags and other equipment from our approved or designated suppliers.

Note 8. This represents the expenses of acquiring interior and exterior signage on the Facility. The cost of signage will depend on the size and location of the Facility, your landlord’s particular requirements, local and state ordinances and zoning requirements. Unless we have designated an approved supplier to service your Territory, you may purchase signage from any third party supplier so long as the signage conforms to our standards and specifications.

Note 9. You must obtain insurance policies protecting yourself and Iron Tribe Fitness, and your and its respective officers, directors, partners, and employees, against any demand or claim for personal injury, death, or property damage, or any loss, liability, or expense arising from the operation of your Facility. These policies must be written by a responsible carrier or carriers acceptable to Iron Tribe Fitness, and must include coverage that meets our minimum specifications. In the event that the coverage required by the lease and the Franchise Agreement differs, the higher limits will apply. You must provide Iron Tribe Fitness with a Certificate of Insurance evidencing this insurance coverage. This figure takes into account any insurance premiums for the first three months of operation of the Facility.

Note 10. You are responsible for all expenses associated with attending our tuition-free initial training program, including your and your employees’ transportation to and from the training site, lodging, meals, and employee wages during training. This figure also includes the expenses associated with sending: (i) one Operations Manager through our “Manager Practicum Program”

(MPP) for three weeks; and (ii) one lead Coach through our “Coach Practicum Program” (CPP) for three weeks. This figure does not include the cost of attendance associated with the Franchise Academy Program as defined in Item 11.

Note 11. You will spend for initial marketing \$4,000 (the “Initial Marketing Fee”) starting 30 days prior to opening the Facility for business. Your Initial Marketing Fee does not decrease or affect your obligations with respect to local advertising, any Ad Co-op, or any Brand Development Fund Contributions. In addition, you will spend no less than \$1,000 to promote and host a grand opening event at the Location (“Grand Opening Event”).

Note 12. The estimate of additional funds is based on an owner-operated franchised business. It does not include any allowance for owner’s draws. This estimate is based on our principal members’ experience in owning and operating a number of franchised fitness businesses. The Company estimates that, in general, you may expect to put additional cash into the business during at least the first 3 months of operation and sometimes longer but the Company cannot estimate or promise when, or whether, you will receive a positive cash flow or profits from the franchised business. We cannot guarantee that you will not have additional expenses starting the Franchised Business. Your costs will depend on factors such as: (a) how closely you follow our methods and procedures; (b) your management skill, experience and business acumen; (c) local economic conditions; (d) the local market for our services and products; (e) the prevailing wage rate; (f) competition; and (g) the sales level reached during the initial period.

**B. YOUR ESTIMATED INITIAL INVESTMENT UNDER A MULTI-UNIT DEVELOPMENT AGREEMENT<sup>1</sup>**

If you sign a Multi-Unit Development Agreement, you should review both the foregoing table of fees applicable to Franchise Agreements as well as the following table of fees.

Type of Expenditure	Offering	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Development Fee <sup>2</sup>	2-Pack	\$74,500	Lump sum, non-refundable	When you sign the Multi-Unit Development Agreement	Us
	3-Pack	\$99,000			
	4-Pack	\$110,000			
	5-Pack	\$130,000			
Initial Investment for the First Facility <sup>3</sup>		\$310,750 - \$494,250	See Chart 7(A) above. \$310,750 - \$494,250 is equal to the totals from Chart 7(A) minus the Initial Franchise Fee. See Note 3.		
<b>Total Initial Investment</b>	<b>2-Pack</b>	<b>\$385,250 - \$568,750</b>	This is the total estimated initial investment to enter into an MDA for the right to own a total		

Type of Expenditure	Offering	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
	<b>3-Pack</b>	<b>\$409,750 – \$593,250</b>			
	<b>4-Pack</b>	<b>\$420,750 – \$604,250</b>			
	<b>5-Pack</b>	<b>\$440,750 - \$624,250</b>			

Note 1. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.

Note 2. The Development Fee is described in greater detail in Item 5 of this Disclosure Document. The Development Fee to operate one Facility is \$50,000. The Development Fee to operate two Facilities is \$74,500. The Development Fee to operate three Facilities is \$99,000. The Development Fee to operate four Facilities is \$110,000. The Development Fee to operate five Facilities is \$130,000. If you wish to purchase the right to develop more than five Facilities, then the Development Fee is equal to \$130,000 plus \$20,000 multiplied by the number of Facilities you wish to develop.

Note 3. This figure represents the total estimated initial investment required to open your first Facility under your Franchise Agreement, which includes the training expenses, miscellaneous opening costs, opening inventory, the grand opening advertising fee, and additional operational funds for a single Facility (see the Single-Unit Item 7(A) chart above for additional details). This estimate does not include the Initial Franchise Fee. This estimate is subject to change for future Facilities, based on our then current offer at the time of sale, and costs associated with the types of expenditures listed in Chart 7(A) above. It does not include any of the costs you will incur in opening any additional Facilities that you are granted the right to open and operate under your MDA.

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

### **Generally**

You must operate your Facility in strict conformance with our methods, standards, and specifications, which we prescribe in our confidential operating manual and various other confidential manuals and writings prepared for use by you in operating a Facility (collectively the “Manual”), and which we may change at our sole discretion. The Manual covers nearly all aspects of your Facility’s operations, such as standards of customer service, safety, cleanliness, environmental care, consistency, training services, brand image, advertising, promotion, and management. Training services means training for the actual delivery of the product (workout).

We have an in house certification and also videos and instruction on our Iron Tribe custom learning management system that you must use when conducting all fitness classes. As a franchisee, you will be required to purchase or lease certain goods or services from suppliers or vendors that we designate, or from us or an affiliate of ours. In other instances, you will be free to select a vendor or supplier, but the goods or services you purchase must comply with specifications that we establish. These obligations may be imposed by the Franchise Agreement, by the Manual, or by our usual practice. The following goods and services fall into one or both of these categories (required specifications or required supplier): inventory, training, Iron Tribe branded items and merchandise, leasehold improvements, architectural work, our proprietary food, snack and supplement line of products, fixtures and furnishings, signage, exercise equipment and accessories, and certain computer hardware and software.

### **Required Purchases and Approved Suppliers**

You may only offer approved services and products (“Approved Services and Products”) at your Facility. We will provide you with a list of the Approved Services and Products upon signing your Franchise Agreement. All Approved Services and Products must meet our standards and specifications. To: (i) better assure the quality of the Approved Services and Products; (ii) assure the supply of the Approved Services and Products; and/or (iii) enable us, in our sole discretion to take advantage of marketplace efficiencies, we have the right to require you to purchase certain items from us or other suppliers or distributors approved or designated by us. Your purchase or lease of goods or services as required is an essential element of your compliance with the Franchise Agreement and the Manual, and your failure to do so will be a breach of the Franchise Agreement and may result in your loss of material benefits, including the termination of the Franchise Agreement. We may also develop certain proprietary products which you must purchase from us and offer for sale at your Facility.

Currently, neither we nor any affiliate are suppliers of any goods or services. We and our affiliates reserve the right to be the sole approved supplier of Iron Tribe branded items, merchandise, exercise equipment, supplements, health and fitness products and inventory. We will either designate a required or approved supplier or will provide you with specifications for the goods or services and allow you to obtain those goods and services from any source capable of supplying them. None of our officers currently own any interest in any approved supplier.

You must offer services and products in the manner we prescribe, and otherwise operate the Facility in such a manner which will serve to emulate and enhance the image intended by us for the System. You must at all times maintain sufficient levels of inventory to adequately meet consumer demand.

We formulate and modify our standards and specifications for products and services based upon the collective experience of our franchisees and our principals. Our standards and specifications are described in the Franchise Agreement, the Manual, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the Facility, including standards and specifications for services,

products, signs, furnishings, supplies, supplement purchases, fixtures and equipment by written notice to you or through changes in the Manual. You may incur an increased cost to comply with these changes at your own expense; however, no change will materially alter your fundamental rights under the Franchise Agreement. We will notify you of any change to our standards and specifications by way of written amendments to the Manual or otherwise in writing.

We and our affiliates reserve the right to receive payments from franchisees for goods or services that we sell them and from certain vendors who sell to our franchisees. We currently receive rebates from our supplement providers. In our 2022 fiscal year, we received \$18,503.09 in rebate payments from franchisees' required supplement purchases, which is 1.33% of our total revenue of \$1,392,289. We receive rebates from our approved suppliers for certain franchisee purchases. The rebate that we receive from our whey protein provider is a tiered-structure depending on the amount of whey protein purchased. The rebate that we receive from our supplement provider is based on a percentage of sales. We and any affiliate reserve the right to earn a profit from any goods or services we provide, whether or not you are required to purchase or lease those goods or services from us. We also reserve the right to receive compensation from suppliers for creating or maintaining purchasing relationships. If we receive these rebates or payments, there will be no restriction on our use of these monies. We have not negotiated any purchase agreements with suppliers for the benefit of franchisees, but we reserve the right to do so in the future.

We estimate that, in establishing your Franchised Business, your purchases or leases of goods, equipment, and supplies made in accordance with our specifications (including from us, an affiliate or designated or approved vendors) will represent approximately 90% of all or your total purchases or leases of goods, equipment, and supplies. Once your Franchised Business is established, we estimate that, on an ongoing basis, your purchases or leases of goods, equipment, and supplies made in accordance with our specifications (including from us, an affiliate or designated or approved supplier) will represent approximately 90% of all or your purchases or leases of goods, equipment, and supplies.

There currently are no purchasing or distribution cooperatives in place for the purchase or lease of goods or services by franchisees.

### **Alternate Supplier Approval Process**

If you wish to obtain exercise equipment or health and fitness products, or any other item from a supplier or distributor that is not on our approved list, you may request our approval of the supplier or distributor. We are not obligated to consider these requests, but if we agree to do so, you must pay us the actual cost of product testing, if any. We do not use any fixed process for granting or revoking approval of designated suppliers. Instead, we evaluate suppliers on a variety of criteria, including the quality of their products or services, price, responsiveness, reputation, timeliness, and experience, among other things, however, the supplier's or distributor's product must conform in every respect to our standards and specifications, and the supplier or distributor must, in our sole judgment, have a good business reputation and be able and willing to provide

sufficient quantities of the product and adequate service to our franchisees. If we compile any more specific criteria for approving suppliers, we will make those criteria available to you. We will consider in good faith and in a reasonable time any supplier that you would like to propose who is capable of providing goods or services meeting our requested specifications. We will make a reasonable effort to approve or reject any proposed supplier within 30 days. We will not approve an unreasonable number of suppliers for a given item. Our evaluation may include a sampling of the equipment or product at either the supplier's/distributor's or our place of business, as determined by us. Where appropriate, the supplier or distributor will be required to provide us with product liability insurance. All suppliers and distributors must agree to provide reports to us with respect to all purchases by our franchisees. In the event of approval, the supplier or distributor will be added to our approved list, but our approval of a supplier or distributor will relate only to the item or product line evaluated and specifically approved by us. We may provide our standards and specifications for goods and services directly to your proposed suppliers or to our approved and designated suppliers. We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that such products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing products from such supplier. You must use products purchased from approved suppliers solely in connection with the operation of your Facility and not for any competitive business purpose.

### **Insurance**

You must purchase and maintain: (a) comprehensive general liability insurance, including product liability coverage and automobile liability coverage for both owned and non-owned vehicles with minimums of \$250,000 per person /\$500,000 per occurrence for bodily injury and \$100,000 property damage and a \$1,000,000 commercial liability policy; (b) worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Center is located; and (c) fire, vandalism and extended coverage insurance with primary and excess limits of not less than the full replacement value of the Franchised Business and its furniture, fixtures and equipment.

All insurance policies must be written by an insurance company with a Best's Insurance Guide minimum rating of A-VI or better. All policies must include a waiver of subrogation in favor of Iron Tribe Franchise, LLC. In addition to the information listed above, you agree to carry such insurance as may be required by the lease of your Location, by any lender or equipment lessor you select, and such worker's compensation insurance as may be required by applicable law. All insurance policies must list us and any parties we may designate, as additional insureds at your cost, and must provide for 30 days prior written notice to us of any material modification, cancellation or expiration of such policy.

### **Advertising**

We must approve all advertising before first publication or use. Our advertising requirements are discussed more fully in Item 11 of this Disclosure Document.

## **Lease and Leasehold Improvements**

You must purchase or lease a space for your Facility which meets our standards and specifications for an Iron Tribe Facility. A typical Facility will have approximately 3,000 to 4,000 square feet of space. We must approve your location and lease terms before you sign a lease for a location. We may condition our approval of your lease upon, among other conditions, you and your landlord's signing of a collateral assignment of lease, whereby your landlord grants us the right to assume your rights and obligations under the lease in the event that you breach your lease agreement, your Franchise Agreement is terminated or expires.

You will employ qualified personnel to perform all design, construction, architectural and remodeling work at the Location. At our request, you will provide us with any requested information concerning the personnel employed by you for design, construction, architectural or remodeling, and we are permitted to disapprove any of those personnel if we conclude that they are not reasonably qualified or financially capable of performing that work. At our option, you will employ any design, construction, and remodeling professionals identified by us. We will provide you our specifications for construction, remodeling and decorating the Location and general floor plans and interior layout and design. You will submit to us for approval all construction and design plans for adapting our specifications to your location, which plans will comply with any requirements identified by us.

We will review those plans and will approve or disapprove them in writing no later than thirty (30) days after receipt. You will obtain and maintain in good standing all licenses, permits and certifications required for lawful construction or remodeling of the Location. At our request, you will provide to us written evidence of your funding or funding commitments in a form acceptable to us, and you authorize us to contact any funding sources directly to discuss all financial aspects of the construction or remodeling of the Location. You will ensure that all design, construction, and remodeling work is performed in a competent and professional manner, and that the Location meets all specifications identified by us. You will provide us with any progress reports requested by us during the course of any design, construction, and remodeling work. We are permitted to visit and inspect the Location at any time during the design, construction, and remodeling process. Your completion of the construction or remodeling process will include the complete construction of the Location at the Location, the installation of all equipment, fixtures, furnishings, and signage required by our specifications, the completion of all carpentry, electrical, painting, and finishing work, and any other preparations necessary to render the Location fit for use for the Franchised Business, which you will incur at your own expense.

## **Computer Hardware and Software Components**

You must purchase the computer hardware and software we designate for use in connection with the operation of your Facility. Please see Items 6, 7, and 11 of this Disclosure Document for more information regarding required computer hardware and software purchases.

You shall have the sole and complete responsibility for (i) the acquisition, operation,

maintenance, and upgrading of any computer hardware and software used in connection with operation of the Franchised Business; and (ii) any and all consequences that may arise if the computer hardware and software is not properly maintained, operated, or upgraded. We have the right to require you to enter into a separate maintenance agreement for computer hardware and software. Upon our request, you must promptly acquire, install, update or replace any computer hardware and/or computer software that we designate.

## 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	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 1.3, 6.1 and 6.2 of Franchise Agreement	Items 7, 11, 12
b. Pre-opening purchases/leases	Sections 1.3, 6.1, 6.2, 7.3, 7.5, 7.14, 7.27, 7.29, 7.31, 7.32, 7.33, 8.6 and 14.4 of Franchise Agreement	Items 5, 6, 7, 8, 11
c. Site development and other pre-opening requirements	Sections 1.3, 3.3, 6.1, 6.2, 6.3, 6.4, 7.18 and 9.1 of Franchise Agreement	Items 5, 6, 7, 8, 11
d. Initial and ongoing training	Section 9 of Franchise Agreement and Section 3.3 of MDA	Items 6, 7, 8, 11, 15
e. Opening	Sections 6.3, 6.4 and 15.2(d) of Franchise Agreement and Section 3.1 of MDA	Items 6, 7, 11
f. Fees	Sections 2.1(k), 3, 7.29, 8.1, 8.6, 8.7, 8.9, 8.11, 9.3, 9.5, 10.6, 12.2(c), 17.8 of Franchise Agreement and Section 2.1 of MDA	Items 5, 6, 7, 8, 11
g. Compliance with standards and policies/operating manual	Sections 6.7, 7 and 14.4 of Franchise Agreement	Items 7, 8, 11, 12, 13, 14, 16
h. Trademarks and proprietary information	Sections 4, 5, 7.22, 8.8, 8.10 and 8.11 Exhibit A of Franchise Agreement	Items 7, 8, 11, 13, 14
i. Restrictions on products/services offered	Sections 1.1, 1.5, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.23 and 15.2(n) of Franchise Agreement	Items 7, 8, 11, 13
j. Warranty and customer service requirements	Section 7.2, 7.20, 7.21 and 7.23 of Franchise Agreement	Items 1, 8, 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
k. Territorial development and sales quotas	Article 3 of MDA	Items 12, 17
l. Ongoing product/service purchases	Sections 7.3-7.7, 7.27, 7.28 and 7.29 of Franchise Agreement	Items 6, 7, 8, 11, 16
m. Maintenance, appearance and remodeling requirements	Sections 6.5, 6.6, 7.27 of Franchise Agreement	Items 7, 8
n. Insurance	Section 14 of Franchise Agreement	Item 7
o. Advertising	Section 8 of Franchise Agreement	Items 5, 7, 8, 11, 18
p. Indemnification	Section 14 of Franchise Agreement	Item 7
q. Owner's participation/management/staffing	Sections 7.12, 7.16 and 9.1 of Franchise Agreement	Items 7, 8, 11, 15
r. Records and reports	Section 10 of Franchise Agreement	Items 6, 7, 11
s. Inspections and audits	Sections 6.8 and 10.6 of Franchise Agreement	Item 6
t. Transfer	Section 13 of Franchise Agreement and Section 5 of MDA	Items 6, 17
u. Renewal	Sections 2.2 and 2.3 of Franchise Agreement	Items 6, 17
v. Post-termination obligations	Section 16 of Franchise Agreement and Section 4.4, 6.1 of MDA	Items 6, 17
w. Non-competition covenants	Section 11, Exhibit C of Franchise Agreement and Section 6.1 of MDA	Item 17
x. Dispute resolution	Section 17 of Franchise Agreement and Section 8.1 of MDA	Item 17

## **ITEM 10. FINANCING**

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

## **ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

**Except as listed below, the Company need not provide any assistance to you.**

### **Assistance before Opening**

Before you open your Iron Tribe Facility:

1. We will provide you with a digital copy of our proprietary and confidential Manual,

which we may amend periodically (Section 7.1 of the Franchise Agreement). The Table of Contents of the Manual is attached to this document as Exhibit E. The Manual is currently 209 pages and includes 80 videos on various topics.

2. We will, to the extent we deem necessary, provide you with specifications for products and designated suppliers from which you agree to purchase inventory, goods, and supplies necessary for the start-up and ongoing operation of the Facility (see Section 7.5 of the Franchise Agreement).

3. You must spend up to \$4,000 on initial marketing in your Territory during the 30-day period prior to opening (the “Initial Marketing Requirement”). Prior to use, you will submit to us all print and other materials intended for media placement or public display, and a description of all proposed public or marketing events for our approval and you will not use those materials until you have received our approval (Franchise Agreement Section 8.8(c)). Additionally, you must spend \$1,000 on a grand opening event to promote your Facility.

### **Site Selection**

We will review the location you propose to us as the site of your Facility (Franchise Agreement Section 1.3). Factors considered by the Company when reviewing a proposed site include accessibility, visibility, potential traffic flows, population trends, household income and financial statistics, lease terms and other demographic information. The site review conducted by us is not a warranty, representation or guaranty by us that a Facility opened at the site will be a financial success. Prior to executing any purchase agreement or lease, you will provide us with copies of all documents relating to the purchase or lease agreement for our review. If we deny our approval of the purchase or lease agreement for any reason in our sole discretion, then you will not execute that agreement. We will issue any such denial in writing no later than 10 days after receiving all required documents. If we do not explicitly reject your proposal within 10 days, we will be deemed to have approved your proposed location. We may condition our approval of any proposed lease on, among other things, the execution of a form of Conditional Assignment of Lease (attached as Exhibit D to the Franchise Agreement) (Franchise Agreement Section 1.3). If you fail to select a site that we approve and sign a lease within 180 days of the date of the Franchise Agreement, we have the right to terminate the Franchise Agreement (Franchise Agreement Section 3.6). You acknowledge and agree that our approval of a site candidate and the agreement for your purchase or lease of the Location does not constitute, and you will not assert that it constitutes, any representation, warranty, or guarantee by us that the Location is adequate or properly zoned or permitted for the purpose of operating the Franchised Business, that the purchase or lease agreement is fair or reasonable, or that your operation of the Franchised Business from the Location will be profitable or successful. We strongly encourage you to seek independent counsel from a lawyer or business adviser to assist you in selecting a location and negotiating a lease for the Franchised Business premises (Franchise Agreement Section 1.3).

In addition, we may provide you with specifications for remodeling and decorating your Facility and general floor plans and interior layout and design for an Iron Tribe Fitness Facility.

You will submit to us for approval all construction and design plans for adapting our specifications to the Location, which plans will comply with any requirements identified by us. We will review those plans and approve or reject them in writing no later than 30 days after receipt (Franchise Agreement Section 6.2(b)). However, you are solely responsible for the engagement of local contractors to develop construction plans that meet with applicable ordinances, building codes, permit requirements, and the Americans with Disabilities Act. Your completion of the construction or remodeling process will include the complete construction of the premises at the Location, the installation of all equipment, fixtures, furnishings, and signage required by our specifications, the completion of all carpentry, electrical, painting, and finishing work, and any other preparations necessary to render the Location fit for use for the Franchised Business, which you will incur at your own expense. (Section 6.2(g) of Franchise Agreement).

Generally, the opening of your Facility will take place within 3-6 months after you sign the Franchise Agreement. You will notify us upon completion of all construction and remodeling work, and at our option, we will promptly inspect the Location and identify any additional actions that you must take to comply with our specifications (Franchise Agreement Section 6.3). The Facility must be open and operating within 12 months from the date the Franchise Agreement is signed (Franchise Agreement Section 6.4). We have the right to terminate the Franchise Agreement if you do not open the Facility within 12 months (Franchise Agreement Section 15.2(d)). Factors which will affect your opening date include selecting the location for your Facility, obtaining required licenses, construction or remodeling of the premises, delivery of your furniture, fixtures and equipment, acquiring inventory and supplies, obtaining financing (if applicable), hiring and training your employees and completing the initial training program. Upon your final compliance with all specifications and requirements, we will grant approval for you to open for business. You will not open for business until we have issued that approval, but you will promptly open for business once we have issued our approval (Franchise Agreement Section 6.3).

## **Training**

After you sign the Franchise Agreement, we will provide our tuition-free initial training program to you and other certain parties (“Initial Training”). Initial Training will consist of: (i) a primary training program of up to 3 days at an Iron Tribe Fitness Facility designated by us in the continental United States (“Franchise Academy Program”); and (ii) a secondary and opening assistance program of 1 to 2 days, which will take place at the Location. If you are an individual, the participants in Initial Training will be: (i) you (if you are the Operations Manager) and between two and four other employees of your choosing; or (ii) you (if you are not Operations Manager), the Operations Manager, and between two and four other employees of your choosing. If you are an entity, the participants in Initial Training will be: the Operations Manager, an Owner, and between two and four other employees of your choosing (collectively the “Initial Trainees”). You will ensure that any individual whom you intend to provide services to Athletes upon your opening for business participates in Initial Training. All Initial Trainees must attend at the same time.

The Initial Trainees will complete all components of Initial Training to our reasonable satisfaction prior to your opening for business. You will pay for all travel, accommodations,

wages, and other costs for the Initial Trainees. Should the Initial Trainees fail to complete the Initial Training to our satisfaction, the respective person may repeat the course, or in the case of an employee, you may send a replacement (the “Replacement Personnel”) to the next available initial training program. We may charge for such Replacement Personnel attending an initial training program (Franchise Agreement Section 9.1). The training program will consist of classroom and on-the-job instruction in all phases of Facility operations including basic business procedures, equipment operation and maintenance, hiring and training employees, scheduling, basic accounting principles, computer operations, advertising and promotion, purchasing procedures, food and nutrition products, cost controls, customer service, general maintenance and other topics selected by us.

### TRAINING PROGRAM

Subject	Classroom Hours	On-the-Job Hours	Location
Cultural Orientation	2	1	Birmingham, Alabama, or another location we designate
Technology Orientation	3	3	Birmingham, Alabama, or another location we designate
Sales & Marketing	2	2	Birmingham, Alabama, or another location we designate
KPI & Reporting	1.5	1.5	Birmingham, Alabama, or another location we designate
Product Control	3	3	Birmingham, Alabama, or another location we designate
Facility Operations	3	3	Birmingham, Alabama, or another location we designate
<b>TOTALS</b>	<b>14.5</b>	<b>13.5</b>	

We do not have a formal training staff. Training is conducted by various members of our staff and management personnel who have experience in the operation of Facilities. The fitness training portion is conducted under the supervision of Kyle Sottung, who has been our affiliate’s Director of Training for nearly 11 years and who has worked in this industry for 14 years. We do not have a formal training schedule, but the Initial Training will be provided at a mutually agreeable time subject to the availability of Mr. Sottung and our other instructors.

You must begin Initial Training at the earlier of 60 days after you sign the Franchise

Agreement or within 60 days before the projected opening of your Facility. Failure to complete initial training to our satisfaction within the applicable time period may result in termination of the Franchise Agreement (Section 15.2(a) of the Franchise Agreement).

In addition to the Initial Training outlined above, you must ensure that the designated Coach(es) associated with your Facility complete the Coach Practicum Program training program no later than 120 days after that person's hiring. We discuss the Coach Practicum Program in more detail in the Manual, but every Coach must complete the pre-coach practicum materials via our designated online website, the Coach Practicum Program at our designated corporate facility (which is approximately three weeks), and the Coach 101 weekend training. We reserve the right to change any portion of the Coach Practicum Program in our sole discretion and require your compliance with such changes. You must (a) hire and train at least one Coach prior to opening your Facility, and (b) at all times have a properly trained Coach on staff (Section 9.1 of the Franchise Agreement).

In addition to the Initial Training outlined above, you must ensure that the Operations Manager associated with your Facility completes the Manager Practicum Program training program no later than 120 days after that person's hiring. We discuss the Manager Practicum Program in more detail in the Manual, but it will last approximately three weeks. We reserve the right to change any portion of the Manager Practicum Program in our sole discretion and require your compliance with such changes (Section 9.1 of the Franchise Agreement).

You are responsible for all of the costs associated with the Initial Training, Coach Practicum Program, and Manager Practicum Program including your and your designees' travel, room, board, and salary/wage expenses.

Your other employees may be trained by you (Section 8.2 of the Franchise Agreement). All training related expenses for your additional teaching personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are your sole responsibility. We may provide you with training materials for you to use in training your personnel (Section 8.2 of the Franchise Agreement). You may only use the training materials we provide or approve to train your personnel. Updated training materials will be provided to you as they are developed. All training materials provided to you are our property, and you agree not to challenge our or our affiliates' title or rights in or to the training materials. You may not make any disclosure, duplication or other unauthorized use of any portion of the training materials (Section 8.2 of the Franchise Agreement).

We may offer additional training programs and/or refresher courses to you, your manager, and/or your employees. We may require you and your employees' attendance at these programs and/or courses up to four days per year, at a location designated by us. You must pay for you and your employees' travel, meal, lodging, and payroll expenses while attending our additional training programs. The additional training programs and refresher courses will be at our then-current tuition for ongoing training (Sections 6.9 and 8.4 of the Franchise Agreement). Additionally, we may require you to attend remedial training if you commit three or more breaches of the Franchise

Agreement within a one-year period. All training related expenses for your remedial training, including transportation to and from the training site, lodging, meals, and salaries during training, are your sole responsibility. If you require and request additional on-site assistance from us, subject to the availability of our personnel, we will provide you with such assistance at our then-current rate for providing ongoing assistance, plus expenses, including our travel and lodging expenses (Section 9.4 of the Franchise Agreement).

### **Assistance during Operation of the Facility**

During your operation of the Facility:

1. We are permitted, by written notice to you, to add to, delete from, modify, or otherwise change the System and the Manual, including by adding new or enhanced services and products, new operational requirements, and new techniques and methods of operation. We will provide any revisions to you in a written form of our choosing (Franchise Agreement, Section 7.1).

2. If you seek to appoint a new Operations Manager, then you will ensure that the proposed new Operations Manager (if approved by us) completes all training provided by us then required of Operations Managers for new franchisees. We reserve the right to charge you our then-current training fee for attendance at this training and you will pay for any travel, accommodations, wages, and other costs for its representative attending any subsequent training programs.

3. We will maintain an interactive website for the benefit of us and all franchisees (Franchise Agreement, Section 8.11). We will implement the Intranet Business Resource website. (Franchise Agreement, Section 7.28). We may develop and/or designate a proprietary intranet system or web-based software for use for the System (Franchise Agreement, Section 7.27).

4. We are permitted to establish an annual convention or meeting of franchisees (the “Annual Convention”), which you and your Operations Manager will attend if required by us. We reserve the right to charge a registration fee for attendance at the Annual Convention and you will pay the travel, accommodations, wages, and all other expenses for its representatives attending the Annual Convention (Franchise Agreement, Section 9.5).

5. Prior to selling or providing any goods or services to any Athlete, you will enter into any agreements with that Athlete required by us in the Manual, and will provide to that Athlete any information or disclosures required by us (Franchise Agreement, Section 7.9).

6. If we determine in our sole discretion that we may lawfully direct you to charge certain prices for goods or services, then you will charge prices as established by us in the Manual or otherwise in writing (Franchise Agreement, Section 7.10).

7. To the extent we deem them necessary, we will provide specifications for certain equipment, signs and fixtures for the Location. You will obtain and use all equipment required by us, and will refrain from using any equipment prohibited or not approved by us (Franchise

Agreement, Section 7.14). We will provide you with an approved method of instruction that you must use in all sessions and classes with Athletes (Franchise Agreement, Section 7.15).

8. We will provide, to the extent we deem necessary, you with guidelines for the types of employees that we have found are most successful working in the Franchised Business (Franchise Agreement, Section 7.16).

9. We shall provide, to the extent we deem necessary, such initial and continuing advisory assistance in the operation of the Franchised Business. We will provide such assistance, in our discretion, by telephone, facsimile, intranet communication and on-site visits. If you require and request additional on-site assistance from us, subject to the availability of our personnel, we will provide you with such assistance at our then-current rate for providing ongoing assistance, plus expenses, including our travel and lodging expenses (Section 9.4 of the Franchise Agreement).

### **Advertising Program**

#### *Brand Development Fund*

We have established a brand development fund (the “Brand Development Fund”) for advertising, marketing and promotions selected by us in our sole discretion (Section 8.1 of the Franchise Agreement). We require that you contribute 1% of Gross Sales of the prior month to the Brand Development Fund, which is payable in the same manner as the Royalty (“Brand Development Fund Contribution”) (Section 3.2(b) of the Franchise Agreement). We will use the Brand Development Fund Contributions for media placement, commissions, market research, creative and production costs, artwork, printing, and any other costs, expenses, or compensation reasonably related to advertising, marketing, or promotions (Section 8.1 of the Franchise Agreement). We will also use the Brand Development Fund Contributions to pay for products and food research and development, advertising materials, production costs, brochures, ad slicks, radio, film and television commercials, video tapes, newspaper, magazine and other print advertising, direct mail pieces, photographer costs, pictures, designs, services provided by advertising agencies, public relations firms and other marketing, research or consulting firms, market research and market surveys, menu designs and graphics, customer incentive programs, sponsorships, marketing meetings and sales incentives, development of web pages on the internet, administrative costs and salaries for marketing support personnel. There is currently no advertising council of franchisees; however, we reserve the right to create one in the future (Section 8.1 of the Franchise Agreement).

We are permitted to perform any Brand Development Fund functions ourselves through our employees, representatives, agents, or affiliates, in which case we are permitted to compensate ourselves or our affiliate from Brand Development Fund contributions for the reasonable cost of performing those functions, including reasonable allocations of overhead and administrative expenses (Section 7.1 of the Franchise Agreement). We determine how Brand Development Fund Contributions will be spent. No formal franchisee advertising council currently exists to advise us

on advertising policies, but we reserve the right to create one. We have no obligation to ensure that you benefit directly or on a pro rata basis from the placement or conduct of advertising, marketing, or promotional activities, and your own benefits will vary depending on your proximity to other franchisees, the competition from other industry operators in our area or region, the types of media reasonably available and the costs of those media, and other factors (Section 8.1 of the Franchise Agreement).

We will account for the Brand Development Fund separately from our other accounts or assets (but we are not required to maintain a separate bank account). If requested by you, we will make available an unaudited annual statement of operations for the Brand Development Fund, with any cost of preparing that statement to be paid from Brand Development Fund Contributions. We are permitted to establish a separate entity to receive payments and administer the Brand Development Fund with comparable rights and restrictions established in the Franchise Agreement, in which case we are permitted to require Franchisee to submit Brand Development Fund Contributions directly to that separate entity (Section 8.3 of the Franchise Agreement). The balance of the Brand Development Fund at the end of any fiscal year will remain in the Brand Development Fund for use in subsequent years. None of the advertising paid for out of the Brand Development Fund will be used for the purpose of soliciting franchisees. If any payments are made to us by suppliers based upon franchisee purchases, these payments will be deposited by us into the Brand Development Fund. Otherwise, vendors and suppliers will not contribute to the Brand Development Fund. We are under no obligation to conduct any advertising in your Territory, however, we reserve the right to conduct such advertising. During our fiscal year ending December 31, 2022, we spent Brand Development Fund Contributions as follows: (i) 41.39% on displays; (ii) 31.57% on marketing salary / administration; (iii) 15.66% on copywrite/SEO; (iv) 7.07% on listen 360; and (v) 4.31% on marketing software.

### *Initial Marketing*

You will spend for initial marketing \$4,000 (the “Initial Marketing Fee”) starting 30 days prior to opening the Facility for business. Your Initial Marketing Fee does not decrease or affect your obligations with respect to local advertising, any Ad Co-op, or any Brand Development Fund Contributions. In addition, you will spend no less than \$1,000 to promote and host a grand opening event at the Location (“Grand Opening Event”).

### *Local Advertising Expenses*

You will spend five percent (5%) of your Gross Sales, or a minimum of \$2,500 each month on local advertising, marketing, and promotions each month. You will provide to us a report documenting all local advertising expenses in the Monthly Report (Section 8.7 of the Franchise Agreement).

You are permitted to conduct your own advertising and promotions, and must ensure that your local advertising and promotions reflect favorably on and do not disparage the Marks, us, and any other franchisee. Prior to use, you will submit to us all print and other materials intended for

media placement or public display, and a description of all proposed public or marketing events. You will use only materials approved or provided by us and will participate only in events approved by us. You will submit to us, at least 15 days prior to publication or use, samples of all sales, promotional, and advertising materials you desire to use and which we have not previously approved, including, but not limited to, print, radio and television advertising, signage, supplies and packaging. Our failure to approve or disapprove the materials within 10 days of receipt shall be deemed a rejection. If you submit to us for approval any materials or proposals, then we are permitted to adopt those materials or proposals for general use in advertising or promotions, in which case you will take any action reasonably requested by us to document and confirm an irrevocable and perpetual assignment to us of any copyright and a waiver of any moral rights relating to that advertising or promotion in consideration of the continued use of the Marks and System. You must advertise in any print or online directory listings required by us, which advertisements you will submit to us for approval prior to placement (Section 8.8 of the Franchise Agreement).

### *Ad Co-Op*

We have the right to establish or to authorize any number of Ad Co-ops to coordinate advertising, marketing, and promotions among franchisees within a certain region, among certain common types of franchisees, or for other designated purposes. You will participate fully and in good faith in any Ad Co-ops required by us. We are permitted, though not required, to delegate to any Ad Co-op the full or limited right to direct its own operations, and we will follow all rules and procedures prescribed by the Ad Co-op. However, no Ad Co-op created or managed by us will be permitted, without our consent: (i) to impose any fee or mandatory contribution to the members on an unequal basis; or (ii) to allocate votes among members on any basis other than one vote per authorized location of a Franchised Business. We are permitted, but not obligated, to resolve any disputes between you and any other franchisee concerning any Ad Co-op matter, and you will honor and adhere to any decision or direction issued by us concerning that dispute. Any contributions or fees paid by you for an Ad Co-op constitute fees to meet the local advertising requirement described in Section 8.7 of the Franchise Agreement. If the Ad Co-op is administered by us, we will make available to Franchisee an unaudited annual statement of operations and the books and records of the Ad Co-op upon reasonable written notice by you (Section 8.9 of the Franchise Agreement).

### **Computer Equipment**

You shall purchase sufficient and operable computer hardware to provide for continuous access to any proprietary intranet system designated by us for communications between us and you and to any web-based software designated by us (the “Software”) which we have developed or may develop and/or designate for use for the System, and shall purchase such computer hardware as may be necessary for the efficient operation of the Software, including without limitation, a computerized point-of-sale system designated by us for operation of the Franchised Business, including any accompanying computers, modems, credit/debit card readers, cash drawers, receipt printers, and other associated equipment, and a credit card machine and a scanner

(Section 7.27 of the Franchise Agreement). Currently, we require that you purchase: (i) a 21 inch iMac; (ii) a 13 inch MacBook Pro; (iii) one 16GB iPad; (iv) a 32GB iPod Touch; (v) AppleCare for all products; and (vi) Joint Venture. The current cost of your computer package is approximately \$6,500. Additionally, we do not anticipate franchisees incurring any additional annual costs for optional or required maintenance updates, upgrading or support contracts in connection with the computer system, aside from the Technology Fee disclosed in Item 6 of this Disclosure Document.

In addition, we have the right to require Franchisee to enter into a separate maintenance agreement for such computer hardware and/or Software. Notwithstanding the fact that you must buy, use and maintain the computer hardware and Software meeting our standards and specifications, you will have the sole and complete responsibility for: (i) the acquisition, operation, maintenance and upgrading of the computer hardware and Software; and (ii) any and all consequences that may arise if the computer hardware and Software is not properly operated, maintained and upgraded. You will allow us to access your computerized data. We reserve the right to require you to install a “systems backup solution” which backs up critical data in your computer system using an off-premises storage scheme. In addition, we have the right to require you to enter into a separate maintenance agreement for such computer hardware and/or Software. You will not allow any unauthorized person to access any proprietary intranet or other computerized systems (Section 7.27 of the Franchise Agreement). Currently, we, our affiliate and franchisees must use Apple computer products. You grant to us unlimited independent access to the data generated by your computerized point of sale system, and will permit us to poll via electronic connection your computer systems in order to compile sales data, consumer trends, labor costs, and any other financial and marketing information we deem appropriate (Section 7.30 of the Franchise Agreement).

You are required to participate in any System-wide area computer network, intranet system or extranet system, including the confidential Intranet Business Resource website that we implement and may be required by Franchisor to use such area computer network, intranet system or extranet system to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manual; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) participate in online training. You agree to use the facilities of any such area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Manual, including those related to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements (Section 7.28 of the Franchise Agreement).

We also require you to purchase certain computer software and operating systems and to use a high-speed internet service provider designated by the Company (Section 7.31 of the Franchise Agreement). The fax and telephone communications equipment, computer hardware and peripherals, maintenance agreements and computer software and operating systems are all available through commercial office and telecommunications equipment and computer hardware and software vendors. We have the right to require you to update or upgrade computer hardware

components and/or Software as we deem necessary from time to time (Section 7.27 of the Franchise Agreement). We will notify you when changes and updates are available. There are no contractual limitations on the cost and frequency of the obligation. We estimate that your annual expenditures for computer upgrades and annual maintenance will be near zero as we require that you buy AppleCare and other protection on your computer equipment. However, every few years, your computer may become outdated and this may cause you to incur maintenance expenditures. The costs of any such expenditure will vary depending on your repair history, local costs of computer maintenance services and technological advances. You must assist us in bringing your system on line with our home-office computer at the earliest possible time and maintain this connection, as we require.

Franchisee will purchase and use in the operation of the Franchised Business the information systems specified in the Manual. Franchisor may, in its sole discretion, collect from Franchisee the license fees due the unaffiliated licensors of certain computer software programs required to be used by its franchisees, including Franchisee, and may otherwise administer the relationship with such licensors (Section 7.29 of the Franchise Agreement).

You will purchase, install and maintain the camera system specified by us. Such system shall be turned on and operational at all times during the term of this Agreement and shall be accessible to us for monitoring on the Internet or otherwise (Section 7.32 of the Franchise Agreement). The estimated cost to purchase this system is \$1,850.

### **Website and Internet**

We will maintain an interactive website for the benefit of us and our franchisees (the “Iron Tribe Fitness Home Page”). All features of the Iron Tribe Fitness Home Page, including the domain name, content, format, and links to other websites, will be determined by us in our sole discretion. We will also have the right to modify, suspend or temporarily or permanently discontinue the Iron Tribe Fitness Home Page at any time, in our sole discretion. We and our affiliates will have the right to sell merchandise directly to retail and/or wholesale customers via the Internet under the “Iron Tribe Fitness” name and the Marks, to create a website or home page containing the “Iron Tribe Fitness” name and the Marks, and the exclusive right to reserve or to use “Iron Tribe Fitness” or any derivative or related or similar domain name or e-mail address (without regard to domain name suffix). You must establish your own web page, but only through our Website Management System, or other designated source (“Your Iron Tribe Fitness Site”). We or our designee will develop Your Iron Tribe Fitness Site for you, but you will be responsible for the web page development fee then applicable (the “Website Development Fee”). After Your Iron Tribe Fitness Site has been developed, you must submit all content for Your Iron Tribe Fitness Site to us and obtain our approval before posting. Once we approve your content, we will establish Your Iron Tribe Fitness Site for you through a link from our Iron Tribe Fitness Home Page. We will then continue to carry content for Your Iron Tribe Fitness Site through a link from our Home Page. Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Facility, including any

profile on Facebook, MySpace, Twitter, LinkedIn, TikTok, Plaxo, YouTube or any other social media and/or networking site (“Social Media Site”). We have the right to modify our policies governing media and Internet usage at any time in writing, whether in the Manual or otherwise (Section 8.11 of the Franchise Agreement).

## ITEM 12. TERRITORY

### **Franchise Agreement**

#### *Approved Location and Relocation*

Under the Franchise Agreement, your Franchised Business will operate from a specific Location, for which you must obtain our advance written approval. You may not conduct the Franchised Business at any other location. If you have not yet secured a site for the Franchised Business at the time you sign the Franchise Agreement, you will enter into our Site Selection Addendum, attached as Exhibit A to the Franchise Agreement, which will govern the site selection process. You may relocate the Franchised Business only with our prior written consent, which we will not unreasonably withhold provided that the proposed new location meets our then-current criteria for an Iron Tribe Fitness Facility and is located within your Territory. You will not be allowed to open any additional locations unless under a separate franchise agreement, for which you will be obligated to pay a separate franchise fee, and which is subject to our approval. We have the sole discretion to grant or deny any request for another franchise.

#### *Exclusive Territory*

You will operate your Facility at the Location within the Territory that is identified in the Data Sheet of the Franchise Agreement, generally encompassing a radius of roughly three (3) miles around your Location. The Territory is exclusive. The actual size of your Territory will be determined by the number of households having an annual income of \$75,000. Generally, your Territory will have a population of at least 25,000 individuals

If your Territory contains more than 10,000 households, your Territory will be reduced from three (3) miles to mutually agreeable area depending on the number of households in your Territory. We reserve the right in our sole discretion to grant you a smaller territory and deviate from this formula. We have the right to enter into agreements with customers located in your Territory to provide services directly to them, but in that event, we will give you the option to provide those services to those customers on the terms we have agreed upon with them. You will share in the profits, as determined by us, of any merchandise sold on the Internet to customers in your Territory. We are not otherwise required to compensate you for any sales we make within your Territory. The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises.

You are not limited from soliciting or accepting orders from outside your Territory, except that your local advertising is limited to an area reasonably surrounding your Location, and that is

not part of the territory of any other franchisee. Your sales must be through channels of distribution that we have approved, and you should expect that most or all of your sales will be to customers who visit your Location in person.

Except as otherwise provided in and during the term of the Franchise Agreement, for so long as you comply with the terms and conditions of the Franchise Agreement, we will not establish and operate, nor license any party other than you to establish and operate, any Iron Tribe Fitness Facility under the System and the Marks within your Territory. Continuation of your Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency. There is no provision in the Franchise Agreement for modification of your Territory for any reason.

### **Multi-Unit Development Agreement (“MDA”)**

Under the terms of the MDA we grant you the right to establish, according to a schedule, three or more Facilities within a geographical territory (“Development Area”). A Development Area is usually defined by zip codes or other boundaries such as streets, city, county, or state limits or by other reasonable boundaries. The number of Facilities to be developed may be adjusted depending on demographics and other characteristics of a Development Area, including population density, income and other characteristics of the surrounding area, natural boundaries, extent of competition and whether the proposed Development Area is urban, suburban or rural in nature. You have no option, right of first refusal or similar contractual right to acquire additional Iron Tribe Fitness franchises within your Development Area or in contiguous areas.

Each additional Iron Tribe Fitness franchise must be open according to the Development Schedule described in the MDA, which will specify the number of Businesses to be open and the time frames within which they must be open. In the event that you fail to meet the mandatory Development Schedule and the MDA is terminated, you will retain your rights to any individual Businesses, including the territorial rights described in the Franchise Agreement for such Businesses, provided that the MDA was not terminated as a result of your failure to comply with the terms of your existing Franchise Agreement(s). Your rights to any Businesses for which there is no Franchise Agreement and your exclusivity in the Development Area will terminate immediately. Thereafter, we will have the right to develop the Development Area on our own or through third parties.

### **Reservation of Rights under the Franchise Agreement and MDA**

The rights granted under both the Franchise Agreement and MDA do not include: (i) any right to offer any product or service via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Marks or any variation of the Marks; (iii) any right to sell merchandise via wholesale; or (iv) any right to otherwise distribute, market, or implement our products and services in any channel of distribution not specifically identified in the Franchise Agreement/MDA.

Under the Franchise Agreement, we and our affiliates have the right, in our sole discretion, to: (i) offer and sell, and authorize others to offer and sell, any goods and services in any location outside of your Territory; (ii) offer and sell, and authorize others to offer and sell, any goods and services in any location, including within the Territory: (a) through alternative channels of distribution, including sales on the Internet and in retail locations; or (b) under any names or trademarks other than the Marks; (iii) enter into any agreement with any Athlete to sell or supply to that Athlete any goods or services under the Marks within the Territory, except that you will have the option to sell or supply those goods or services to that Athlete if you agree to sell or supply them on the same terms agreed upon by us; (iv) merge with, acquire, or be acquired by, including through purchase or sale of substantially all assets, any other person or entity, including any competitor of us or you, and continue to conduct in any location any business engaged in by the merging, acquiring, or acquired person or entity, including any business directly competitive with the Franchised Business; (v) use the Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including the sale of products through retail stores and via the internet, without regard to location; and (vi) use and license to engage in any other activities not expressly prohibited in this Agreement. Neither we nor any affiliate currently operates any franchise system under any different name or trademark, but we reserve the right to do so.

We may not establish or franchise any other person or entity to establish Iron Tribe businesses using the Marks and Licensed Methods within the Development Area for so long as the MDA is in effect. Under the MDA, we and our affiliates have the right, in our sole discretion, to: (i) own and operate Facilities at any location(s) outside of your Development Area under the Marks and System, or license to others the right to own and operate Facilities at any location(s) outside of your Development Area under the Marks and System; (ii) own and operate Facilities under different marks at any location(s) inside or outside of your Development Area, or license to others the right to own and operate Facilities under different marks at any location(s) inside or outside of your Development Area; (iii) use the Marks and System in connection with selling services and products, promotional and marketing efforts, or related items, or in alternative channels of distribution, including the sale of products through retail stores and via the internet, without regard to location; (iv) exclusively operate and license others the right to own and operate Facilities under the Marks and System in non-traditional sites including, but not limited to, sports and entertainment stadiums, arenas, entertainment complexes, malls and other shopping outlets, and airports, without regard to location; and (v) use the Marks and System, and license others to use the Marks and System to engage in any other activities not expressly prohibited in the Area Development Agreement.

We retain the right, in our sole discretion, to distribute in your Development Area, as applicable, our or our affiliates' products and services, whether now existing or developed in the future, in whatever manner and through the channels of distribution we, in our sole discretion, will determine. The MDA grants you no rights to: (i) distribute the services as described in this paragraph; or (ii) share in any of the proceeds from our activities through our reserved rights or alternate channels of distribution, even when those actions take place inside your Development Area.

### ITEM 13. TRADEMARKS

We grant you the right to operate the Business under the design mark “Iron Tribe Fitness,” word mark “Iron Tribe Fitness,” the Chevron design mark (collectively, the “Marks”). You may also use our other current or future trademarks to operate your Business. You will have the limited right to use the following Marks, and any marks we may now or in the future designate in connection with the system:

MARK	REGISTRATION NUMBER	REGISTRATION DATE	REGISTER
Iron Tribe Fitness®	3,806,448	June 22, 2010	Principal
	4,458,595	December 31, 2013	Principal
	4,455,167	December 24, 2013	Principal

All required affidavits have been filed. We have the right to add, modify, or remove Marks from those that we license to you. You may not use the Marks as a part of your corporate or other entity name or in any domain name or email address without our written approval. The Marks and registrations were assigned to us by Forrest Walden on May 11, 2012.

There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court relating to our Marks. We also are unaware of any pending infringement, opposition, or cancellation proceeding, or of any pending material litigation regarding our use or rights in any Marks.

You are obligated to notify us if you learn of any apparent or potential infringement of any Marks, as well as any challenge to our or your use of the Marks. We have the right to control any administrative proceeding litigation that arises out any claim related to the use of the Marks, including whether to initiate litigation to challenge another person’s infringing use.

We have the right, though not the obligation, to defend you against any third-party claim, suit, or demand arising out of your use of the Marks in a manner expressly authorized by us. If we, in our sole discretion, determine that you have used the Marks in accordance with the Franchise

Agreement and the Manual, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Franchise Agreement and the Manual, you will be required to pay for the defense or to reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Marks, you are required to sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner not in accordance with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in performing such acts.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Marks in any state. Therefore, before entering into the Franchise Agreement, you should make every effort to ascertain that there are no existing uses of the Marks or confusingly similar marks being used in the market area where you wish to do business. You should immediately notify us of any confusingly similar marks you discover.

You cannot register any of the Marks now or hereafter owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue using of a website using the Marks.

You may use only the Marks which we designate, and may use them only in the manner we authorize and permit. Any goodwill associated with Marks, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Marks only for the operation of the Facility and only at the Facility or in advertising for the Facility. You must use all Marks without prefix or suffix and in conjunction with the symbols “SM,” “TM,” “S” or “R,” as applicable. You may not use the Marks in connection with the offer or sale of any services or products which we have not authorized for use in connection with the System. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials “D/B/A” and the business name “Iron Tribe Fitness.” You must promptly register at the office of the county in which your Facility is located, or such other public office as provided for by the laws of the state in which your Facility is located, as doing business under your assumed business name.

All of your advertising must prominently display the Marks and must comply with our standards for using the Marks. All such advertising is subject to our prior written approval, which we will not unreasonably withhold. You must submit all signs, stationery, business cards, forms, and other materials and supplies bearing the Marks to us for approval. You may use the Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, decorations, furnishings, equipment or other materials employing the Marks, or related marks,

before first publication or use. We will not unreasonably withhold our approval. You must identify yourself as the owner of the Facility (in the manner we prescribe) in conjunction with any use of the Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing at the Facility premises.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. You must discontinue using of the Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notice and must promptly begin using such additional, modified or substituted Marks at your expense.

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

We do not currently have any patents or copyright registrations related to the franchise, and we do not have any patent applications pending. We do claim copyright protection in the Manual, in our advertising and marketing materials, and our Franchise Agreement.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of this unauthorized use. We may revise any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials. In general, we intend to take any necessary action to protect our copyright rights, but we are not obligated to do so by the Franchise Agreement. If we modify any copyrighted advertising or marketing material, you will be obligated to cease any use of the old material. We are not aware of any current infringement of our rights in any copyrighted materials.

During the term of the Franchise Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company trade secrets and confidential information, including but not limited to methods of movements; information regarding the build-out of a Facility; information about proprietary merchandise; any proprietary software Franchisor may now or in the future create; the Manual; trade secrets; price marketing mixes related to the sale of goods or services offered or authorized for sale by System franchisees; standards and specifications for Facility equipment, floor design, equipment layout, lighting, supplemental exercise equipment configuration, systems and training manuals, instructor training systems, instructor break environments, compensation systems, online social marketing systems, merchandise sales systems, location identification and acquisition systems, ongoing instructor training, and general operations; Franchisor's copyrighted materials; and methods and other techniques and know-how concerning the of operation of the Franchised Business which may be communicated to you or of which you may be apprised by virtue of your operation of a Facility

(collectively, the “Confidential Information”). Our Confidential Information also includes: (i) current customer and prospective customer names and addresses; (ii) information about credit extensions to customers; (iii) customer service purchasing histories; (iv) rates charged to customers; and (v) sources of suppliers and purchasing arrangements with suppliers. You may divulge this Confidential Information only to your employees who must have access to it to perform their employment obligations. You must require your Operations Manager and any personnel having access to any of our Confidential Information to sign an agreement stating that they will maintain the confidentiality of information they receive in connection with their employment and restricting their right to work for a competitor while they are employed by you. This agreement, which will be in a form that we prescribe, will identify us as a third party beneficiary to the agreement and will give us independent enforcement rights.

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

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

As the Franchisee, you will appoint, subject to our approval, an Operations Manager who is qualified and capable of performing and managing the core operations of the Franchised Business. If you are the Franchisee personally, then you are allowed to serve as the Operations Manager yourself, or to appoint someone else acceptable to us. We must approve your Operations Manager and your Operations Manager must successfully complete our initial training program before assuming any managerial responsibility. We normally recommend that you personally participate in the actual operation of the Franchised Business, however, unless serving as the Operations Manager, you are not personally required to participate in the actual operation of the Franchised Business. We do not require that the Operations Manager hold any ownership interest in an entity Franchisee. You will keep us informed at all times of the identity of any employee

acting as Operations Manager of the Facility. Your Operations Manager must devote his/her full time and best efforts to the day-to-day operation and management of the Facility and will not engage in any other business activity without our prior written consent. We may remove the Operations Manager if we determine that he/she is unable to adequately fulfill his/her duties. Each of your employees, as well as members of their immediate families, is required to sign Confidentiality and Restrictive Covenant Agreement in the form attached as Exhibit C to the Franchise Agreement and it is solely your responsibility to require all employees to sign the Confidentiality and Restrictive Covenant Agreement. Each of your owners must sign the Guaranty of Performance attached to the Franchise Agreement as Exhibit B.

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

We will establish the goods and services that you are permitted to sell, and you must offer for sale all goods and services that we specify. In general, you will be offering workout services and fitness-related goods bearing the Iron Tribe Fitness name and logo. We have the unlimited right to change the goods and services that must and may be offered to customers, and you will have the obligation to adhere to any such changes. You must stop offering disapproved products or services no later than 10 days after receiving notice that such services or products have been discontinued. If the law prohibits the use or sale of any product or service, you must cease use immediately.

You must operate the Facility in accordance with all applicable laws and regulations, and in accordance the requirements of your lease or sublease. You may not conduct any other business at the Facility's location. See Items 8, 9 and 12 of this Franchise Disclosure Document for information about other restrictions.

*Remainder of page left intentionally blank.*

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

**THE FRANCHISE RELATIONSHIP**

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

**A. SINGLE-UNIT FRANCHISE AGREEMENT**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Term of franchise	2.1	10 years
b. Renewal or extension of the term	2.2	We will offer you the opportunity to enter into a successor franchise agreement to continue your operation of the Franchised Business for one additional ten (10) year term if certain conditions are met.
c. Requirements for you to renew or extend	2.2	To qualify for successor franchise agreement, you must: (i) provide notice of your intent to enter into a successor agreement between 90 and 180 days prior to the end of the term (unless that period is modified by us); (ii) sign our then-current form of franchise agreement, the terms of which may vary materially from the Franchise Agreement; (iii) be in full compliance with the Franchise Agreement, the Manual, and any other agreement with us or our affiliates; (iv) have and be in good standing with all licenses and permits; (v) be in full compliance with all monetary obligations to us, our affiliates, and all third parties; (vi) have made any required modifications, repairs, updates, upgrades, and renovations required by us to the Location, to the goods and services offered by the you, to your advertising, marketing and promotional programs, and to your computer, financial, and accounting systems, and is current on all then-required training programs; (vii) have committed no more than 2 material defaults of the Franchise Agreement for which you received written notice and a demand for cure; (viii) have demonstrated to our satisfaction that you have the right to retain possession of the Location for the term of the successor agreement; (ix) along with your direct and ultimate personal owners, shareholders, members, and partners (as applicable), execute a general release of all claims against us (to the extent permitted by applicable law); (x) meet all general requirements then applicable to the approval of new franchisees; and (xi) pay a successor agreement fee of \$5,000 in lieu of the initial fee otherwise due under the successor agreement.
d. Termination by you	N/A	N/A
e. Termination by us	N/A	We may not terminate without cause.



Provision	Section in Franchise Agreement	Summary
	15.2	<p>adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and the proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or the Franchised Business without your consent, and the appointment is not vacated within 60 days; (c) attempts to assign, transfer, or make unauthorized use of the Marks, or discloses or makes unauthorized use of the Manual or other confidential materials or information; or (d) you attempt to make an unauthorized sale or transfer of you or any interest in the Franchised Business.</p> <p>We may terminate your agreement upon notice but without providing you with an opportunity to cure if: (a) you or your principals have misrepresented or omitted material facts in your application or other materials provided to us prior to the parties' entering into this Agreement; (b) you abandon the Franchised Business; (c) you, or through any Owner, are held liable for, is convicted of, or pleads guilty or no contest to a felony or any other law relevant to the Franchised Business; (d) you fail to meet the required schedule to obtain the Location, complete construction, and open for business within the time; (e) you or your principals commit any fraud or misrepresentation in the operation of Franchisee's Facility; (f) you fail to successfully complete initial training; (g) we send you three (3) or more written notices to cure any twelve (12) month period; (h) you or the Owners materially breach any other agreement with us or any of our affiliates, or the lease for the Location, or threaten any material breach of any such agreement or Lease, and fail to cure such breach within any permitted period for cure; (i) you violate any health, safety or sanitation law, ordinance or regulation, including those regulating health and fitness centers, or operates the Facility in a manner that presents a health or safety hazard to customers, or the general public; (j) you violate the in-term restrictive covenant; (k) a levy of writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets which is not released or bonded against within thirty (30) days; (l) you or your principals become insolvent; (m) you offer any unauthorized and unapproved products or services at or from the Facility; (n) you order or purchase supplies, signs, furnishings, fixtures, equipment or inventory from any currently unapproved supplier or any supplier which we have not approved; (o) you misuse or make unauthorized use of our Proprietary Software; (p) you fail to maintain insurance or</p>

Provision	Section in Franchise Agreement	Summary
		otherwise adhere to our insurance requirements; (q) you fail, within 15 calendar days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Facility; (r) any government action is taken against you that results in any obligation upon us which in our sole judgment is uneconomical, not in our best interests, or would result in us having an unintended relationship or obligation; (s) you fail to comply with the anti-terrorist provision of your franchise agreement; (t) you take for your own personal use any assets or property of the Facility, including employee taxes, FICA, insurance or benefits; or (u) there are insufficient funds in your bank account to cover a check or EFT payment to us 3 or more times within any 12-month period.
i. Your obligations on termination/non-renewal	16.1	You must: (i) pay all fees based on Gross Sales made through the effective date of termination and pay all other amounts then due; (ii) promptly return the Manual, any item bearing the Trademarks, and any other copyrights or proprietary materials or software; (iii) cease doing any business under or associated with the Trademarks; (iv) cancel any corporate or trade name registrations using any Trademark or derivative; (v) remove from all property any Trademarks and signs displaying the Trademarks, including trade dress; (vi) cease using and assist with the assignment to us any telephone numbers, domain names, email addresses, electronic network, and directory lists relating to the Franchised Business and cooperate with us to ensure those assignments; (vii) allow us to conduct a final audit and to verify your compliance with post-termination obligations; (viii) immediately vacate the Location if we exercise our rights under the Conditional Assignment of Lease; (ix) cease the use in advertising or in any other manner, any methods, procedures or techniques associated with us or the System; (x) execute from time to time any necessary papers, documents, and assurances to complete compliance with Section 16 of the Franchise Agreement. We are entitled to exercise all other remedies available under the Franchise Agreement or by law.
j. Assignment of contract by us	12.8	We may assign Franchise Agreement at any time.
k. "Transfer" by you—defined	12.1	A sale, transfer or encumbrance occurs if you are: (i) a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of your voting stock or any increase in the number of outstanding shares of your voting stock which results in a change of ownership; (ii) a partnership, upon the

Provision	Section in Franchise Agreement	Summary
		assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) a limited liability company, upon the assignment, sale, pledge or transfer of any interest in the limited liability company.
l. Our approval of transfer by franchisee	12.1	Any proposed transfer requires our prior written consent.
m. Conditions for our approval of transfer	12.2	Minimum conditions to transfer are: (i) you are in full compliance with the Franchise Agreement, Manual, and any other agreements with us or our affiliates; (ii) you have made all required modifications and upgrades to location and operations; (iii) you or transferee have paid a fee of \$7,500; (iv) we have approved the terms of the transfer agreement; (v) the transferee has submitted all information and meets the criteria applicable to new franchisees; (vi) at our option, the transferee has assumed the Franchise Agreement and all ancillary agreements or has executed the then-current franchise agreement and ancillary agreements; (vii) you obtain necessary third party consents to transfer licenses and other agreements; (viii) you and your owners execute a general release of all claims against us (to the extent permitted by applicable law); (ix) the transferee completes our training program to our satisfaction; (x) you or the transferee must provide us with a copy of the executed purchase agreement; (xi) you and your principals' respective family members agree to abide by the post-termination obligations; and (xii) the transferee obtains and maintains all permits and licenses required for the operation of the Facility.
n. Our right of first refusal to acquire franchisee's business	12.6	You must notify us of any acceptable bona fide purchase offer no later than five days after receipt, and we have the right to acquire the same assets on the same terms. We have 30 days to exercise our right of first refusal, may substitute cash for any other form of consideration, and may make full payment at closing. If we do not exercise our right of first refusal and the terms of the offer materially change prior to transfer or the transfer is not effected within 90 days of the initial notice to us, then we will have a renewed right of first refusal. All transfers to a third party are subject to the transfer provisions and restrictions of the Franchise Agreement.
o. Our option to purchase franchisee's business	16.2	Upon termination or expiration of your franchise agreement, we have the option, but not the obligation, to purchase any personal property used in connection with operation of your Facility by providing you written notice within 60 calendar days after termination or expiration and paying you the book value for such personal property within 60 calendar days of the notice.

Provision	Section in Franchise Agreement	Summary
		We may exclude from the personal property purchased any cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Facility's operation or that we have not approved as meeting standards for the Facility.
p. Your death or disability	13.1 – 13.5	Your heirs or estate must notify us if you or an owner of 50% or more of your entity dies or becomes incapacitated. We will have option to terminate the Franchise Agreement or, if your heirs desire to operate the Franchised Business, to permit the transfer of the Franchised Agreement to those heirs. We have the option to appoint an interim manager at your expense to operate the Franchised Business until the Franchise Agreement is terminated or a transfer to your heirs is approved.
q. Non-competition covenants during the term of the franchise	11.1	You may not (a) own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any Competing Business (as defined in the franchise agreement), other than any other Iron Tribe Facility; or (b) divert or attempt to divert any business or customer or prospect of the Facility to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.
r. Non-competition covenants after the franchise is terminated or expires	11.2	<p>For a period of 2 years after the expiration and nonrenewal, transfer or termination of your franchise agreement, you may not enter into any business competing in whole or in part with us in granting franchises or licenses to operate a Competing Business at the time your franchise agreement is terminated or otherwise expires and is not renewed.</p> <p>For a period of 2 years after the expiration and nonrenewal, transfer or termination of your franchise agreement, regardless of the cause, you may not: (a) own, maintain, engage in, be employed by, or have any interest in any Competing Business at the time of termination or expiration and nonrenewal that is within a radius of fifteen (15) miles from the Location, any Facility of a then-existing franchisee of us, or from a then-existing Facility operated by us or our affiliate using the Marks; or (b) solicit, service, or sell to, directly or indirectly, any Athlete who was an Athlete of the Franchised Business before the effective date of transfer, termination or expiration; except that this covenant will not restrict you from engaging in general advertising or marketing to the extent not prohibited by your non-competition covenant.</p>
s. Modification of the	19.11	The Franchise Agreement may not be modified except by a

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
Franchise Agreement		written document signed by both parties.
t. Integration/merger clause	19.4	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations made outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	17.1	You must bring all disputes before our President and/or Chief Executive Officer prior to bringing a claim before a third party. After exhausting this internal dispute resolution procedure, at our option, all claims or disputes between you and us must be submitted first to mediation in Jefferson County, Alabama in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect (subject to state law).
v. Choice of forum	17.3	All claims not subject to mediation must be brought before a court of general jurisdiction in Jefferson County, Alabama and the jurisdiction and venue of the United States District Court for the Northern District of Alabama. You consent to the personal jurisdiction and venue of any court of general jurisdiction in Jefferson County, Alabama and the jurisdiction and venue of the United States District Court for the Northern District of Alabama. (subject to state law).
w. Choice of law	17.7	The Franchise Agreement is governed by the laws of the State of Alabama (subject to state law).

*Remainder of page left intentionally blank.*

## B. MULTI-UNIT DEVELOPMENT AGREEMENT

This table lists important provisions of the Multi-Unit Development Agreement. You should read these provisions in the Multi-Unit Development Agreement attached to this Disclosure Document.

Provision	Section in Development Agreement	Summary
a. Term of the franchise	Section 4.1	Commences on the date of the MDA is signed and ends on the last Development Deadline of the Mandatory Development Schedule.
b. Renewal or extension of the term	Section 4.6	The MDA is not subject to renewal.
c. Requirements for you to renew or extend	None	N/A
d. Termination by you	Section 4.2	You may terminate with 60 days written notice to us but you forfeit all Development Fees.
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Section 4.3	We can terminate you for cause.
g. "Cause" defined – defaults which can be cured	Section 4.4	The MDA will automatically terminate after 30 days' prior written notice, such notice containing a right to cure such default, if applicable, in the event of any of the following: (i) you default on any term or condition of the MDA; including without limitation, failure to develop additional Businesses in accordance with the schedule set forth in Section 3.1 above; or (ii) in the event of any occurrence which would entitle the Franchisor to terminate any Franchise Agreement executed in furtherance of the MDA.
h. "Cause" defined – non-curable defaults	Section 4.3	We can automatically terminate the MDA without notice if you: (i) become bankrupt or insolvent or otherwise are unable to pay your debts as they become due; (ii) make an assignment for the benefit of creditors, have a receiver or similar custodian appointed, or make a disposition of substantially all of its assets; or (iii) attempt to assign, transfer, or make unauthorized use of the Marks, or discloses or makes unauthorized use of the Manual or other confidential materials or information.
i. Your obligations on termination/nonrenewal	Section 4.5 and 6.1.	Comply with covenants and all post-term obligations of Franchise Agreement.
j. Assignment of contract by us	Section 5.1	No restriction on our right to assign.
k. "Transfer" by you –	Section 5.2	Includes transfer of the MDA or your ownership change.

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
definition		
l. Our approval of transfer by you	Section 5.2	We have the right to approve any transfer but will not unreasonably withhold approval if you meet our conditions which are set forth in the Franchise Agreement and incorporated by reference.
m. Conditions for our approval of transfer	Section 5.2 and 5.3	You must comply with the transfer provisions of the Franchise Agreement most recently executed by us and you and pay the applicable transfer fee for each Franchised Business.
n. Our right of first refusal to acquire your business	Section 5.4 of	We have the same right of first refusal as provided in the Franchise Agreement.
o. Our option to purchase your business upon termination or non-renewal	None	N/A
p. Your death or disability	None	N/A
q. Non-competition covenants during the term of the franchise	Section 6.1	You are subject to the same non-compete provisions as set forth in the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	Section 6.1	You are subject to the same non-compete provisions as set forth in the Franchise Agreement.
s. Modification of the agreement	Section 8.6	No modification except by written agreement signed by both parties.
t. Integration/merger clause	Section 8.7	Only the terms of the MDA are binding (subject to state law). Any representations made outside of the disclosure document and MDA may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 8.1	Except for certain claims, all disputes must be mediated (subject to state law).
v. Choice of forum	Section 8.1	Mediation must be held in Jefferson County, Alabama (subject to state law).
w. Choice of law	Section 8.3	Alabama law applies (subject to state law).

Also, see Exhibit F for information relating to the effect of certain states' laws on certain provisions of this disclosure document, the Franchise Agreement and the Multi-Unit Development Agreement.

## ITEM 18. PUBLIC FIGURES

We do not currently use any public figure to promote our franchise system, but we reserve the right to do so in the future.

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

### BACKGROUND

As of December 31, 2022, there were twenty (20) franchised Facilities (each, a "Franchised Facility" and collectively, the "Franchised Facilities"), and nine (9) affiliate-owned Facilities (each, an "Affiliate Facility" and collectively, the "Affiliate Facilities"). This Item sets forth historical Gross Sales and certain operating expense information for (a) nineteen (19) Franchised Facilities, and (b) five (5) Affiliate Facilities that all operate under the Proprietary Marks. This Item excludes data in connection with (i) one (1) Franchised Facility that opened during the 2022 calendar year (the "Measurement Period"), and (ii) four (4) Affiliate Facilities, three of which were reacquired during the Measurement Period and one (1) of which opened during the Measurement Period. At times, the Franchised Facilities and Affiliate Facilities will collectively be referred to as the "Disclosed Facilities."

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

A number of factors will affect the success of your franchise. These factors include the current market conditions, the type of market in your franchise area, the location of your franchise area, the competition and your ability to operate the franchise.

The table below presents the following information for each of the nineteen (19) Franchised Facilities, and five (5) Affiliate Facilities over the Measurement Period: (i) the Gross Sales,<sup>1</sup> (ii) year over year change in Gross Sales (2021 v. 2022), (iii) labor costs, (iv) occupancy costs, (v) cost of goods sold, (vi) royalty and marketing fees, and (vii) Gross Sales less Certain Costs.

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**REVENUE AND SELECT EXPENSES OF THE FRANCHISED AND AFFILIATE FACILITIES**

**January 1, 2022 - December 31, 2022**

FACILITY	Gross Sales (2021)	Gross Sales (2022)	Year over Year (2021 v. 2022)	Labor	Occupancy Costs	Cost of Goods Sold	Sum of Labor, Occupancy, and COGS	Royalty Fee and Estimated Royalty Fee	LAR and Brand Fund Contribution	Gross Sales Less Certain Costs
Affiliate 1	\$611,404.31	\$856,857.67	40.15%	\$315,302.13	\$89,229.04	\$44,068.85	\$448,600.02	\$51,411.46	\$68,376.82	\$339,880.83
Affiliate 2	\$649,780.05	\$767,231.82	18.08%	\$280,990.55	\$71,239.68	\$42,558.26	\$394,788.49	\$46,033.91	\$60,955.28	\$311,488.05
Affiliate 3	\$582,416.60	\$666,699.56	14.47%	\$268,101.86	\$54,120.00	\$45,144.47	\$367,366.33	\$40,001.97	\$60,932.95	\$238,400.28
Affiliate 4	\$739,917.32	\$949,120.96	28.27%	\$385,916.64	\$94,142.42	\$45,494.44	\$525,553.50	\$56,947.26	\$68,508.39	\$355,059.07
Affiliate 5	\$523,026.34	\$677,875.50	29.61%	\$233,555.36	\$78,966.69	\$41,746.55	\$354,268.60	\$40,672.53	\$59,621.45	\$263,985.45
<b>AFFILIATE AVERAGE</b>	<b>\$621,308.92</b>	<b>\$783,557.10</b>	<b>26.11%</b>	<b>\$296,773.31</b>	<b>\$77,539.57</b>	<b>\$43,802.51</b>	<b>\$418,115.39</b>	<b>\$47,013.43</b>	<b>\$63,678.98</b>	<b>\$301,762.74</b>
<b>AFFILIATE MEDIAN</b>	<b>\$611,404.31</b>	<b>\$767,231.82</b>	<b>28.27%</b>	<b>\$280,990.55</b>	<b>\$78,966.69</b>	<b>\$44,068.85</b>	<b>\$394,788.49</b>	<b>\$46,033.91</b>	<b>\$60,955.28</b>	<b>\$311,488.05</b>
Franchisee 1	\$507,848.00	\$412,601.00	-18.76%	\$141,922.00	\$73,550.00	\$12,310.00	\$227,782.00	\$25,224.86	\$32,834.00	\$126,760.14
Franchisee 2	\$369,148.00	\$391,996.00	6.19%	\$174,230.00	\$71,979.00	\$12,886.00	\$259,095.00	\$22,909.19	\$28,925.00	\$81,066.81
Franchisee 3	\$755,176.47	\$723,686.55	-4.17%	\$227,169.65	\$129,487.30	\$38,908.48	\$395,565.43	\$45,030.85	\$37,135.88	\$245,954.39
Franchisee 4	\$654,179.23	\$700,855.26	7.14%	\$177,078.12	\$101,320.34	\$26,296.10	\$304,694.56	\$40,983.68	\$40,711.28	\$314,465.74
Franchisee 5	\$561,599.90	\$588,068.25	4.71%	\$213,344.88	\$91,670.16	\$19,720.59	\$324,735.63	\$35,679.31	\$34,480.58	\$193,172.73
Franchisee 6	\$611,968.57	\$672,831.82	9.95%	\$217,729.07	\$96,724.07	\$18,242.44	\$332,695.58	\$40,582.14	\$35,720.52	\$263,833.58
Franchisee 7	\$572,400.32	\$585,779.97	2.34%	\$224,321.75	\$91,223.12	\$19,567.57	\$335,112.44	\$35,209.79	\$34,762.75	\$180,694.99
Franchisee 8	\$517,527.75	\$532,546.85	2.90%	\$196,017.99	\$85,549.44	\$21,506.40	\$303,073.83	\$32,088.33	\$35,036.44	\$162,348.25
Franchisee 9	\$391,106.37	\$469,745.63	20.11%	\$193,585.13	\$56,371.50	\$25,303.41	\$275,260.04	\$28,400.50	\$29,750.61	\$136,334.48
Franchisee 10	\$296,095.63	\$337,350.16	13.93%	\$126,247.60	\$53,325.00	\$26,020.54	\$205,593.14	\$20,015.99	\$19,703.00	\$92,038.03

<b>FACILITY</b>	<b>Gross Sales (2021)</b>	<b>Gross Sales (2022)</b>	<b>Year over Year (2021 v. 2022)</b>	<b>Labor</b>	<b>Occupancy Costs</b>	<b>Cost of Goods Sold</b>	<b>Sum of Labor, Occupancy, and COGS</b>	<b>Royalty Fee and Estimated Royalty Fee</b>	<b>LAR and Brand Fund Contribution</b>	<b>Gross Sales Less Certain Costs</b>
Franchisee 11	\$295,907.87	\$305,151.85	3.12%	\$100,151.10	\$64,432.82	\$12,870.83	\$177,454.75	\$18,309.11	\$18,161.32	\$91,226.67
Franchisee 12	\$293,250.04	\$315,650.81	7.64%	\$117,992.06	\$95,535.48	\$11,282.38	\$224,809.92	\$17,371.73	\$7,212.26	\$66,256.90
Franchisee 13	\$724,213.84	\$723,887.51	-0.05%	\$191,297.42	\$127,990.16	\$39,182.00	\$358,469.58	\$43,498.34	\$45,791.23	\$276,128.36
Franchisee 14	\$407,166.76	\$509,029.34	25.02%	\$173,748.83	\$105,468.00	\$29,593.07	\$308,809.90	\$31,420.86	\$20,783.00	\$148,015.58
Franchisee 15	\$330,041.44	\$492,228.66	49.14%	\$149,736.59	\$190,910.80	\$36,961.27	\$377,608.66	\$25,331.83	\$24,722.62	\$64,565.55
Franchisee 16	\$881,875.69	\$823,310.94	-6.64%	\$295,591.20	\$88,000.00	\$37,119.83	\$420,711.03	\$50,681.31	\$42,639.91	\$309,278.69
Franchisee 17	\$850,090.08	\$960,282.21	12.96%	\$310,369.37	\$141,456.48	\$39,739.88	\$491,565.73	\$57,815.17	\$38,324.44	\$372,576.87
Franchisee 18	\$366,793.39	\$376,103.42	2.54%	\$150,316.09	\$56,513.43	\$3,558.87	\$210,388.39	\$22,566.20	\$15,720.75	\$127,428.08
Franchisee 19	\$276,382.77	\$414,566.54	50.00%	\$150,376.55	\$147,618.36	\$24,989.94	\$322,984.85	\$23,553.77	\$21,996.86	\$46,031.06
<b>FRANCHISEE AVERAGE</b>	\$508,566.95	\$543,982.78	9.90%	\$185,853.97	\$98,375.02	\$24,003.14	\$308,232.13	\$32,456.47	\$29,705.92	\$173,588.26
<b>FRANCHISEE MEDIAN</b>	\$507,848.00	\$509,029.34	6.19%	\$177,078.12	\$91,670.16	\$24,989.94	\$308,809.90	\$31,420.86	\$32,834.00	\$148,015.58
<b>TOTAL AVERAGE (FRANCHISED AND AFFILIATE)</b>	<b>\$532,054.10</b>	<b>\$593,894.10</b>	<b>13.28%</b>	<b>\$208,962.16</b>	<b>\$94,034.30</b>	<b>\$28,128.01</b>	<b>\$331,124.48</b>	<b>\$35,489.17</b>	<b>\$36,783.64</b>	<b>\$190,496.81</b>
<b>TOTAL MEDIAN (FRANCHISED AND AFFILIATE)</b>	<b>\$542,313.12</b>	<b>\$586,924.11</b>	<b>\$8.79</b>	<b>\$194,801.56</b>	<b>\$90,226.08</b>	<b>\$26,158.32</b>	<b>\$328,715.61</b>	<b>\$35,444.55</b>	<b>\$34,899.60</b>	<b>\$186,933.86</b>

1. **Gross Sales.** “Gross Sales” means all sales generated through the Disclosed Facility, and includes fees for any goods and services leased or sold by the Disclosed Facility, and all other income of any kind or nature related to their business; except that “Gross Sales” does not include any sales tax collected from the customers and tendered to any taxing authority, and does not include the portion of the normal full price of any goods or services that is not collected by the Disclosed Facility as a result of an authorized sales discount or employee discount.

2. **Year Over Year (2021 v. 2022).** “Year Over Year (2021 v. 2022)” means the percentage difference in Gross Sales by each Disclosed Facility between 2021 and 2022.

3. **Labor.** “Labor” includes amounts paid to employee and management personnel over the Measurement Period, including payroll taxes, benefits and any salary or draw for the owner of the Disclosed Facility.

4. **Occupancy Costs.** “Occupancy Costs” includes all expenses required to occupy the Disclosed Facility, including base gross rent, net real estate taxes paid to landlord, net building insurance paid to landlord and net common area maintenance paid to the landlord.

5. **Costs of Good Sold.** “Costs of Goods Sold” means the amount of money the Disclosed Facility spent on food, supplement and apparel purchases during the Measurement Period.

6. **Sum of Labor, Occupancy, and COGS.** “Sum of Labor, Occupancy, and COGS” includes the Occupancy Costs, Labor Costs, and COGS for each of the Disclosed Facilities. The costs included in this Item 19 include certain expenses which are representative of those incurred by the Disclosed Facility. All costs will vary depending on the local economic conditions of your market, however Occupancy Costs will likely fluctuate more dramatically than other costs based on the local market conditions. We suggest you research the particular real estate market conditions in your area to determine the potential cost associated with securing a location for your franchised business.

7. **Royalty Fee and Estimated Royalty.** “Royalty Fee and Estimated Royalty” means either (i) the actual Royalty Fee that each Franchised Facility paid us, or (ii) the estimated Royalty Fee that each Affiliate Facility would have paid us if it was operating under our current form of Franchise Agreement (6% of Gross Sales).

8. **LAR and Brand Fund Contribution.** “LAR and Brand Fund Contribution” means the Local Advertising expenditures and the Brand Fund Contributions that each Disclosed Location expended over the Measurement Period. Under our current form of Franchise

Agreement, the Franchised Facilities are obligated to expend (i) 5% of Gross Sales or a minimum of \$2,500 each month on Local Advertising, and (ii) 1% of Gross Sales on the Brand Fund.

9. **Gross Sales Less Certain Costs.** “Gross Sales Less Certain Costs” was calculated by deducting Labor, Occupancy Costs, Cost of Goods Sold, Royalty Fee (or Estimated Royalty Fee, as applicable) LAR and Brand Fund Contribution for each of the Disclosed Facilities from the Gross Sales of that Disclosed Facility.

### **GENERAL NOTES TO ITEM 19**

Your expenses will vary depending upon the location of your business. This analysis does not contain complete information concerning your potential operating costs. Operating costs may differ from business to business. There may be costs and other expenses not identified above. The Affiliate Facilities differ from Franchised Facilities in that Affiliate Facilities are not required to pay us any Initial Fee or ongoing Royalty. The Affiliate Facilities are all operated in the state of Alabama (please see Item 20 for additional information).

Except for the “COGS” “Labor Costs,” and “Occupancy Costs” expenses outlined above for Disclosed Facilities, the earnings claims figures in this Item do not reflect any other operating expenses associated with the operation of the Disclosed Facilities over the Measurement Period (which would otherwise be necessary to obtain net income or profit figures). You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business.

The above figures exclude start-up costs, marketing expenses, and living expenses which you will incur as a franchisee. These figures also exclude the Brand Development Fund contributions and Local Advertising Expenses (see Item 11 and Item 6). There will be other costs and other expenses not identified in this Item 19.

The figures in the Chart above exclude finance charges, interest expense, interest income, depreciation, amortization and other income or expenses, which will vary substantially from business to business, depending on the amount and kind of financing you obtain to establish your Franchised Business. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which the assets of your Franchised Business may be amortized or depreciated, as well as the effect, if any, of recent or proposed tax legislation.

Revenues and expenses may vary. In particular, the revenues and expenses of your Franchised Business will be directly affected by many factors, such as: (a) your personal attention to the business; (b) continued marketing and advertising; good employee hiring and

supervision; (c) geographic location; (d) competition from other similar gyms and fitness training facilities in your area; (e) advertising effectiveness based on market saturation; (f) your product and service pricing, including discount programs; (g) vendor prices on materials, supplies and inventory; (h) employee salaries and benefits (life and health insurance, etc.) and the employment market in your area; (i) insurance costs; (j) weather conditions; (k) ability to generate customers; (l) customer loyalty; (m) local and ‘macro’ economic conditions and (n) employment conditions in the market.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting our Managing Member, Forrest Walden, at 300 27<sup>th</sup> Street South, Birmingham, AL 35233, telephone: (205) 226-8669, the Federal Trade Commission, and the appropriate state regulatory agencies.

*[The remainder of this page is intentionally left blank.]*

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary  
For fiscal years ending December 31, 2020, 2021, and 2022**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2020	26	25	-1
	2021	25	23	-2
	2022	23	20	-3
Company-Owned or Affiliate-Owned	2020	5	5	0
	2021	5	5	0
	2022	5	9	+4
<b>Total Outlets</b>	<b>2020</b>	<b>31</b>	<b>30</b>	<b>-1</b>
	<b>2021</b>	<b>30</b>	<b>28</b>	<b>-2</b>
	<b>2022</b>	<b>28</b>	<b>29</b>	<b>+1</b>

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For fiscal years ending December 31, 2020, 2021 and 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Louisiana	2020	1
	2021	0
	2022	0
North Carolina	2020	1
	2021	1
	2022	0
Texas	2020	2
	2021	0
	2022	0
<b>Total</b>	<b>2020</b>	<b>4</b>
	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>0</b>

**Table No. 3**  
**Status of Franchised Outlets**  
**For fiscal years ending December 31, 2020, 2021, and 2022**

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
Alabama	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Florida	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Georgia	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	1	0	2
Kentucky	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	1	0	0
Louisiana	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	1	0	2
North Carolina	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
South Carolina	2020	3	0	1	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Tennessee	2020	7	1	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
Texas	2020	3	0	0	0	0	0	3
	2021	3	0	2	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2020	1	0	0	0	0	0	1
	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>Total</b>	<b>2020</b>	<b>26</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>
	<b>2021</b>	<b>25</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23</b>
	<b>2022</b>	<b>23</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>20</b>

**Table No. 4**  
**Status of Company-Owned and Affiliate-Owned Outlets**  
**For fiscal years ending December 31, 2020, 2021, and 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired from Franchisees</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisees</b>	<b>Outlets at End of the Year</b>
Alabama	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
Georgia	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
Kentucky	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
Louisiana	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
South Carolina	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
<b>Total</b>	<b>2020</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
	<b>2021</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
	<b>2022</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>9</b>

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

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets In the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Alabama	1	1	0
Florida	1	1	0
Tennessee	1	1	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>

A list of the franchisees that had their franchise terminated, not renewed, or cancelled, as well as franchisees that left the system or otherwise voluntarily or involuntarily ceased to do business under their franchise agreement in 2022 or who has not communicated with us within the

10 weeks prior to the date of this Disclosure Document is included in Exhibit C. If you buy this franchise, your contact information may be disclosed when you leave the franchise system. A list of our current franchisees is attached to this Disclosure Document as Exhibit C.

During our last 3 fiscal years, current and former franchisees signed provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

As of the date of this Disclosure Document, we do not have any trademark-specific franchisee organization or association.

### **ITEM 21. FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit B are our audited financial statements for the fiscal years ending December 31, 2020, December 31, 2021 and December 31, 2022 as well as our unaudited balance sheet and unaudited profit and loss statement as of November 30, 2023.

### **ITEM 22. CONTRACTS**

Attached as Exhibit A to this Disclosure Document, is the Franchise Agreement which has the following agreements attached:

- Exhibit B – Guaranty of Performance
- Exhibit C – Confidentiality and Restrictive Covenant Agreement
- Exhibit D – Form of Conditional Assignment of Lease
- Exhibit E – Conditional Assignment of Franchisee’s Telephone Numbers, Facsimile Numbers, and Domain Names
- Exhibit F – Electronic Funds Withdrawal Authorization
- Exhibit G – Franchisee Questionnaire
- Exhibit I – Site Selection Addendum

Attached as Exhibit A-1 to this Disclosure Document is the Multi-Unit Development Agreement which has the following agreement attached:

- Exhibit B - Guaranty and Assumption of Franchisee’s Obligations

### **ITEM 23. RECEIPTS**

Exhibit H of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipts. You should retain one signed copy for your records and return the other signed copy to: Iron Tribe Franchising, LLC 300 27<sup>th</sup> Street South, Birmingham, Alabama 35233.

**EXHIBIT A**  
**FRANCHISE AGREEMENT**

**IRON TRIBE FRANCHISE, LLC**

**FRANCHISE AGREEMENT**



**IRON TRIBE FRANCHISE, LLC  
FRANCHISE AGREEMENT**

**DATA SHEET**

Franchisee: \_\_\_\_\_

Guarantors: \_\_\_\_\_

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

Location: \_\_\_\_\_  
\_\_\_\_\_

Territory: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

Initial Franchise Fee: \_\_\_\_\_

**The terms of this Data Sheet are incorporated into the attached Franchise Agreement.**

## TABLE OF CONTENTS

<b>1.</b>	<b>GRANT OF LICENSE</b>	<b>2</b>
<b>2.</b>	<b>TERM OF AGREEMENT AND SUCCESSOR AGREEMENT</b>	<b>4</b>
<b>3.</b>	<b>FEES AND PAYMENT</b>	<b>6</b>
<b>4.</b>	<b>PROPRIETARY MARKS</b>	<b>7</b>
<b>5.</b>	<b>CONFIDENTIAL INFORMATION</b>	<b>10</b>
<b>6.</b>	<b>LOCATION</b>	<b>11</b>
<b>7.</b>	<b>GENERAL OPERATIONAL REQUIREMENTS</b>	<b>13</b>
<b>8.</b>	<b>ADVERTISING, MARKETING, PROMOTIONS, AND DISPLAYS</b>	<b>21</b>
<b>9.</b>	<b>TRAINING, ASSISTANCE AND ANNUAL CONVENTION</b>	<b>25</b>
<b>10.</b>	<b>RECORDS AND REPORTING</b>	<b>26</b>
<b>11.</b>	<b>FRANCHISEE COVENANTS</b>	<b>28</b>
<b>12.</b>	<b>TRANSFER</b>	<b>30</b>
<b>13.</b>	<b>DEATH OR INCAPACITY OF FRANCHISEE</b>	<b>33</b>
<b>14.</b>	<b>INDEMNIFICATION AND INSURANCE</b>	<b>35</b>
<b>15.</b>	<b>TERMINATION</b>	<b>38</b>
<b>16.</b>	<b>RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION</b>	<b>42</b>
<b>17.</b>	<b>DISPUTE RESOLUTION</b>	<b>44</b>
<b>18.</b>	<b>FRANCHISEE REPRESENTATIONS AND WARRANTIES</b>	<b>46</b>
<b>19.</b>	<b>GENERAL PROVISIONS</b>	<b>48</b>
	EXHIBIT A: LICENSED MARKS	
	EXHIBIT B: GUARANTY OF PERFORMANCE	
	EXHIBIT C: CONFIDENTIALITY AND RESTRICTIVE COVENANTS AGREEMENT	
	EXHIBIT D: FORM OF CONDITIONAL ASSIGNMENT OF LEASE	
	EXHIBIT E: CONDITIONAL ASSIGNMENT OF FRANCHISEE’S TELEPHONE NUMBERS, FACSIMILE NUMBERS AND DOMAIN NAMES	
	EXHIBIT F: ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION	
	EXHIBIT G: FRANCHISEE QUESTIONNAIRE	
	EXHIBIT H: STATE SPECIFIC ADDENDA	
	EXHIBIT I: SITE SELECTION ADDENDUM	

## FRANCHISE AGREEMENT

This Franchise Agreement (the “Agreement”) is entered into and effective the \_\_\_ of \_\_\_\_\_, 20\_\_\_ (the “Effective Date”) by and between Iron Tribe Franchise, LLC, an Alabama limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

### RECITALS

A. Franchisor and its affiliates have developed a confidential and proprietary system for operating a group oriented fitness and gym business using methods, procedures, and techniques (each a “Facility” or “Franchised Business”) with such Franchised Business providing services to clients and customers (referred to as “Athletes”);

B. Franchisor is engaged in the business of granting franchises to operate Iron Tribe Facilities;

C. Franchisor and its owner and affiliates have devoted considerable time and expense to the development and refinement of its system and the goodwill associated with its marks, and Franchisor desires to license the non-exclusive use of that system and marks to franchisees. Iron Tribe Fitness gyms use Franchisor’s methods, procedures, standards, specifications and marks, which includes fitness and nutrition training, standards, specifications and procedures for the operation of a Facility business, marketing and advertising, an interactive website, an extensive computer and camera system for monitoring and reporting, a food, snack, and supplement line, approved apparel and a proven method for training coaches (the “System”) outlined in the document or series of documents by which Franchisor defines System requirements, standards, methods of operations, and best practices for Franchisee’s operation of the Franchised Business (the “Manual”);

D. Franchisor and its franchisees use various trademarks, service marks, logos, trade dress, names, and other commercial symbols that Franchisor has created or licensed to designate to the public the goods or services originating from Franchisor and its affiliates and franchisees. including, without limitation, the registered service mark “Iron Tribe®” (word and design mark), in connection with the System (the “Marks”). The rights to all such Marks as are now, or shall hereafter be, designated as part of the System shall be owned exclusively by Franchisor or its affiliate and be used for the benefit of Franchisor, its affiliate and Franchisor’s franchisees to identify to the public the source of the products and services marketed thereunder;

E. Franchisee has applied to Franchisor for a franchise to operate a Facility and such application has been approved in reliance upon all of the representations made therein; and

F. Franchisee hereby acknowledges that adherence to the terms of this Agreement and the standards and specifications of Franchisor are essential to the operation of its Facility and to the operations of the System.

NOW THEREFORE, in exchange for the covenants and promises herein, and other valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

## **AGREEMENT**

### **1. GRANT OF LICENSE**

1.1. Grant. Franchisor grants to Franchisee, and Franchisee accepts from Franchisor, the non-exclusive right and license, for the Term of this Agreement, to establish and operate a business that Franchisee holds out as associated with the Marks and that operates according to this Agreement, the System, and the Manual, as amended, at a certain location to be identified in the Data Sheet of this Agreement (the “Location”). Nothing in this Agreement gives Franchisee any other right, title or interest in any of the Marks or the System, which remain the sole and exclusive property of Franchisor. The foregoing grant to Franchisee does not include: (i) any right to offer any product or service via e-commerce without prior approval by Franchisor; (ii) any right to establish an independent website or to establish a URL incorporating the Marks or any variation thereof; or (iii) any right to distribute, market, or implement Franchisor’s products and services in any channel of distribution not specifically identified in this Agreement; and (iv) any right to sell products or services at wholesale prices from the Franchised Business.

1.2. Authorized Goods and Services Only. In its operation of the Franchised Business, Franchisee will offer and sell only those goods and services specifically authorized by Franchisor and must sell all authorized goods and services required by Franchisor. Franchisor is permitted to add to, modify, or discontinue at any time any of the goods and services that Franchisee is authorized to offer and sell. This grant permits and requires Franchisee to operate the Franchised Business in association with and using the Marks and the System, but not to operate any other business or to undertake any other activities not authorized by Franchisor.

1.3. Location. This Agreement grants Franchisee the right to operate the Franchised Business only at the Location, as identified in the Data Sheet. If Franchisor has not approved a location for Franchisee to operate the Franchised Business as of the date Franchisee signs this Agreement, the parties shall enter into the Site Selection Addendum attached as Exhibit I to this Agreement, the terms of which shall govern the parties’ site selection obligations. Franchisee is solely responsible for obtaining and building out the Location. Franchisor may designate an approved supplier for these services. Franchisor must approve of the proposed location in its sole discretion. Prior to executing any purchase agreement or lease, Franchisee will provide Franchisor with a complete copy of all documents relating to the purchase or lease agreement for Franchisor’s review. If Franchisor denies its approval of the purchase or lease agreement for any reason in its sole discretion, then Franchisee will not execute that agreement. Franchisor may condition Franchisor’s approval of any proposed lease on, among other things, Franchisee and Franchisee’s landlord’s execution of a form of Conditional Assignment of Lease (attached as Exhibit D to this Agreement) which: (i) grants Franchisor the right, but not the obligation, to assume the lease upon (a) Franchisee’s default on the lease, or (b) termination, transfer or expiration of this Agreement; and (ii) authorizes and requires Franchisee’s landlord to disclose to Franchisor, upon Franchisor’s request, sales and other information Franchisee has furnished to the landlord. Prior to executing any purchase or lease agreement, Franchisee will ensure that Franchisee’s operation of the

Franchised Business at the proposed site will not violate any applicable law or regulation, including without limitation any zoning, parking, and use restrictions relating to the site. Franchisee must deliver an executed copy of the lease and the Conditional Assignment of Lease to Franchisor within fifteen (15) days of execution of the lease. Franchisee acknowledges and agrees that Franchisor's approval of a site candidate and the agreement for Franchisee's purchase or lease of the Location does not constitute, and Franchisee will not assert that it constitutes, any representation, warranty, or guarantee by Franchisor that the Location is adequate or properly zoned or permitted for the purpose of operating the Franchised Business, that the purchase or lease agreement is fair or reasonable, or that Franchisee's operation of the Franchised Business from the Location will be profitable or successful. Franchisor strongly encourages Franchisee to seek independent counsel from a lawyer or business adviser to assist Franchisee in selecting a location and negotiating a lease for the Location.

1.4. Territory. Except as otherwise provided in this Agreement, for so long as Franchisee complies with the terms and conditions hereof, Franchisor shall not establish and operate, nor license to any party other than Franchisee the right to establish and operate, any Iron Tribe Fitness Facility under the System and the Marks during the term hereof within an approximate radius of three (3) miles of the Location ("Territory"). Franchisor shall have the right, in its sole discretion, to grant Franchisee a smaller territory than a radius of three (3) miles of the Location. Franchisor shall have the right, among others, to use and to license others to use the System and Marks for the operation of other Facilities at any location outside of Franchisee's Territory.

1.6 Reserved Rights. Franchisor reserves the right to: (i) offer and sell, and authorize others to offer and sell, any goods and services in any location outside of the protected radius around the Location; (ii) offer and sell, and authorize others to offer and sell, any goods and services in any location, including within the protected radius around the Location: (a) through alternative channels of distribution, including sales on the Internet and in retail locations; or (b) under any names or trademarks other than the Marks. For the purposes of this provision, alternative channels of distribution include any channels not explicitly authorized for use by Franchisee under this Agreement or the Manual; (iii) enter into any agreement with any Athlete to sell or supply to that Athlete any goods or services under the Marks within the protected radius around the Location, except that Franchisee will have the option to sell or supply those goods or services to that Athlete if Franchisee will sell or supply them on the same terms agreed upon by Franchisor; (iv) merge with, acquire, or be acquired by, including through purchase or sale of substantially all assets, any other person or entity, including any competitor of Franchisor or Franchisee, and continue to conduct in any location any business engaged in by the merging, acquiring, or acquired person or entity, including any business directly competitive with the Franchised Business; (v) use the Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including the sale of products through retail stores and via the internet, without regard to location; and (vi) use and license to engage in any other activities not expressly prohibited in this Agreement.

1.7 Acknowledgment. Franchisee agrees and acknowledges as follows:

1.7.1 Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business (as defined herein) and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

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

## **2. TERM OF AGREEMENT AND SUCCESSOR AGREEMENT**

2.1 Term. The term of this Agreement is the time period from the Effective Date until the day that is exactly ten (10) years thereafter (the "Term"). Unless earlier terminated, this Agreement expires at 11:59 p.m. on the final day of the Term.

2.2 Offer of Successor Franchise Agreement. Prior to the end of any Term, Franchisor will offer Franchisee the opportunity to enter into a successor franchise agreement to continue Franchisee's operation of the Franchised Business for one additional ten (10) year term, provided Franchisee has complied with and satisfied the following conditions:

(a) Franchisee gives Franchisor written notice of Franchisee's desire to execute a new franchise agreement, not less than ninety (90) days and not more than one hundred eighty (180) days prior to the end of the Term;

(b) Franchisee signs Franchisor's then-current form of franchise agreement, the terms of which may vary materially from the terms of this Agreement and may include, without limitation, increased royalty fees and advertising obligations;

(c) Franchisee is in full compliance with this Agreement, any other agreement between Franchisee and Franchisor, its affiliates or suppliers, the Manual, and any other System requirements.

(d) Franchisee has obtained, maintained, and is in good standing with all necessary and applicable licenses and permits.

(e) Franchisee is in compliance with all monetary obligations to Franchisor, Franchisor's affiliates, and to all vendors, suppliers, lessors, and governmental and taxing authorities.

(f) Franchisee has made any modifications, repairs, updates, upgrades, and renovations required by Franchisor to the Location, to the goods and services offered by the

Franchisee, to Franchisee's advertising, marketing and promotional programs, and to Franchisee's computer, financial, and accounting systems, and is current on all then-required training programs.

(g) Franchisee has committed no more than two (2) material defaults of this Agreement for which Franchisor has issued written notice and a demand for cure.

(h) Franchisee has demonstrated to Franchisor's satisfaction that Franchisee has the right to operate the Franchised Business at the Location for the duration of the renewal term.

(i) Franchisee and the direct and ultimate personal owners, shareholders, members, and partners (as applicable) of Franchisee if Franchisee is an entity ("Owners") execute a general release, in the form specified by Franchisor, of any and all claims accruing prior to the end of the Term, in favor of Franchisor and its members, officers, directors, employees, affiliates, and agents, to the extent that release is permitted by applicable law.

(j) Franchisee meets all general requirements then applicable to approval of new franchisees.

(k) Franchisee pays a fee in the amount of five thousand dollars (\$5,000) for the right to enter into the successor franchise agreement, which fee Franchisee will pay in lieu of any initial franchise fee otherwise required by that agreement.

2.3 Offer Contingent on Continued Compliance. Franchisor's offer to Franchisee of a successor franchise agreement is contingent on Franchisee's continued compliance with all conditions stated above through the end of the Term, and Franchisor is permitted to withdraw that offer or cancel any pending agreement if Franchisee's compliance lapses. No later than ten (10) days after receipt from Franchisor or the end of the Term (whichever occurs first), Franchisee and its Owners will execute any agreed-upon successor franchise agreement and ancillary agreements in Franchisor's then-current form, and will submit the executed copies to Franchisor. Those agreements will not be binding until executed by Franchisor.

2.4 Temporary Extension. If Franchisor and Franchisee do not enter into a successor franchise agreement, but Franchisee continues to operate the Franchised Business after the end of the Term with Franchisor's consent, then that will be considered a temporary extension of this Agreement, which extension Franchisor is permitted to discontinue at any time and for any reason upon thirty (30) days' written notice. If Franchisor discontinues that extension, the discontinuation will be considered a non-renewal of this Agreement and not a termination. If Franchisor does not consent to Franchisee's continued operation of the Franchised Business after the end of the Term, then this Agreement will expire at the end of the Term and under no circumstances will Franchisee continue to operate the Franchised Business.

### 3. FEES AND PAYMENT

3.1 Initial Fee. In consideration of administrative and other expenses Franchisor incurs in granting the franchise and for Franchisor's lost or deferred opportunity to franchise others, Franchisee will pay to Franchisor an initial franchise fee (the "Initial Fee") in the amount of fifty thousand dollars (\$50,000) for Franchisee's first franchise due upon the signing of this Agreement. Franchisor's entry into and assumption of any obligations under this Agreement is conditioned upon Franchisee's payment in full of the Initial Fee.

3.2 Monthly Fees. No later than the fifteenth (15<sup>th</sup>) day of each calendar month, Franchisee will pay Franchisor:

(a) A royalty fee (the "Royalty") in the amount of six percent (6%) of Franchisee's Gross Sales in the preceding calendar month. Gross Sales means all sales generated through the Franchised Business, and includes fees for any goods and services leased or sold by Franchisee, whether for cash or credit (subject to reduction for any bad debts of Athletes, and otherwise as provided below), and all other income of any kind or nature related to the Franchised Business. "Gross Sales" does not include any sales tax collected from Athletes by Franchisee and tendered to any taxing authority, and does not include the portion of the normal full price of any goods or services that is not collected by Franchisee as a result of an authorized sales discount or employee discount.

(b) a fee for certain advertising, marketing, and promotional uses in the amount of one percent (1%) of Franchisee's Gross Sales in the preceding calendar month (the "Brand Development Fund Contribution"), if Franchisor establishes a regional or national fund for the System.

(c) a fee for certain technology and other software used in the operation of the Franchised Business (the "Technology Fee"). The Technology fee is currently \$600 per month, but is subject to change.

3.3 Form and Manner of Payments. Franchisee will pay Franchisor all one-time or non-periodic fees, including the Initial Fee, in the form of cashier's check or other form of payment acceptable to Franchisor in its sole discretion. Franchisee shall pay Franchisor the Royalty, Brand Development Fund Contribution, and any other monthly or regularly recurring fees by an electronic funds transfer program (the "EFT Program") under which Franchisor automatically deducts all payments owed to Franchisor from Franchisee's bank account. Before opening Franchisee's Facility, Franchisee shall provide Franchisor with Franchisee's bank name, address and account number, a voided check from such bank account, and shall sign and give to Franchisor and Franchisee's bank, all documents, including Exhibit F to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer ("EFT"). Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement by such other means as Franchisor may specify from time to time.

3.4 Overdue and Declined Payments. Franchisee will pay Franchisor simple interest on any overdue amount at the rate of twelve percent (12%) per annum. If the payment of any fee is denied or declined by Franchisee's bank or financial institution, or if any other method of payment provided by Franchisee fails to allow Franchisor to receive when due any payment, then Franchisee will reimburse Franchisor for all costs incurred in connection with that denial or decline. At Franchisor's option, Franchisee also will pay Franchisor a late fee in the amount of three percent (3%) of the principal amount due for each instance in which Franchisee fails to make a payment when originally due.

3.5 Payments for Additional Programs. At Franchisor's option, Franchisor will make available additional voluntary programs for goods and services that Franchisee will be permitted to offer to Athletes, subject to Franchisee's compliance with any training and certification required by Franchisor. If Franchisee elects to participate in these voluntary programs, then Franchisee will pay to Franchisor any associated fees in a form and manner acceptable to Franchisor.

3.6 Website and Software Fees. Franchisee agrees to pay all fees assessed by Franchisor or suppliers in connection with the installation and maintenance of the website and software programs. Franchisee shall pay this fee in accordance with the EFT Program described in Section 3.3 or, by another form of payment specified by Franchisor in its sole discretion.

3.7 Payment of State or Local Taxes Imposed on Franchisor. Franchisee will pay to Franchisor the amount of all sales taxes, use taxes, personal property taxes and similar taxes, that any taxing authority within Franchisee's state(s) imposes on or seeks to collect from Franchisor on account of Franchisee's Gross Sales or on account of fees collected by Franchisor from Franchisee, but excluding Franchisor's ordinary income taxes or Franchisor's receipts taxes arising out of fees due or paid from Franchisee or Franchisor. Franchisor is permitted to collect from Franchisee any imposed taxes in the same manner as Royalties, or to direct Franchisee to make those payments directly to the applicable taxing authority or authorities.

3.8 Application of Payments. Franchisor is permitted to apply payments from Franchisee in any manner Franchisor chooses against outstanding balances, regardless of how Franchisee designates its payments, except that Franchisor will not apply payments in a manner that unreasonably increases interest or fees on overdue payments.

#### **4. PROPRIETARY MARKS**

##### **4.1 Franchisee's Use of the Marks.**

(a) Franchisee shall use only the Marks which Franchisor designates, and only in the manner Franchisor authorizes and permits.

(b) Franchisee shall use the Marks only in connection with the Franchised Business and only at the Location and in advertising for the Franchised Business.

(c) Franchisee shall use all Marks without prefix or suffix and in conjunction with the symbols "TM", "SM", "S" or "®", as applicable. Franchisee may not use the Marks in

connection with the offer or sale of any products or services which Franchisor has not authorized for use in connection with the System. Franchisee may not use the Marks as part of Franchisee's corporate or other legal name. Franchisee's corporate name and all fictitious names under which Franchisee proposes to do business must be approved by Franchisor in writing before use. Franchisee must use Franchisee's corporate or limited liability company name either alone or followed by the initials "D/B/A" and the business name "Iron Tribe Fitness." Franchisee must promptly register at the office of the county in which Franchisee's Facility is located, or such other public office as provided for by the laws of the state in which Franchisee's Facility is located, as doing business under such assumed business name.

(d) Franchisee must identify itself as the owner of the Franchised Business (in the manner Franchisor prescribes) in conjunction with any use of the Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations at the Facility Location as Franchisor may designate in writing.

(e) Franchisee must prominently display the Marks on or in connection with any media advertising, promotional materials, posters, displays, receipts, stationery and forms that Franchisor designates and in the manner that Franchisor prescribes.

(f) Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights. If Franchisee uses the Marks in any way contrary to the terms of this Section, then upon request by Franchisor and at Franchisor's option, and without limitation to Franchisor's other remedies, Franchisee will cease that use and cancel all registrations, domain names, and email addresses, or will transfer to Franchisor the rights to those registrations, domain names, and email addresses and will execute all further agreements necessary to carry out that transfer.

(g) Franchisee shall not use the Marks to incur any obligation or indebtedness on Franchisor's behalf.

(h) Franchisee shall execute all documents Franchisor deems necessary to obtain protection for the Marks or to maintain their continued validity and enforceability.

(i) Franchisee must promptly notify Franchisor of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to Franchisor's ownership of, Franchisor's right to use and to license others to use, or Franchisee's right to use, the Marks. Franchisee acknowledges that Franchisor has the sole right, though not the obligation to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. Franchisor also has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Franchisor has the right, though not the obligation, to defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Marks. In such circumstances, if Franchisor, in Franchisor's sole discretion, determines that Franchisee has used the Marks in accordance with this Agreement, Franchisor shall bear the cost of such defense, including the cost of any judgment or settlement. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has not used the Marks in accordance with this Agreement, Franchisee shall bear the cost of such defense, including the

cost of any judgment or settlement. In the event of any litigation relating to Franchisee's use of the Marks, Franchisee shall execute any and all documents and do such acts as may, in Franchisor's opinion, be necessary to carry out such defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Marks in a manner not in accordance with this Agreement, Franchisor agrees to reimburse Franchisee for Franchisee's out-of-pocket costs in performing such acts.

(j) Franchisee will not use the Marks or any derivation thereof or confusingly similar mark in the name of Franchisee's corporate entity (if any), in any domain name owned or controlled by Franchisee, or in any email address used by Franchisee or its agents, except with Franchisor's written consent.

(k) Franchisee expressly understands and acknowledges that:

1. Franchisor owns all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them, and Franchisor has the right to use, and license others to use, the Marks;

2. The Marks are valid and serve to identify the System and those who are authorized to operate under the System;

3. During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of, or Franchisor's ownership of, or right to use and to license others to use, the Marks;

4. Franchisee's use of the Marks does not give Franchisee any ownership interest or other interest in or to the Marks;

5. Franchisee's use of the System and Marks and any goodwill established by that use inures solely to the benefit of Franchisor, and that, upon the expiration or the earlier lawful termination of this Agreement for any reason, Franchisee will not receive or be assigned any monetary amount in compensation for Franchisee's loss of use of the Marks;

6. Except as specified in Section 1.1 hereof, the license of the Marks granted to Franchisee hereunder is nonexclusive and Franchisor retains the right, among others, (i) to use the Marks itself in connection with selling products and services; (ii) to grant other licenses for the Marks; and (iii) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing Franchisee any rights therein; and

7. Franchisor reserves the right, in Franchisor's sole discretion, to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. Franchisee shall discontinue using all Marks which Franchisor has notified Franchisee, in writing, have been modified or discontinued within ten (10) days of receiving written notice and, at Franchisee's sole cost and expense, shall promptly begin using such additional, modified or substituted Marks.

## 5. CONFIDENTIAL INFORMATION

5.1 Nondisclosure. During the term of this Agreement, Franchisee will receive information which Franchisor considers its trade secrets and confidential information, including but not limited to methods of movements; information regarding the build-out of a Facility; information about proprietary merchandise; any proprietary software Franchisor may now or in the future create; the Manual; trade secrets; price marketing mixes related to the sale of goods or services offered or authorized for sale by System franchisees; standards and specifications for gym equipment, floor design, equipment layout, lighting, supplemental exercise equipment configuration, systems and training manuals, instructor training systems, instructor break environments, compensation systems, online social marketing systems, merchandise sales systems, location identification and acquisition systems, ongoing instructor training, and general operations; Franchisor's copyrighted materials; and methods and other techniques and know-how concerning the of operation of the Franchised Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of a Facility (collectively, the "Confidential Information"). Franchisee agrees that Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information. Franchisee acknowledges and agrees that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers, and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute the trade secrets and Confidential Information of Franchisor. Franchisee may divulge such Confidential Information only to such of Franchisee's employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement. Franchisee acknowledges and agrees that Franchisor has expended considerable time, effort, and money to develop the System; the enumerated Confidential Information is not well known outside of the System; the Confidential Information is of great value to the Franchisor; and that Franchisor is implementing this non-disclosure policy in an effort to protect its trade secrets and Confidential Information. Franchisee acknowledges that in the event of the actual or threatened breach of this Section 5.1, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm.

5.2 Employees. At Franchisor's request, Franchisee must require Franchisee's key employees, including the Operations Manager as defined in Section 7.12, and any other personnel having access to any of Franchisor's Confidential Information, to enter into the Confidentiality and Restrictive Covenant Agreement attached as Exhibit C to this Agreement.

5.3 New Concepts. If Franchisee, Franchisee's employees, or Franchisee's principals develop any new concept, process or improvement in the operation or promotion of the Franchised Business, Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such concept, process or improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. Franchisee and Franchisee's principals hereby assign to Franchisor any rights Franchisee may have

or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries, and further agree to execute and provide Franchisor with all necessary documentations for obtaining and enforcing such rights. Franchisee and Franchisee's principals hereby irrevocably designate and appoint Franchisor as Franchisee's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions of this Section 5.3 are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

## **6. LOCATION**

6.1 Operation from Location. Franchisee will operate the Franchised Business exclusively at and from the Location. If known as of the Effective Date of this Agreement, the Location is the Location identified in the Data Sheet. If Franchisor has not approved a location for Franchisee to operate the Franchised Business as of the date Franchisee signs this Agreement, the parties shall enter into the Site Selection Addendum attached as Exhibit I to this Agreement, the terms of which shall govern the parties' site selection obligations.

### 6.2 Design, Construction, and Remodeling.

(a) Qualified Personnel. Franchisee will employ qualified personnel to perform all design, construction, and remodeling work at the Location. At Franchisor's request, Franchisee will provide Franchisor with any requested information concerning the personnel employed by Franchisee for design, construction, or remodeling, and Franchisor is permitted to disapprove any of those personnel if Franchisor concludes that they are not reasonably qualified or financially capable of performing that work. At Franchisor's option, Franchisee will employ any design, construction, and remodeling professionals identified by Franchisor.

(b) Design and Plans. Franchisor will provide Franchisee its specifications for construction, remodeling and decorating the location and general floor plans and interior layout and design. Franchisee will submit to Franchisor for approval all construction and design plans for adapting Franchisor's specifications to Franchisee's location, which plans will comply with any requirements identified by Franchisor. Franchisor will review those plans and will approve or disapprove them in writing no later than thirty (30) days after receipt.

(c) Permits and Licenses. Franchisee will obtain and maintain in good standing all licenses, permits and certifications required for lawful construction or remodeling of the Location.

(d) Funding. At Franchisor's request, Franchisee will provide to Franchisor

written evidence of Franchisee's funding or funding commitments in a form acceptable to Franchisor, and Franchisee authorizes Franchisor to contact any funding sources directly to discuss all financial aspects of the construction or remodeling of the Location.

(e) Quality of Work. Franchisee will ensure that all design, construction, and remodeling work is performed in a competent and professional manner, and that the finished Location meet all specifications identified by Franchisor.

(f) Progress Reports and Site Visits. Franchisee will provide Franchisor with any progress reports requested by Franchisor during the course of any design, construction, and remodeling work. Franchisor is permitted to visit and inspect the Location at any time during the design, construction, and remodeling process.

(g) Completion. Franchisee's completion of the construction or remodeling process will include the complete construction of the Location at the Location, the installation of all equipment, fixtures, furnishings, and signage required by Franchisor's specifications, the completion of all carpentry, electrical, painting, and finishing work, and any other preparations necessary to render the Location fit for use for the Franchised Business, which Franchisee shall incur at its own expense.

6.3 Opening. Franchisee will notify Franchisor upon completion of all construction and remodeling work, and at Franchisor's option, Franchisor will promptly inspect the Location and identify any additional actions that Franchisee must take to comply with Franchisor's specifications. Franchisee will promptly take any such required actions. Upon Franchisee's final compliance with all specifications and requirements, Franchisor will grant approval for Franchisee to open for business. Franchisee will not open for business until Franchisor has issued that approval, but Franchisee will promptly open for business once Franchisor has issued its approval. Franchisee must open for business within 12 months of executing this Agreement.

6.4 Schedule. Pursuant to the process defined above, Franchisee will: (a) purchase or lease the Location no later than 180 days after the Effective Date; and (b) open for business no later than 12 months after executing this Agreement.

6.5 Maintenance and Appearance. Franchisee will maintain the Location in a clean, orderly, and attractive manner at all times when open for business, and will promptly conduct any repairs and replacements necessary to maintain the Location in its original condition, subject to any upgrades or alterations required or approved by Franchisor.

6.6 Upgrades and Alterations. Franchisee will make any additions, alterations, upgrades, repairs and replacements to the Location required by Franchisor at Franchisee's sole expense, including without limitation periodic redecorating, refurbishment, replacement of signs, fixtures or materials, and upgrading of equipment; except that Franchisor will not require major renovations during the first five (5) years after the Effective Date.

6.7 Use of Location. Franchisee will use the Location only for the purpose of operating the Franchised Business, and only according to the standards of operation prescribed and permitted

by Franchisor. In particular but without limitation, Franchisee will offer and sell only goods and services permitted by Franchisor at the Location, and Franchisee will allow at the Location only those progress charts, displays, advertisements, and promotional materials authorized by Franchisor.

6.8 Inspections. Franchisee will permit Franchisor or its agents or representatives to enter the Location at any time during normal business hours and with or without prior notice for the purposes of conducting inspections, taking photographs, sampling goods and services (including by using “secret shoppers”), and interviewing employees and Athletes. Franchisee will cooperate fully with Franchisor’s agents or representatives by providing any assistance that those agents or representatives reasonably request, and by allowing those agents or representatives access to every part of the Location and to remove reasonable quantities of products or other goods for purposes of testing or examining samples. Upon notice from Franchisor or its agents or representatives, and without limiting Franchisor’s other rights under this Agreement, Franchisee will promptly remedy any deficiencies detected during any inspection.

6.9 No Relocation. Franchisee will not relocate the Franchised Business or operate from any site other than the Location without the written consent of Franchisor. If, for any reason, the lease term is shorter than the term of this Agreement and the lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Location, Franchisee must relocate Franchisee’s Facility to a mutually acceptable site within Franchisee’s Exclusive Territory to complete the unexpired portion of the term of this Agreement. Franchisee must notify Franchisor of Franchisee’s intention to relocate, procure a site acceptable to Franchisor within ninety (90) days prior to closing Franchisee’s existing Facility, and open the new Facility for business within sixty (60) days of closing Franchisee’s existing Facility.

## **7. GENERAL OPERATIONAL REQUIREMENTS**

7.1 Operations Manual. Franchisor will provide Franchisee with access to the Manual online through Franchisor’s custom learning management software, or such other forum Franchisor designates. Franchisee shall operate the Franchised Business in strict compliance with the Manual, as it may be reasonably changed from time to time. The Manual shall remain confidential and Franchisor’s exclusive property. Franchisee shall not disclose, duplicate or make any unauthorized use of any portion of the Manual. The provisions of the Manual constitute provisions of this Agreement as if fully set forth herein. Franchisee shall ensure that Franchisee’s copy of the Manual is current and up to date. If there is a dispute relating to the contents of the Manual, the master copy which Franchisor maintains at Franchisor’s corporate headquarters will control.

7.2 Compliance with Manual. Without limitation to any other provision in this Agreement, Franchisee will comply with all material provisions of the Manual at all times, including by operating the Franchised Business strictly in accordance with the standards of customer service, safety, cleanliness, environmental care, consistency, training, brand image, advertising, promotion, and management prescribed by Franchisor. Franchisee acknowledges and agrees that, in order to ensure that the System remains competitive and responds to changes in technology, Athlete preference, and other factors, Franchisor is permitted, by written notice to

Franchisee, to add to, delete from, modify, or otherwise change the System and the Manual, including without limitation by adding new or enhanced Services and products, new operational requirements, and new techniques and methods of operation. Franchisor will provide any revisions to Franchisee in a written form of Franchisor's choosing. Franchisee will immediately adopt all revisions that do not require any material expenditure by Franchisee, and will adopt all other revisions within a reasonable time not to exceed thirty (30) days after Franchisee's receipt of the revision. Franchisee acknowledges that Franchisee may be required to incur an increased cost to comply with any such changes at Franchisee's expense.

7.3 Authorized Products and Services. Franchisee acknowledges and agrees that Franchisee will offer and sell only the authorized goods and services, and that Franchisor's control over those goods and services and the methods of their delivery is essential to maintaining and improving the reputation and goodwill associated with the Marks. Franchisee will not offer any additional or alternative goods or services without Franchisor's written consent, and Franchisee's submission to Franchisor of any proposal to offer or sell additional goods or services will constitute an assignment of any rights in those goods or services for Franchisor to offer or sell them itself, to make them available to other franchisees, and to make them and any revisions, alterations, or derivations available to Franchisee and any other franchisee. Franchisee will provide all services and goods approved by Franchisor. Franchisee shall at all times maintain sufficient levels of inventory and other products, of the type, quantity and quality as specified in the Manual or otherwise in writing, to adequately satisfy consumer demand. Franchisee must offer and sell all private label products which Franchisor designates for sale by System franchisees. If Franchisor discovers that Franchisee is selling unauthorized or unapproved products from its Facility, Franchisee must pay Franchisor a non-compliance fee equal to \$250 ("Non-Compliance Fee"). Additionally, if Franchisee fails to remedy this non-compliance within 14 days notification thereof, Franchisor will assess the Non-Compliance Fee again and will continue to assess the fee every 14 days until the non-compliance is cured.

7.4 Revisions to Authorized Goods and Services. Franchisor is permitted to add to, modify, or eliminate elements of the authorized goods or services at any time in its sole discretion.

7.5 Designated Sources of Goods, Services, Supplies, Materials, and Equipment. Franchisee will use all vendors and suppliers, which may include Franchisor or an affiliate of Franchisor, that Franchisor designates as a required source for any goods, services, supplies, materials, and equipment. Franchisor is permitted to receive any payment or benefit from any vendors or suppliers resulting from any Franchisee purchase or lease, and Franchisor and its affiliates are permitted to obtain a reasonable profit from any goods, services, supplies, materials, or equipment provided by Franchisor or its affiliates and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier), for any purposes Franchisor deems appropriate. If Franchisor receives any direct payment or benefit from Franchisee's purchase or lease from a vendor or supplier, then Franchisor will disclose that payment or benefit to Franchisee on a periodic basis if that payment or benefit is not already apparent or known to Franchisee. Franchisor will, to the extent it deems necessary, provide Franchisee with specifications for products and designated suppliers from which Franchisee agrees to purchase inventory, goods, and supplies necessary for the start-up and ongoing operation of the Facility.

7.6 Supplier Approval. In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee or the supplier must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Nothing herein shall require Franchisor to approve an unreasonable number of suppliers for a given item, which approval might, in Franchisor's reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. Franchisor may revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Franchisee must use products purchased from approved suppliers solely in connection with the operation of Franchisee's Facility and not for any competitive business purpose.

7.7 System Suppliers. Franchisor may establish business relationships, from time to time, with suppliers who may provide services or produce, among other things, certain furnishings, supplies, fixtures, equipment and inventory according to Franchisor's proprietary standards and specifications, or private label goods which Franchisor has authorized and prescribed for sale by System franchisees ("System Suppliers"). Franchisee recognizes that such products and services are essential to the operation of the Franchised Business and to the System generally. Franchisee further recognizes that Franchisee's failure to pay System Suppliers may interfere with such suppliers' willingness to supply the System, which may result in other System franchisees' inability to obtain product or ability to obtain product only on less favorable credit terms. Accordingly, Franchisee expressly agrees to pay System Suppliers as and when due.

7.8 Compliance with Laws. Franchisee must operate the Franchised Business in full compliance with all applicable laws and regulations, including those relating to the construction, design and operation of the Facility (including, without limitation, all regulations relating to health club membership agreements and fitness centers generally, environmental safety, occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance, ERISA, withholding and payment of federal and state income taxes, social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act ("ADA")). Franchisee shall obtain and maintain all licenses, permits, and approvals (for itself and its employees and agents) required by the jurisdictions in which Franchisee operates. Franchisee expressly acknowledges that Franchisor has not researched the specific laws and regulations applicable to Franchisee's Facility, and that Franchisee is solely responsible for compliance with such laws and regulations.

7.9 Agreements with Athletes. Prior to selling or providing any goods or services to any Athlete, Franchisee will enter into any agreements with that Athlete required by Franchisor in the Manual, and will provide to that Athlete any information or disclosures required by Franchisor. Franchisee will fully comply with any Franchisor Athlete warranty or guarantee program implemented by Franchisor, and Franchisee will not misrepresent or omit to state any required warranty or guarantee. Franchisee will resolve all Athlete complaints and disputes directly with Athletes, and will make every reasonable effort not to involve Franchisor in those disputes.

7.10 Pricing. If Franchisor determines in its sole discretion that it may lawfully direct Franchisee to charge certain prices for goods or services, then Franchisee will charge prices as established by Franchisor in the Manual or otherwise in writing. Otherwise, Franchisee will establish the prices it charges Athletes, and will provide information regarding its prices to Franchisor upon request.

7.11 Forms of Athlete Payment. Franchisee will maintain agreements or arrangements with any financial institution or credit/debit card issuer or sponsor designated by Franchisor, in order that the Franchised Business may accept Athletes' credit cards, debit cards, checks, and other methods of payment designated by Franchisor.

7.12 Operations Manager. Franchisee will appoint, subject to Franchisor's consent, a manager qualified to perform and manage the core operations required for the Franchised Business ("Operations Manager"). Franchisee will ensure that the operation of the Franchised Business is at all times under the direct control of the Operations Manager or an employee reporting to the Operations Manager during any vacation, illness, or other short-term absence of the Operations Manager. If Franchisee is an individual, then Franchisee is permitted to be the Operations Manager. The Operations Manager will participate personally in the Franchised Business no fewer than five days per week. That participation will include, without limitation, monitoring financial and accounting matters, communicating with Franchisor as needed and as requested by Franchisor, planning and coordinating local advertising activities, interacting with Athletes to ensure that goods and services are provided in a timely and professional manner, ensuring compliance with this Agreement and the standards and requirements established in the Manual, performing or managing all administrative, legal, and operations tasks necessary to operate the Franchised Business, and taking all other measures to manage ongoing operations. Franchisee's appointment of the Operations Manager constitutes Franchisee's consent for the Operations Manager to engage in any communications on Franchisee's behalf with Franchisor, and to bind Franchisee to Franchisor with respect to any agreements, commitments, or consents.

7.13 Hours of Operations. Franchisee will keep the Franchised Business continuously open for business during all hours and days specified by Franchisor in the Manual.

7.14 Equipment Use. Franchisor will provide, to the extent we deem necessary, Franchisee its written specifications for certain equipment, signs and fixtures for the Location. Franchisee will obtain and use all equipment required by Franchisor, and will refrain from using any equipment prohibited or not approved by Franchisor.

7.15 Workout Sessions. Franchisee will use only Franchisor's approved method of

instruction in all sessions and classes it provides to Athletes, which shall be outlined, and updated as Franchisor deems necessary, by Franchisor's Director of Training. Franchisee will only provide such classes in the manner Franchisor specifies.

#### 7.16 Guidelines for Employees.

7.16.1 Franchisor will provide, to the extent we deem necessary, Franchisee with guidelines for the types of employees that Franchisor has found are most successful working in the Franchised Business. Franchisee will maintain at all times a sufficient number of properly trained and competent employees and a proper amount of approved food, snack and supplement items and other goods and supplies to satisfy reasonable Athlete demand, and will enter into with those employees any standard agreements required by Franchisor concerning codes of conduct, use of confidential information or materials, or other matters deemed necessary by Franchisor. Franchisee will require all employees to comply with all applicable provisions of the Manual, including those relating to appearance, uniforms, communications with Athletes, and procedures for performing any services. Franchisee will conduct regular evaluations of all employees pursuant to any evaluation program prescribed by Franchisor. Franchisee will comply with all agreements with its employees and will make when due all payments to employees required by agreement or by law. Franchisee's coaches shall complete the ITF in-house coaches' certification.

7.16.2 Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time.

7.17 Agreements with Other Parties. Franchisee will advise all third parties that Franchisee is an independent contractor and that all debts, liabilities and obligations incurred by it are for the account of Franchisee only and not Franchisor, and will identify Franchisee as an "Independently owned and operated franchisee of "Iron Tribe Franchise, LLC" on all invoices, agreements, and correspondence.

7.18 Minimum Working Capital. Franchisee must have forty thousand dollars (\$40,000) of working capital at opening. Thereafter, Franchisee must at all times maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations and responsibilities hereunder and to operate the Franchised Business in a businesslike, proper and efficient manner.

7.19 Ensuring Franchisee Compliance. Without limitation to any other right or remedy herein, Franchisor is permitted to take any reasonable measures to ascertain and ensure Franchisee's compliance with all requirements of this Agreement and the Manual.

7.20 Personal Conduct. Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring Franchisor's Marks or System into disrepute.

7.21 Best Efforts. Franchisee must use best efforts to promote and increase the demand for the goods and services of the Facility. All of Franchisee's advertising and promotion shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the Franchised Business or the goodwill associated with the Marks and System.

7.22 Trade Secrets and Confidential Information. Franchisee must maintain the confidentiality of all Confidential Information as set forth in Section 5 of this Agreement.

7.23 Image. Franchisee acknowledges that Franchisor has developed the System to offer services and sell products which will distinguish the Facility from other fitness facilities and chains that offer different fitness products and services or similar products and services at different prices and with less attention paid to the quality of fitness instructor training and knowledge, personal training, fitness education, and customer service. Franchisee agrees to offer products and services and to conduct the Facility in such a manner which will serve to emulate and enhance the image Franchisor intended for the System. Franchisee further acknowledges and agrees that each aspect of the System is important not only to Franchisee but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by System franchisees. Franchisee agrees to comply with the standards, specifications and requirements Franchisor sets forth in order to uniformly convey the distinctive image of an Iron Tribe Fitness Facility. Franchisee shall, in the operation of the Facility, use only displays, forms and other specified materials imprinted with the Marks and colors as prescribed from time to time by Franchisor.

7.24 Payment of Debts. Franchisee is solely responsible for selecting, retaining and paying Franchisee's employees; the payment of all invoices for the purchase of goods for use in the Franchised Business; and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct of the Franchised Business. Franchisee agrees to pay all current obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee agrees to indemnify Franchisor in the event that Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between System Suppliers and System franchisees. Franchisee agrees to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes, arising from Franchisee's operation of the Franchised Business. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for these taxes.

7.25 Pending Actions. Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, suit or proceeding or the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

7.26 Payments to Third Parties. Franchisee will pay all vendors, suppliers, landlords, lessors, government agencies, and other third parties all amounts when due without liability to Franchisor. Upon Franchisor's request, Franchisee will provide Franchisor with proof of payment

to third parties. Franchisee acknowledges and agrees that any failure to pay suppliers timely will damage Franchisor's reputation and the reputation of other franchisees, and in the event of such failure, Franchisor will have the right, but not the obligation, to pay all or any portion of the sum due, together with accrued interest and penalties, and to collect reimbursement from Franchisee. Franchisee consents to Franchisor's directly contacting and obtaining any information from any current or former supplier, vendor, or lessor of Franchisee at any time.

7.27 Computer Software, Hardware, and Computerized Point-of-Sale System. Franchisee shall purchase sufficient and operable computer hardware to provide for continuous access to any proprietary intranet system designated by Franchisor for communications between Franchisor and Franchisee and to any web-based software designated by Franchisor (the "Software") which Franchisor has developed or may develop and/or designate for use for the System, and shall purchase such computer hardware as may be necessary for the efficient operation of the Software, including without limitation, a computerized point-of-sale system designated by Franchisor for operation of the Franchised Business, including any accompanying computers, modems, credit/debit card readers, cash drawers, receipt printers, and other associated equipment, and credit card machine and a scanner. Franchisor has the right to require Franchisee to update or upgrade computer hardware components and/or Software as Franchisor deems necessary from time to time. In addition, Franchisor has the right to require Franchisee to enter into a separate maintenance agreement for such computer hardware and/or Software. Notwithstanding the fact that Franchisee must buy, use and maintain the computer hardware and Software meeting Franchisor's standards and specifications, Franchisee will have the sole and complete responsibility for: (i) the acquisition, operation, maintenance and upgrading of the computer hardware and Software; and (ii) any and all consequences that may arise if the computer hardware and Software is not properly operated, maintained and upgraded. Franchisee will allow Franchisor to access Franchisee's computerized data. Franchisor reserves the right to require Franchisee to install a "systems backup solution" which backs up critical data in Franchisee's computer system using an off-Location storage scheme. In addition, Franchisor has the right to require Franchisee to enter into a separate maintenance agreement for such computer hardware and/or Software. Franchisee will not allow any unauthorized person to access any proprietary intranet or other computerized systems.

7.28 Intranet. Franchisee is required to participate in any System-wide area computer network, intranet system or extranet system, including the confidential Intranet Business Resource website that Franchisor implements and may be required by Franchisor to use such area computer network, intranet system or extranet system to, among other things: (i) submit Franchisee's reports due under this Agreement to Franchisor online; (ii) view and print portions of the Manual; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (v) participate in online training. Franchisee agrees to use the facilities of any such area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor includes in the Manual, including those related to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements.

7.29 Information Technology System. Franchisee will purchase and use in the operation of the Franchised Business the Information Systems specified in the Franchisor's Manual.

Franchisor may, in its sole discretion, collect from Franchisee the license fees due the unaffiliated licensors of certain computer software programs required to be used by its franchisees, including Franchisee, and may otherwise administer the relationship with such licensors. Franchisor does not currently receive any compensation for such services and does not intend to do so in the future. If Franchisor receives compensation, it will be put into Franchisor's Brand Development Fund. Franchisor or its Affiliate may, however, in the future obtain a master license to one or more software programs required to be used by Franchisee and sublicense them to its franchisees, including Franchisee and/or develop in the future proprietary software programs that will replace or supplement third party programs. If Franchisor or its Affiliate does obtain such a master license or develop any such proprietary software programs, it reserves the right to require its franchisees, including Franchisee, to sublicense or license them from Franchisor or its Affiliate on terms and conditions which Franchisor will establish and which will be uniform for all franchisees of Franchisor similarly situated to Franchisee. Franchisee will perform all of its obligations under all/any software sublicenses or licenses for all Information Systems, including for any proprietary software hereafter sublicensed or licensed by Franchisor or its Affiliate, including the payment of the fees required to be paid thereunder, and any uncured or incurable default under any such license or sublicense will be an Event of Default under this Agreement and will adversely affect your access to the Intranet.

7.30 Data Access. Franchisee grants Franchisor unlimited independent access to the data generated by Franchisee's computerized point of sale system, and will permit Franchisor to poll via electronic connection Franchisee's computer systems in order to compile sales data, consumer trends, labor costs, and any other financial and marketing information Franchisor deems appropriate.

7.31 Email. Franchisee must at all times have email/high speed internet access capabilities at the Location.

7.32 Camera System. Franchisee will purchase, install and maintain the camera system specified by Franchisor. Such system shall be turned on and operational at all times during the term of this Agreement and shall be accessible to Franchisor for monitoring on the Internet or otherwise.

7.33 Telephone. Franchisee must obtain a new telephone number and telephone listing at Franchisee's expense, to be listed under the "Iron Tribe Fitness" name and not under Franchisee's corporate, partnership, or individual name, and to be used exclusively in connection with Franchisee's operation of the Facility. Franchisee expressly agrees to execute the Conditional Assignment of Franchisee's Telephone Numbers, Facsimile Numbers and Domain Names attached hereto as Exhibit E, which provides that, upon the expiration, transfer or termination of this Agreement for any reason, Franchisee shall terminate Franchisee's use of such telephone number and listing, as well as any other facsimile numbers and listings and domain names and Internet listings, and assign same to Franchisor or Franchisor's designee. Franchisee must answer the telephone in the manner Franchisor specifies in the Manual.

## **8. ADVERTISING, MARKETING, PROMOTIONS, AND DISPLAYS**

8.1 Brand Development Fund. Upon ninety (90) days written notice to Franchisee, Franchisor will have the right to establish, maintain and administer a regional or national advertising, marketing, and promotions program (the “Brand Development Fund”) for advertising, marketing and promotions selected by Franchisor in its sole discretion. Franchisor will use the Brand Development Fund Contributions, as defined in Section 3.2(b), payments made by Franchisee for the Brand Development Fund, along with payments from other franchisees, which payments from other franchisees may vary from those made by Franchisee. Franchisor will use the Brand Development Program for media placement, commissions, market research, creative and production costs, artwork, printing, and any other costs, expenses, or compensation reasonably related to advertising, marketing, or promotions. Franchisor is permitted to perform any Brand Development Fund functions itself through its employees, representatives, agents, or affiliates, in which case Franchisor is permitted to compensate itself or its affiliate from Brand Development Fund Contributions for the reasonable cost of performing those functions, including reasonable allocations of overhead and administrative expenses. Franchisor has the right to require that a franchisee advisory council be formed, changed, dissolved or merged.

8.2 No Specific Brand Development Fund Allocation Required. Franchisee acknowledges and agrees that the purpose of the Brand Development Fund is to maximize general public recognition and patronage of the goods and services offered by franchisees and to build the value of the Marks for Franchisor and all franchisees. Franchisor has no obligation to ensure that Franchisee benefits directly or on a pro rata basis from the placement or conduct of advertising, marketing, or promotional activities, and Franchisee’s own benefits will vary depending on its proximity to other franchisees, the competition from other industry operators in Franchisee’s area or region, the types of media reasonably available and the costs of those media, and other factors.

8.3 Brand Development Fund Accounting. In connection with the Brand Development Fund: (i) Franchisor will account for the Brand Development Fund separately from other Franchisor accounts or assets (but Franchisor is not required to maintain a separate bank account); (ii) if requested by Franchisee, Franchisor will make available an unaudited annual statement of operations for the Brand Development Fund, with any cost of preparing that statement to be paid from Brand Development Fund contributions; and (iii) Franchisor is permitted to establish a separate entity to receive payments and administer the Brand Development Fund Contributions with comparable rights and restrictions established in this Agreement, in which case Franchisor is permitted to require Franchisee to submit Brand Development Fund Contributions directly to that separate entity.

8.4 Advertising by Franchisor. Franchisor is under no obligation to conduct any advertising in Franchisee’s Territory, however, Franchisor reserves the right to conduct such advertising if it chooses to do so in its sole discretion.

8.5 Territorial Advertising Restriction. Franchisee may solicit or accept orders from outside its Territory, except that your local advertising is limited to an area reasonably surrounding the Location, and that is not part of the territory of any other franchisee.

8.6 Initial Marketing. In addition to other fees required under this Agreement, Franchisee will spend for initial marketing four thousand dollars (\$4,000) (the “Initial Marketing Fee”) in the period between thirty (30) days prior to opening and the opening of your Facility. Franchisor or its designated vendors will perform certain advertising and promotional activities reasonably targeted at the area surrounding the Location. Franchisee’s Initial Marketing Fee does not decrease or affect Franchisee’s obligations with respect to local advertising, any Ad Co-op (as defined below), or any payments of the Brand Development Fund Contribution. In addition, Franchisee will spend no less than one thousand dollars (\$1,000) to promote and host a grand opening event at the Location.

8.7 Local Advertising Expenses. During the Term of this Agreement, Franchisee will spend in each month on local advertising, marketing, and promotions within the area reasonably surrounding the Location an amount of 5% of gross sales or a minimum of \$2,500.00. Franchisee shall provide to Franchisor a report documenting all local advertising expenses in the Monthly Report defined in Section 10.1.

8.8 Local Advertising and Initial Marketing Content and Restrictions. Franchisee is permitted to conduct its own advertising and promotions in its reasonable discretion, except that:

(a) Franchisee will ensure that its local advertising and promotions reflect favorably on and do not disparage the Marks, Franchisor, and any other franchisee.

(b) Prior to use, Franchisee will submit to Franchisor all print and other materials intended for media placement or public display, and a description of all proposed public or marketing events. Franchisee will use only materials approved or provided by Franchisor and will participate only in events approved by Franchisor. Franchisee shall submit to Franchisor, at least fifteen (15) days prior to publication or use, samples of all sales, promotional, and advertising materials Franchisee desires to use and which Franchisor has not previously approved, including, but not limited to, print, radio and television advertising, signage, supplies and packaging. Franchisor’s failure to approve or disapprove the materials within ten (10) days of receipt shall be deemed a rejection. If Franchisee submits to Franchisor for approval any materials or proposals, then Franchisor is permitted to adopt those materials or proposals for general use in advertising or promotions, in which case Franchisee will take any action reasonably requested by Franchisor to document and confirm an irrevocable and perpetual assignment to Franchisor of any copyright and a waiver of any moral rights relating to that advertising or promotion in consideration of the continued use of the Marks and System.

(c) Franchisee’s local advertising efforts will include advertisement of the Franchised Business in any print or online directory listings required by Franchisor, which advertisements Franchisee will submit to Franchisor for approval prior to placement.

8.9 Franchisee Advertising Co-op. Franchisor is permitted to establish or to authorize any number of co-operative franchisee advertising programs (an “Ad Co-op”) to coordinate advertising, marketing, and promotions among franchisees within a certain region, among certain common types of franchisees, or for other designated purposes. Franchisee will participate fully and in good faith in any Ad Co-ops required by Franchisor. Franchisor is permitted, though not

required, to delegate to any Ad Co-op the full or limited right to direct its own operations, and Franchisee will follow all rules and procedures prescribed by the Ad Co-op; except that no Ad Co-op created or managed by Franchisor will be permitted, without Franchisor's consent: (i) to impose any fee or mandatory contribution to the members on an unequal basis; or (ii) to allocate votes among members on any basis other than one vote per authorized location of a Franchised Business. Franchisor is permitted, but not obligated, to resolve any disputes between Franchisee and any other franchisee concerning any Ad Co-op matter, and Franchisee will honor and adhere to any decision or direction issued by Franchisor concerning that dispute. For the sake of clarity, any contributions or fees paid by Franchisee for an Ad Co-op constitute fees to meet the local advertising requirement described in Section 8.7. If the Ad Co-op is administered by Franchisor, Franchisor will make available to Franchisee an unaudited annual statement of operations. Further, Franchisor will make available the books and records of the Ad Co-op to Franchisee for review upon reasonable written notice by Franchisee.

8.10 On-Site Displays. At and upon the Location, Franchisee will use and display only the signs, displays, advertising and other materials approved by Franchisor.

8.11 Websites. Franchisor will maintain an interactive website for the benefit of Franchisor and its franchisees (the "Iron Tribe Fitness Home Page").

(a) All features of the Iron Tribe Fitness Home Page, including the domain name, content, format, and links to other websites, will be determined by Franchisor in its sole discretion. Franchisor will also have the right to modify, suspend or temporarily or permanently discontinue the Iron Tribe Fitness Home Page at any time, in its sole discretion. Franchisor and its affiliates will have the right to sell merchandise directly to retail and/or wholesale customers via the Internet under the "Iron Tribe Fitness" name and the Marks, to create a website or home page containing the "Iron Tribe Fitness" name and the Marks, and the exclusive right to reserve or to use "Iron Tribe Fitness" or any derivative or related or similar domain name or e-mail address (without regard to domain name suffix).

(b) Franchisee must establish its own web page, but only through Franchisor's Website Management System, or other designated source ("Franchisee's Iron Tribe Fitness Site"). Franchisor or its designee, will develop Franchisee Iron Tribe Fitness Site for Franchisee, but Franchisee will be responsible for the web page development fee then applicable (the "Website Development Fee"). After Franchisee's Iron Tribe Fitness Site has been developed, Franchisee must submit all content for Franchisee's Iron Tribe Fitness Site to Franchisor and obtain its approval before posting. Once Franchisor approves Franchisee's content, Franchisor will establish Franchisee's Iron Tribe Fitness Site for Franchisee through a link from Franchisor's Iron Tribe Fitness Home Page. Franchisor will then continue to carry content for Franchisee's Iron Tribe Fitness Site through a link from Franchisor's Home Page. Except as approved in advance in writing by Franchisor, Franchisee must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Facility, including any profile on Facebook, MySpace, Twitter, LinkedIn, Plaxo, YouTube or any other social media and/or networking site ("Social Media Site").

1. The Franchisee's Iron Tribe Fitness Site and any Social Media Site or other website approved by us must be operated and maintained by Franchisee in compliance with all provisions of this Agreement, including those regarding the use of confidential and proprietary information, as well as any and all operating procedures, policies, standards and requirements as Franchisor may specify from time to time. Franchisee must also maintain Franchisee's Iron Tribe Fitness Site and any Social Media Site approved by Franchisor in accordance with applicable laws, rules and regulations, including but not limited to those applicable to copyright and trademark, privacy, anti-defamation, and advertising and endorsements.

2. Franchisee may not advertise any goods or services on Franchisee's Iron Tribe Fitness Site or on any Social Media Site that Franchisee does not offer at Franchisee's Iron Tribe Fitness gym or that Franchisor has not approved, without Franchisor's written approval.

3. Franchisee will be required to pay Franchisor (or its designee) a monthly web page maintenance fee (the "Website Maintenance Fees") in existence from time to time for providing this service

4. Franchisor reserves the right at any time, in its sole discretion, to require Franchisee to remove, delete or modify the Franchisee's Iron Tribe Fitness Site, any Social Media Site, or any other website or homepage, and to remove, delete or modify any content or posts thereon.

5. Franchisee may not use any of the Marks in any Internet website, home page or Social Media Site, including Franchisee's Iron Tribe Fitness Site, without prior written consent.

6. Franchisor retains sole ownership of the Franchisee's Iron Tribe Fitness Site, including the domain name and any content and e-mail addresses, and all such information will automatically terminate and revert to Franchisor at the time this Agreement expires or is terminated. In addition, Franchisor will retain sole ownership of any Social Media Site, including any content thereon and domain names related thereto, which includes the words "Iron Tribe," "Iron Tribe Fitness," or any of the other Marks, or a word, phrase, or symbol confusingly similar thereto or variant thereof, as part of the domain name, username, account name, account profile or page reference, and all such information shall revert to Franchisor at the time this Agreement expires or is terminated.

7. Franchisee hereby releases and agrees to hold Franchisor, its officers and directors, harmless from and against any and all claims, liability, damages, or causes of action of any nature, arising from, or in connection with, the creation, operation, or maintenance of the Iron Tribe Fitness Home Page, including, if applicable, any Social Media Site, unless such liability arises out of Franchisor's gross negligence or intentional wrongful acts.

8. Franchisee will not create, affiliate itself with, or advertise on any website without Franchisor's written consent. If Franchisor grants its consent for a Franchisee website, then Franchisee will adhere to any guidelines or restrictions on the content or design of that website, and will remove or alter any content as directed by Franchisor at any time.

8.12 Commercially Reasonable Efforts. Franchisor will use commercially reasonable efforts to operate effectively all advertising, marketing, and promotions activities, including the Brand Development Fund, but Franchisor will have no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Brand Development Fund. Franchisee is not a third party beneficiary of any other franchise agreement and will have no right to require or enforce any contributions from other franchisees to, or with respect to the administration of, the Brand Development Fund. Franchisee has no proprietary right in the Brand Development Fund or the media created for it, and Brand Development Fund Contributions are not held in trust and do not create any trust or fiduciary duties on behalf of Franchisor.

8.13 Franchisee's Participation. Without limitation to any other provision in this Agreement, Franchisee will fully participate in all advertising, marketing, and promotions activities required by Franchisor, including the introduction or test marketing of new goods or services, grand openings, joint marketing efforts with other franchisees, trade shows, industry events, and other programs directed or approved by Franchisor.

## **9. TRAINING, ASSISTANCE AND ANNUAL CONVENTION**

### **9.1 Initial Training.**

(a) Manager Practicum Program. Franchisee shall attend (if Franchisee is a partnership, corporation or limited liability company, Franchisee's general partner, principal shareholder, or member/manager, as appropriate, shall attend) and complete to Franchisor's satisfaction, Franchisor's initial tuition-free training program ("Initial Training"). Initial Training will consist of: (i) a primary training program of up to three (3) days at an Iron Tribe Fitness Gym designated by Franchisor in the continental United States ("Franchise Academy Program"); and (ii) a secondary and opening assistance program of one to two days, which will take place at the Location. If Franchisee is an individual, the participants in Initial Training will be: (i) Franchisee (if Franchisee is Operations Manager) and between two (2) and four (4) other employees of Franchisee's choosing; or (ii) Franchisee (if Franchisee is not Operations Manager), the Operations Manager, and between two (2) and four (4) other employees of Franchisee's choosing. If Franchisee is an entity, the participants in Initial Training will be: the Operations Manager, an Owner, and between two (2) and four (4) other employees of Franchisee's choosing (collectively the "Initial Trainees"). Franchisee will ensure that any individual whom Franchisee intends to provide services to Athletes upon Franchisee's opening for business participates in Initial Training. All Initial Trainees must attend at the same time. The Initial Trainees will complete all components of Initial Training to Franchisor's reasonable satisfaction prior to Franchisee's opening for business. Franchisee will pay for all travel, accommodations, wages, and other costs for the Initial Trainees. Should the Initial Trainees fail to complete the Initial Training to Franchisor's satisfaction, the respective person may repeat the course, or in the case of an employee, Franchisee may send a replacement (the "Replacement Personnel") to the next available initial training program. Franchisor may charge for such Replacement Personnel attending an initial training program.

(b) Coach Practicum Program. In addition to the Initial Training outlined above, Franchisee shall ensure that the designated Coach(es) associated with its Facility complete

the Coach Practicum Program training program no later than one hundred twenty (120) days after that person's hiring as outlined in the Manual. Franchisor reserves the right to change any portion of the Coach Practicum Program in its sole discretion and require Franchisee's compliance therewith.

(c) Manager Practicum Program. In addition to the Initial Training outlined above, Franchisee shall ensure that its Operations Manager completes the Manager Practicum Program training program no later than one hundred twenty (120) days after that person's hiring as outlined in the Manual. Franchisor reserves the right to change any portion of the Manager Practicum Program in its sole discretion and require Franchisee's compliance therewith.

9.2 Third-Party Training. Prior to opening for business, Franchisee will participate in and complete to Franchisor's satisfaction any training with third-party providers of software, hardware, cameras and other operational aspects of the Franchised Business.

9.3 Subsequent Training. Franchisee will ensure that its Operations Manager and any other employees participate in and complete to Franchisor's satisfaction any additional training or education programs required by Franchisor. If Franchisee seeks to appoint a new Operations Manager, then Franchisee will ensure that the proposed new Operations Manager (if approved by Franchisor) completes all training then required of Operations Managers for new franchisees. Franchisor reserves the right to charge Franchisee its then-current training fee for its required attendance at any subsequent training or training of new Operations Manager(s) and Franchisee will pay for any travel, accommodations, wages, and other costs for its representative attending any subsequent training programs.

9.4 Assistance. Franchisor shall provide such initial and continuing advisory assistance in the operation of the Franchised Business as it deems necessary or advisable. Franchisor will provide such assistance, in Franchisor's discretion, by telephone, facsimile, intranet communication and on-site visits. If Franchisee requires and requests additional on-site assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor will provide Franchisee with such assistance at Franchisor's then-current rate for providing ongoing assistance, plus expenses, including Franchisor's travel and lodging expenses.

9.5 Annual Convention. Franchisor is permitted to establish an annual convention or meeting of franchisees (the "Annual Convention"), which Franchisee and its Operations Manager will attend if required by Franchisor. Franchisor reserves the right to charge a registration fee for attendance at the Annual Convention and Franchisee will pay the travel, accommodations, wages, and all other expenses for its representatives attending the Annual Convention.

## **10. RECORDS AND REPORTING**

10.1 Monthly Reports. At Franchisor's option, if Franchisor requires Franchisee to submit monthly reports, then no later than the fifteenth (15<sup>th</sup>) day of each calendar month, Franchisee will provide to Franchisor in a form and format prescribed by Franchisor a report of all Gross Sales during the preceding month (the "Monthly Report"). Franchisee's submission of the Monthly Report to Franchisor will constitute Franchisee's representation that the contents of the

Monthly Report are accurate to the best of Franchisee's knowledge.

10.2 Records. Franchisee will keep accurate records and books of account in relation to the Franchised Business, including records of all goods and services provided to Athletes, all prices charged, and all Gross Sales received or credited, in a form and detail prescribed or approved by Franchisor in the Manual. Franchisee will acquire at its own expense and use any accounting or other record-keeping software (including any web-based software or system) required by Franchisor. Franchisee will preserve for a period of at least seven (7) years after the end of each fiscal year all books and records related to that year.

10.3 Fiscal Year. Franchisee's fiscal year end will be December 31 unless otherwise mutually agreed upon in writing by Franchisor and Franchisee.

10.4 Annual Reporting. At Franchisor's option, in addition to the Monthly Reports, Franchisee will submit to Franchisor, no later than ninety (90) days after the end of each fiscal year, the following information concerning the fiscal year, certified as correct by Franchisee:

(a) A statement of Gross Sales for the year as finally adjusted and reconciled after the close and review of Franchisee's books and records for the year. If that statement discloses any underpayment of Royalties, Brand Development Fund Contributions, or any other payments due to Franchisor, then Franchisee will pay to Franchisor, at the time of submitting the annual statement, the amount of that underpayment. Any overpayment disclosed by such statement will be credited to Franchisee's account by Franchisor; except that Franchisor is not precluded from disputing whether an overpayment has occurred.

(b) Complete financial statements, including a balance sheet, income statement, profit and loss statement, and statement of changes in financial position, all prepared in accordance with U.S. generally accepted accounting principles consistently applied with prior fiscal years and prepared by a certified public accountant or other state licensed public accountant.

(c) Annual state and local sales tax returns or reports, and federal, state, and local income tax returns.

(d) Metrics and other financial information Franchisor reasonably requests regarding the operation of the Franchised Business.

(e) Any other reports and financial information (including up-to-date personal financial information concerning guarantors of Franchisee) as Franchisor reasonably requires.

10.5 Corporate Records. If Franchisee is an entity, then Franchisee will provide to Franchisor upon request copies of any corporate records, including certificates of incorporation, organization or other documentation establishing Franchisee's entity status, Franchisee's articles of incorporation or organization and bylaws, operating agreement, any shareholder, member or partnership agreement, and documents reflecting entity ownership.

10.6 Inspection and Audit Rights. Franchisor and any designee is permitted, with or

without prior notice, during the regular business hours of the Franchised Business but without undue disturbance to it, to inspect and audit the Franchised Business, including without limitation to enter into the Location or any other Location at which Franchisee maintains records, and to inspect and take copies of any paper or electronic records relating in any way to the Franchised Business. Franchisor is permitted to direct an independent auditor to audit the Franchised Business for any time period for which Franchisee is required to maintain records, and Franchisee will comply with all reasonable requests for records and financial data relating to that audit. If any audit reveals an understatement of Gross Sales of three percent (3%) or more, then Franchisee will immediately reimburse Franchisor for the reasonable costs and expenses of the audit, and will tender to Franchisor any resulting underpayments of fees, together with late fees and interest. Collection of those payments by Franchisor is not an exclusive remedy and does not preclude Franchisor's enforcement of any rights under this Agreement related to Franchisee's non-performance or insufficient performance of obligations. In addition, if any audit reveals an understatement of Gross Sales of five percent (5%) or more, then at Franchisor's option, Franchisee will promptly prepare at Franchisee's sole expense and submit to Franchisor audited financial statements for the prior and current fiscal years, as directed by Franchisor.

10.7 Use of Franchisee Data. Franchisor is permitted to use and disclose any information or data received from, and any other information concerning, Franchisee for any valid business purpose, including without limitation disclosure to current or prospective franchisees, disclosure to current or prospective investors, and disclosure to or as required by any governmental or regulatory authority. Franchisor will make reasonable efforts to maintain the confidentiality of such data within the intended group of recipients.

## **11. FRANCHISEE COVENANTS**

11.1 Restrictive Covenants During the Term of this Agreement. During the Term, neither Franchisee, Franchisee's officers, directors, principals, or Operations Manager, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, principals, or Operations Manager may, directly or indirectly:

(a) own, manage, be employed by, lend money to, extend credit to or participate or serve in any capacity for any gym, fitness center, health club, personal training center, or any other business involved in fitness, wellness, health, weight loss, body building, or any other business offering products and services offered or authorized for sale by System franchisees (a "Competing Business"); provided, however, that this Section does not apply to Franchisee's operation of any other Iron Tribe Fitness Facility;

(b) divert or attempt to divert any business or customer or prospect of the Facility to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

11.2 Restrictive Covenants After the Term of this Agreement. For two (2) years after the transfer, termination, or expiration of this Agreement, neither Franchisee, Franchisee's officers, directors, principals, or Operations Manager, nor any member of the immediate family of

Franchisee or Franchisee's officers, directors, principals, or Operations Manager may, directly or indirectly enter into any business that is competing in whole or in part with Franchisor by granting franchises or licenses to operate a Competing Business.

(a) For two (2) years following the transfer, termination, or expiration of this Agreement, Franchisee will not: (i) own, manage, be employed by, lend money to, extend credit to or participate or serve in any capacity for a Competing Business that is within a radius of fifteen (15) miles from the Location, any Facility of a then-existing franchisee of Franchisor, or from a then-existing Facility operated by Franchisor or its affiliate using the Marks; or (ii) solicit, service, or sell to, directly or indirectly, any Athlete who was an Athlete of the Franchised Business before the effective date of transfer, termination or expiration; except that this covenant will not restrict Franchisee from engaging in general advertising or marketing to the extent not prohibited by Franchisee's non-competition covenant.

11.3 Restrictive Covenants of Franchisee's Owners. Franchisee will ensure that its Owners and Operating Manager execute the Confidentiality and Restrictive Covenant Agreement attached hereto as Exhibit C, containing substantially similar covenants of non-competition, non-solicitation, and non-disclosure as are contained in this Agreement. Franchisor's entry into and continuing obligations under this Agreement are conditioned upon Franchisee's timely delivery of those fully-executed agreements to Franchisor, including from individuals who become Owners subsequent to the execution of this Agreement. At Franchisor's request, Franchisee shall require other key employees to sign the Confidentiality and Restrictive Covenant Agreement.

11.4 Consideration for Covenants; Severability. Franchisee and its Owners give these covenants in part as specific consideration for use of the Marks, for access to the Manual, trade secrets, and other proprietary materials and information related to the System, and for Franchisor's training programs. The unenforceability of all or part of any covenant in any jurisdiction will not affect the enforceability of that covenant in other jurisdictions or the enforceability of the remainder of the covenants or this Agreement. If any covenant is held by a court of competent jurisdiction to be broader in time, scope, or subject matter than legally permitted, then Franchisor and Franchisee hereby state their intent that the court impose that covenant to the maximum lawful extent. Franchisor is permitted at any time to reduce the time, scope, or subject matter of any Franchisee or Owner covenant to render it enforceable under applicable law.

11.5 No Defense. Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 11. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) which Franchisor incurs in connection with the enforcement of this Section 11.

11.6 Owner Guaranty. All Owners hereby personally and unconditionally guarantee without notice, demand, or presentment, the payment of all of Franchisee's monetary obligations under this Agreement, and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions of Franchisee's activities upon transfer, termination, or expiration and nonrenewal of this Agreement

as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors must execute a continuing personal guarantee in the form attached hereto as Exhibit B.

## **12. TRANSFER**

12.1 Assignment, Transfer, or Encumbrance. Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in the Franchised Business without Franchisor's prior written consent, as described more fully in Section 12.2 below. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein. A sale, transfer or encumbrance requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership; (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer of any interest in the limited liability company. Any new partner, shareholder, or member or manager will be required to personally guarantee Franchisee's obligations under this Agreement. Any attempted transfer of any interest in Franchisee, the Franchised Business, or this Agreement, without Franchisor's written consent, will be a default under the terms of this Agreement, and will be voidable by Franchisor. Franchisee is not permitted to and will not offer, sell, or grant any subfranchise in the Franchised Business.

12.2 Minimum Conditions of Transfer. Franchisee acknowledges and agrees that Franchisor's consent to any assignment or transfer will be subject, at a minimum, to the prior performance or demonstration of the following conditions. These conditions are non-exclusive, and Franchisor is permitted to impose any other conditions it deems reasonable in its sole discretion, and is permitted to waive, defer, or modify any of these conditions in its sole discretion.

(a) Franchisee is in full compliance with this Agreement, any other agreement between Franchisee and Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, the Manual, and any other System requirements, including all accrued monetary obligations

(b) Prior to the effective date of transfer, Franchisee has performed all modifications, repairs, updates, upgrades, and renovations required by Franchisor to the Location, to the goods and services offered by the Franchisee, to Franchisee's advertising, marketing and promotional programs, and to Franchisee's computer, financial, and accounting systems.

(c) Prior to the effective date of transfer, Franchisee or the transferee has paid Franchisor a transfer fee of seven thousand five hundred dollars (\$7,500.00).

(d) Franchisee provides to Franchisor in writing the terms of the proposed transfer and Franchisor determines, in its sole discretion, that the terms of the proposed transfer are reasonable and will not unduly hinder the transferee's ability to operate the Franchised Business successfully.

(e) The transferee submits any information or documents then required of new franchisees, and the transferee meets all of Franchisor's subjective and objective standards, including without limitation experience, financial capacity, talent, skills, and qualities of character, applicable to new franchisees and is not in the same business as Franchisor as a licensor, franchisor, independent contractor, or franchisee.

(f) The transferee agrees in writing to assume this Agreement, all ancillary agreements, and all obligations of Franchisee in connection with the Franchised Business. If Franchisor requests, the transferee (or Franchisee if the subject of the transfer is a partial ownership interest in Franchisee) will instead execute any or all of the documents Franchisor then requires of new franchisees, including a guaranty agreement and a franchise agreement in Franchisor's then-current form, which may vary materially from this Agreement, but which is the same generally as other agreements offered at that time by Franchisor; except that, at Franchisor's option, the term of a new franchise agreement will be the standard term offered under the then-current form of agreement or the remaining period of the Term under this Agreement.

(g) Franchisee obtains and submits satisfactory evidence of consent of lenders, lessors, governmental authorities, and any other third parties deemed necessary by Franchisor, for any transfer to the transferee of leases, agreements, permits, approvals, and licenses used in connection with the Franchised Business.

(h) Franchisee and its Owners, and the transferee and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates) execute a general release, in the form specified by Franchisor, of any and all claims accruing prior to the effective date of transfer, in favor of Franchisor and its members, officers, directors, employees, affiliates, and agents, to the extent that release is permitted by applicable law.

(i) The transferee must satisfactorily complete Franchisor's training program at the transferee's expense within the time frame Franchisor sets forth.

(j) Franchisee or transferee will provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of, and agreement to, faithfully perform all of Franchisee's obligations under this Agreement.

(k) Franchisee (and Franchisee's principals if Franchisee is a partnership, corporation or limited liability company), and the members of their respective families must agree to comply with the post-termination provisions of this Agreement.

(l) The transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Facility.

(m) Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor will not be liable for any representations not included in the disclosure document.

(n) Franchisor's approval of the transfer will not constitute a waiver of any claims Franchisor may have against the transferring party.

(o) Franchisor will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchisee's Facility as Franchisee has supplied Franchisor hereunder.

(p) In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.

**12.3 Transfer to a Corporation or Limited Liability Company.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee set forth in Section 12.2(c), and such assignment will not be subject to Franchisor's right of first refusal in Section 12.6:

(a) The corporation or limited liability company is newly organized and its activities are confined to operating the franchised business;

(b) Franchisee is, and at all times remains, the owner of 51% of the outstanding shares of the corporation or a controlling interest in the limited liability company;

(c) The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and

(d) All stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates and execute a non-compete agreement as set forth in Section 11.3 hereof.

**12.4 Non-Exclusive Additional Bases for Denial.** For sake of clarity and without limitation, in addition to the bases identified above, Franchisor also is permitted to deny approval of transfer if Franchisor has elected to discontinue, permanently or temporarily, to sell franchises, either generally or in the geographic area in which the Franchised Business operates or is located; or if Franchisor would not sell a franchise directly to the transferee under normal circumstances.

**12.5 No Security Interest in Agreement or Franchised Business.** No agreement between Franchisee and a transferee will include any provision that grants Franchisee any security interest in this Agreement, the Location, or the Franchised Business without Franchisor's written consent. Franchisee acknowledges and agrees that Franchisor will have no obligation to enforce, and will not be bound by, either directly or indirectly, any terms of any agreement between Franchisee and a transferee.

12.6 Right of First Refusal. No later than five (5) days after receipt by Franchisee of a bona fide offer from a third party acceptable to Franchisee or any offer originated or extended by Franchisee and agreed to by a prospective purchaser, to purchase or acquire all or part of Franchisee or the Franchised Business (the “Assets”), Franchisee will deliver to Franchisor a signed copy of the complete offer. Franchisor or its assignee is then permitted to purchase and acquire the Assets and Franchisee’s rights under this Agreement at the same price and on the same terms and conditions as offered to Franchisee. Franchisor is permitted to substitute cash for any other form of consideration contained in the offer and to pay the entire purchase price at closing. If Franchisor elects to exercise this right to purchase, it will do so in writing and no later than thirty (30) days after receiving Franchisee’s notice. If Franchisor does not exercise this right to purchase within thirty (30) days, then subject to the other transfer provisions in this Agreement, Franchisee is permitted to transfer the Assets to the offeror, but only on the terms disclosed to Franchisor in writing. If the terms of the offer materially change at any time prior to transfer, then Franchisee will notify Franchisor of such change, and Franchisor will have a renewed right of first refusal as provided in this Section. If Franchisee does not transfer the Assets to the offeror within ninety (90) days from the date on which Franchisee delivered a signed copy of the complete offer to Franchisor, then Franchisee will again extend this first right of refusal to Franchisor before making any transfer or assignment.

12.7 Sales of Securities. In addition to its other obligations, if Franchisee sells or offers to sell securities or other ownership interests in Franchisee such that that sale is regulated by any applicable law, then Franchisee will: (i) fully comply with all applicable laws; (ii) disclose to offerees and purchasers that neither Franchisor nor its employees, affiliates or agents are an issuer or underwriter, or are in any way liable or responsible for the offering; (iii) ensure that Franchisor has a reasonable time to review any reference to Franchisor or its franchisees in any prospectus or offering documents before Franchisee uses or distributes them; (iv) pay Franchisor’s actual legal costs incurred for its review; (v) defend and indemnify Franchisor, its officers, directors, employees, affiliates, and agents from any liability, cost, damage, claim, and expense and from ongoing obligations to shareholders and to governmental agencies arising out of or relating to the offer, sale, or continuing investment; and (vi) sign any further indemnities and provide any further assurances Franchisor reasonably requires.

12.8 Transfer or Assignment by Franchisor. Franchisor is permitted to sell or assign this Agreement and its rights in this Agreement in whole or in part, and to sell or issue stock, other ownership interests, or its assets, wholly or in part, whether privately or publicly, provided the Assignee assumes Franchisor’s obligations hereunder. Franchisor also is permitted to assign performance of its rights and obligations under this Agreement to any affiliate or third party, or to retain any affiliate or third party to perform those obligations and to receive the benefit of those rights. Franchisee acknowledges and agrees that a transferee of Franchisor’s rights in this Agreement may require Franchisee to discontinue use of the existing Marks and begin using alternate trademarks, service marks, and trade dress, to adopt new elements and discontinue existing elements of the System, and to adhere to new policies and procedures under the Manual, and Franchisee will comply with any such requirements.

### **13. DEATH OR INCAPACITY OF FRANCHISEE**

13.1 Death or Incapacity Defined. For the purposes of this Agreement, Franchisee’s

death or incapacity will be deemed to have occurred upon any of the following:

(a) If Franchisee is an individual, Franchisee dies or, according to reasonable medical opinion, becomes mentally or physically incapacitated for a substantial period of time.

(b) If Franchisee is an entity, an Owner of fifty percent (50%) or more of Franchisee dies or, according to reasonable medical opinion, becomes mentally or physically incapacitated for a substantial period of time.

13.2 Notification by Heirs or Estate. Franchisee or its heirs or estate will notify Franchisor in writing within thirty (30) days after Franchisee's death or incapacity (the "Incapacity Notice"). If the heirs or estate of Franchisee desire to continue operating the Franchised Business, then the Incapacity Notice will include the following:

(a) The identity of the heir(s) or attorney(s)-in-fact expected to inherit or control Franchisee's or the deceased or incapacitated Owner's interest in the Franchised Business (each an "Heir" or collectively the "Heirs") and the basis for that expectation.

(b) A summary of the heir(s) plan for the transition of the Franchised Business to new ownership or control.

(c) The identity of a qualified individual who is immediately available to perform, on an interim basis, any functions previously performed by Franchisee or the deceased or incapacitated Owner in connection with the Franchised Business.

(d) Written confirmation of the Heirs' intent to assume any personal liability required by any vendor or supplier and to execute any guaranty and other ancillary agreements required by Franchisor of Franchisee or the deceased or incapacitated Owner.

13.3 Heirs' Responsibilities Upon Acceptance. If Franchisor allows the Heir to continue operation of the Franchised Business, such Heir must execute Franchisor's then-current franchise agreement for the unexpired term of the franchise, or furnish a personal guaranty of any partnership, corporate or limited liability company franchisee's obligations to Franchisor and Franchisor's affiliates, and successfully complete Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate).

13.4 Franchisor Option. Subject to Section 13.2, upon the death or incapacity of Franchisee, Franchisor will have the option, which it will exercise within thirty (30) days of Franchisor's receipt of the Incapacity Notice:

(a) To terminate this Agreement, with an effective date of termination of ninety (90) days after Franchisor's written notice of such election. The parties acknowledge and agree that such a termination is for good cause; or

(b) If the Heirs of Franchisee or Franchisee's deceased or incapacitated Owner have stated in the Incapacity Notice that they desire to continue operating the Franchised Business,

to permit the transfer of Franchisee's interest in the Agreement to one or more Heirs pursuant to the transfer provisions herein and subject to all corresponding terms, conditions, and qualifications; except that Franchisor will not exercise any right of first refusal with respect to that transfer.

13.5 No Liability to Contesting Heirs. Franchisee will defend, indemnify, and hold harmless Franchisor from any claim relating to the identity of the rightful heirs of the estate of a deceased Franchisee or Owner or the legitimacy of any appointment of an attorney-in-fact or other representative of an incapacitated Franchisee or Owner. Franchisor is entitled to rely upon any representation by any individual reasonably purporting to be a rightful heir or duly-appointed attorney-in-fact or representative and any other reasonable indicia of entitlement to ownership or control of Franchisee or the Franchised Business. If a dispute among any claimants clouds the ownership or control of Franchisee or the Franchised Business, then Franchisor is permitted to terminate this Agreement for good cause upon thirty (30) days written notice. Franchisor is under no obligation to operate the Facility or incur any obligation on behalf of any incapacitated franchisee.

13.6 Franchisor's Appointment of Interim Manager. At any time after the death or incapacity and before the appointment (if any) of an approved Operations Manager, Franchisor is permitted to appoint an interim manager to operate the Franchised Business. Franchisee will compensate that interim manager directly at a rate reasonably determined by Franchisor, and the interim manager will be considered an agent of Franchisee. During any period in which the Franchised Business is operated by the interim manager, Franchisee will remain obligated to all creditors and other third parties for all debts, obligations, and contracts relating to the Franchised Business, and Franchisee will remain solely responsible for any loss or damage incurred by the Franchised Business.

## **14. INDEMNIFICATION AND INSURANCE**

14.1 Franchisee Indemnification. Franchisee will protect, defend, indemnify and hold harmless Franchisor, its members, officers, directors, employees, affiliates, and agents against any and all claims, demands, actions, causes of action, losses, damages, costs, suits, judgments, debts, losses, fines, assessments, taxes, liens, attorneys' fees, disbursements, penalties, expenses, and liabilities of any kind or nature arising directly or indirectly from: (i) the operation of Franchisee's Facility, including the use, condition, or construction, equipping, decorating, maintenance or day-to-day operation of the Facility, the sale of any service or merchandise sold from the Facility, and Franchisee's advertising; (ii) Franchisee's use of the Marks; (iii) the transfer of any interest in this Agreement or Franchisee's Facility in any manner not in accordance with this Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (v) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals. Franchisee's duties to defend, indemnify, and hold harmless will not be affected by the fact that a claim is asserted directly against Franchisor for alleged acts or omissions by Franchisor, so long as this Section otherwise would apply.

14.2 Notice and Defense of Claims Against Franchisor. Franchisee will promptly notify Franchisor in writing of any notices received or claims made (whether orally or in writing) indicating any person's intent to assert any claim or initiate any action against Franchisee or Franchisor, and Franchisee will use its best reasonable efforts to prevent such claim or action. If any suit or other legal action within the scope of Franchisee's above duty to defend, indemnify, and hold harmless is initiated against Franchisor and known to Franchisee, then Franchisee will immediately notify Franchisor in writing, and, at Franchisor's request, will appoint counsel on Franchisor's behalf and at Franchisee's expense, to defend such suit or action. Franchisor and Franchisee will cooperate in good faith in the defense of such suit or action and in resolving where possible any conflicts of interest to allow a single attorney or law firm to represent all defendants or respondents, but Franchisee will bear all associated costs and fees, and will reimburse Franchisor if Franchisor incurs any material administrative expenses or incurs any fees for its own legal counsel's involvement or oversight.

14.3 Franchisor Indemnification. Franchisor may, in its sole discretion, indemnify Franchisee against any losses or damages incurred by Franchisee as a result of any successful claim of trademark infringement brought by a third party that is related solely to Franchisee's authorized use of the Marks in accordance with the terms of this Agreement.

14.4 Insurance. Franchisee will procure and maintain general comprehensive liability and business automobile liability insurance, with policy limits in amounts specified by Franchisor in the Manual. To the extent available, Franchisor is permitted to require Franchisee to obtain insurance for contractual liability, errors and omissions, and employer's liability (workers' compensation), with policy limits in amounts specified by Franchisor in the Manual. Franchisee will ensure that all insurance policies name Franchisor and its members, officers, directors and employees as additional insureds (on a primary and non-contributory basis), and contain a waiver of subrogation in favor of Franchisor and its shareholders, officers, directors and employees. Franchisor is permitted to establish reasonable minimum standards for coverage to be met by underwriters for insurance, which Franchisor will state in the Manual. Before opening for business, Franchisee will provide Franchisor with certificates of insurance for all policies and will obtain any other insurance required by law. Franchisee will maintain in good standing all required insurance during the Term of this Agreement, and will immediately notify Franchisor of any lapse, alteration, or cancellation or any policy or coverage. Franchisor is permitted to acquire any insurance coverage or pay any insurance premium on Franchisee's behalf, in which case Franchisee shall pay Franchisor, on demand, the premium cost thereof and administrative costs of eighteen percent (18%) in connection with Franchisor's obtaining the insurance. Franchisor is entitled to make any reasonable revision to any insurance requirements herein upon reasonable notice to Franchisee. All insurance policies must be written by an insurance company with a Best's Insurance Guide minimum rating of A-VI or better. All policies must include a waiver of subrogation in favor of Franchisor. In addition to the information listed above, Franchisee shall carry such insurance as may be required by the lease of the Location, by any lender or equipment lessor Franchisee selects, and such worker's compensation insurance as may be required by applicable law.

14.5 Minimum Coverage. At a minimum and subject to additional requirements that Franchisor is permitted to establish in its sole discretion, Franchisee's insurance will cover all claims for injury, damage (including property damage), and death that arise directly or indirectly

out of the Franchised Business. Franchisor makes no representation or warranty that compliance with these insurance requirements will insure or protect Franchisee against all insurable risks or losses. As of the Effective Date of this Agreement, Franchisor's minimum coverage amounts for each required coverage are:

(a) **Commercial General Liability:** Including contractual liability and products-completed operations coverage, with limits of one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) general aggregate applicable to bodily injury and property damage, and personal and advertising injury.

(b) **Automobile Liability:** Including contractual liability, insuring owned, non-owned, hired and all vehicles used by the Franchised Business, with coverage of not less than two hundred fifty thousand dollars (\$250,000) per person and not less than five hundred thousand dollars (\$500,000) per occurrence for bodily injury and property damage.

(c) **Workers' Compensation and Employers' Liability:** As required by any state in which the Franchised Business operates, but no less than Workers' Compensation coverage of one million dollars (\$1,000,000).

(d) **Special Form Property Insurance** coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of Franchisee's Facility.

(e) **Professional Liability Insurance**, containing minimum liability protection of one million dollars (\$1,000,000) combined single limit per occurrence, and three million dollars (\$3,000,000) in the aggregate.

(f) **Umbrella Liability:** Limits of one million dollars (\$1,000,000) per occurrence and aggregate, and must list Commercial General Liability, Automobile Liability, and Workers' Compensation/ Employers' Liability Policies as scheduled immediately underlying policies.

(g) **Subrogation:** Franchisee will ensure that all policies are endorsed to provide that Franchisee's insurers waive any right of subrogation against Franchisor.

14.6 **Claims Cancellation.** Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within 24 hours. Franchisee has a 24 hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, nonrenewal or material modification, except upon at least thirty (30) calendar days' prior written notice from the insurance carrier to Franchisor. Franchisee must submit a certification of insurance which demonstrates compliance with this Section.

14.7 **Notice of Insurance-Related Claims.** Franchisee will notify Franchisor in writing of any act, omission, or event that could materially affect Franchisee or the Franchised Business, and will provide that notice no later than the date on which Franchisee notifies any insurance carrier of such act, omission, or event.

14.8 Modification of Requirements. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days prior written notice to Franchisee, and Franchisee will comply with any such modification within the time period specified in said notice.

14.9 Insurance and Indemnification Are Separate Obligations. Franchisee's compliance with the insurance requirements herein, and the availability of insurance coverage to defend and indemnify Franchisor, will not relieve Franchisee of its obligations under the indemnification provisions of this Agreement, which are separate and independent. If any Franchisee insurer denies or limits coverage to Franchisor for any claim falling within the scope of the applicable policy or Franchisee's obligations herein, then Franchisee will provide that defense and indemnity directly.

## 15. TERMINATION

15.1 Automatic Termination. Franchisor is permitted to terminate this Agreement immediately if Franchisee:

(a) makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business;

(b) has proceedings commenced against it to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within sixty (60) days;

(c) attempts to assign, transfer, or make unauthorized use of the Marks, or discloses or makes unauthorized use of the Manual or other confidential materials or information; or

(d) purports to sell, transfer or otherwise dispose of Franchisee or any interest in the Franchised Business in violation of Section 12 hereof;

15.2 With Notice and Without Opportunity to Cure. Franchisor has the right to terminate this Agreement upon notice without providing Franchisee an opportunity to cure for any of the following breaches or defaults:

(a) If Franchisee or Franchisee's principals have misrepresented or omitted material facts in its application or other materials provided to Franchisor prior to the parties' entering into this Agreement;

(b) If Franchisee abandons or ceases operation of the Franchised Business or ceases to communicate with Franchisor;

(c) If Franchisee itself or through any Owner is held liable for, is convicted of, or pleads guilty or no contest to a felony or any other law relevant to the Franchised Business;

(d) If Franchisee fails to meet the required schedule to obtain the Location, complete construction, and open for business within the time prescribed in Section 6.4 hereof.

(e) If Franchisee or Franchisee's principals commit any fraud or misrepresentation in the operation of Franchisee's Facility.

(f) If Franchisee fails to successfully complete initial training as provided in Section 9.1 hereof.

(g) If Franchisor sends Franchisee three (3) or more written notices to cure pursuant to Sections 15.3 or 15.4 hereof in any twelve (12) month period.

(h) If Franchisee or the Owners materially breach any other agreement with Franchisor or any of Franchisor's affiliates, or the lease for the Location, or threaten any material breach of any such agreement or Lease, and fail to cure such breach within any permitted period for cure.

(i) If Franchisee violates any health, safety or sanitation law, ordinance or regulation, including those regulating health and fitness centers, or operates the Facility in a manner that presents a health or safety hazard to customers, or the general public.

(j) If Franchisee violates the in-term restrictive covenant contained in Section 11.1 hereof.

(k) If a levy of writ of attachment or execution or any other lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within thirty (30) days.

(l) If Franchisee or any of Franchisee's principals become insolvent.

(m) If Franchisee offers any unauthorized and unapproved products or services at or from the Facility.

(n) If Franchisee orders or purchases supplies, signs, services, furnishings, fixtures, equipment or inventory from any currently unapproved supplier.

(o) If Franchisee misuses or makes unauthorized use of Franchisor's proprietary software program, if any.

(p) If Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fails to adhere to the requirements of Section 14.5 hereof.

(q) If Franchisee fails, within fifteen (15) calendar days after notification of non-compliance by federal, state or local government authorities, to comply with any law or regulation applicable to the Facility.

(r) If any government action is taken against Franchisee that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

(s) If Franchisee fails to comply with the anti-terrorism provisions of Section 19.17 hereof.

(t) If Franchisee takes for Franchisee's own personal use any assets or property of the Facility, including employee taxes, FICA, insurance or benefits.

(u) If there are insufficient funds in Franchisee's bank account to cover a check or EFT payment to Franchisor three (3) or more times within any twelve (12) month period.

15.3 Upon 15 Days' Notice to Cure. Franchisor has the right to terminate this Agreement if any of the following defaults remain uncured after providing notice and expiration of the fifteen (15) day cure period:

(a) If Franchisee fails to pay as and when due any sums owed to Franchisor, any of Franchisor's affiliates, or any of Franchisor's designated suppliers.

(b) If any audit reveals that Franchisee has understated Franchisee's Royalty or advertising payments, or Franchisee's local advertising expenditures, by more than three percent (3%), or if Franchisee has failed to submit timely reports and/or payments for any two (2) reporting periods within any twelve (12) month period, as described in Section 11 hereof.

(c) If Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously remitted to Franchisee.

(d) If Franchisee fails to maintain sufficient levels of inventory to adequately meet consumer demand.

(e) If Franchisee fails to maintain the prescribed days or hours of operation at the Facility.

(f) If Franchisee fails, in Franchisor's sole discretion, to personally supervise the day-to-day operation of the Facility or fails to employ a sufficient number of qualified, competent trained personnel as Franchisor requires from time to time.

(g) If Franchisee fails to maintain the strict quality controls reasonably required by this Agreement and/or the Manual.

(h) If Franchisee conducts itself in a manner that, although not criminal, reflects adversely on the System, the Marks, or the services or products offered through the System.

(i) If Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Facility.

15.4 Termination by Franchisor After 30-Day Opportunity to Cure. If Franchisee violates any material provision of this Agreement, then Franchisor is permitted to terminate this Agreement if Franchisee does not fully cure that violation within thirty (30) days after receiving written notice of default from Franchisor. If Franchisee's violation is not reasonably susceptible to cure, then Franchisor has the option to: (i) terminate this Agreement immediately upon written notice; or (ii) require Franchisee to take any remedial measures prescribed by Franchisor in Franchisor's sole discretion, and if Franchisee fails to implement those remedial measures in the time and manner required by Franchisor, then Franchisor is permitted to terminate this Agreement immediately upon subsequent notice.

15.5 Cross-Default. If any act or omission would give rise to Franchisor's right to terminate another franchise agreement between, on the one hand, Franchisor or an affiliate of Franchisor, and on the other hand, Franchisee, the Operations Manager, or any entity that is majority-owned by one or more Owner of Franchisee, then Franchisor is entitled to terminate this Agreement in the same manner and upon the same notice (if any) required by such other franchise agreement.

15.6 Remedies Other Than Termination. If Franchisee commits any act or omission that would give rise to Franchisor's right to terminate, then Franchisor is permitted to, instead of or in addition to terminating, withhold, postpone, or forgo any services, payments, access to any electronic systems or other materials, or any other obligations imposed on Franchisor by this Agreement or the Manual, until Franchisee has cured its violation or has otherwise remedied the default to Franchisor's satisfaction.

15.7 Step In Rights. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter upon the Facility Location and exercise complete authority with respect to the operation of the Facility until such time as Franchisor determines, in Franchisor's sole discretion, that the default has been cured and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with Franchisor's operation of Franchisee's Facility including, without limitations, costs of personnel for supervising and staffing the Facility and their travel and lodging accommodations. If Franchisor undertakes to operate the Facility pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's operation of the Facility.

15.8 Nonwaiver. Franchisor's delay in exercising or failing to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due hereunder shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

15.9 Final Charges. In the event of termination for any default by franchisee, franchisee shall promptly pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Franchised Business.

## **16. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION**

16.1 Franchisee's Obligations. Upon expiration, termination, or transfer of this Agreement, all covenants, guarantees, and other post-termination obligations will remain in effect. In addition:

(a) Franchisee will pay all Royalties, Brand Development Fund Contributions, and any other fees based on Gross Sales for all Gross Sales received through the effective date of expiration, termination, or transfer, on the date those fees would have been due but for the expiration, termination, or transfer, and will pay all other amounts then due.

(b) Franchisee will promptly return to Franchisor at Franchisee's expense the Manual, any item bearing the Marks, along with all other manuals and Confidential Information Franchisor loaned to Franchisee, as well as any other copyrighted or proprietary materials or software relating to the System in Franchisee's possession, custody, or control;

(c) Franchisee will immediately cease doing any business under or associated with the Marks and immediately and permanently cease use of any Confidential Information.

(d) Franchisee will cancel any trade name registrations that use any Mark or derivative of any Mark, and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after the termination, expiration or transfer of this Agreement; and will refrain from identifying itself as a franchisee or licensee of Franchisor.

(e) Franchisee will remove from the Location and any other property in Franchisee's possession, custody, or control all Marks and signs displaying any Marks, including any trade dress associated with Franchisor or the System.

(f) Franchisee will immediately cease using all telephone numbers and listings, facsimile numbers and listings, and Internet listings used in connection with the operation of the Franchised Business and direct the applicable company to transfer all such numbers and listings to Franchisor or Franchisor's designee pursuant to the Conditional Assignment of Telephone Numbers attached hereto as Exhibit E or, if Franchisor directs, to disconnect the numbers and delete the listings;

(g) Franchisee will allow Franchisor or its designee to verify Franchisee's compliance with all post-termination obligations, and will allow Franchisor to make a final inspection and audit of Franchisee's books, records, and accounts.

(h) Franchisee will immediately vacate the Location if Franchisor exercises Franchisor's rights pursuant to the Conditional Assignment of Lease attached hereto as Exhibit D;

(i) Franchisee will cease to use in advertising or in any other manner, any methods, procedures or techniques associated with Franchisor or the System;

(j) Franchisee will execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 16.

(k) Franchisor will be entitled to exercise all other remedies available under this Agreement or by law.

#### 16.2 Option to Purchase Personal Property.

(a) Upon the termination or expiration of this Agreement, Franchisor or Franchisor's designee shall also have the option, but not the obligation, to purchase any personal property used in connection with operation of Franchisee's Facility by providing Franchisee written notice of Franchisor's election within sixty (60) days after such termination or expiration and paying Franchisee the book value for such personal property within sixty (60) days of such notice. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a five (5) year depreciation schedule, irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises its right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Facility, or Franchisor may require that Franchisee close the Facility during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase personal property. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

(b) Exclusions. Franchisor may exclude from the personal property purchased hereunder cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Facility's operation or that Franchisor

has not approved as meeting standards for the Facility.

## 17. DISPUTE RESOLUTION

17.1 Internal Dispute Resolution. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as set forth in Section 19.12 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

17.2 Mediation. At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 17.1 above, must be submitted first to non-binding mediation, in or near Jefferson County, Alabama under the auspices of the American Arbitration Association ("AAA"), in accordance with the AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and Franchisor and Franchisee shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement.

(a) The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 17.2 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

1. Any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information;
2. Any claims pertaining to or arising out of any warranty issue;
3. Any of the restrictive covenants contained in this Agreement; or
4. Any claims to collect past due amounts owed to us or our affiliates.

(b) Franchisor is permitted to seek immediate injunctive relief in the state or federal courts in any court with personal jurisdiction over Franchisee if Franchisee is violating or threatening to violate any restrictive covenant in this Agreement or if Franchisee is infringing on Franchisor's rights in the Marks. In such an action, Franchisor is permitted but not obligated to assert any other existing claims against Franchisee.

17.3 Selection of Venue. The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Jefferson County, Alabama and the jurisdiction and venue of the United States District Court for the Northern District of Alabama. Franchisee acknowledges that this Agreement has been entered into in the State of Alabama, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Jefferson County, Alabama. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Alabama set forth above. Nothing contained in this Agreement shall prevent Franchisor from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests.

17.4 Third Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Section 17, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Franchisee.

17.5 Prior Notice of Claims. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

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

17.7 Governing Law. This Agreement shall be governed by the laws of the State of Alabama.

17.8 Attorney's Fees. If Franchisee is in breach or default of any monetary or nonmonetary material obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Facility. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount

awarded as part of the judgment in the proceeding.

17.9 Limitation of Action. Franchise further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

(a) Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

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

17.11 WAIVER OF JURY TRIAL. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

## **18. FRANCHISEE REPRESENTATIONS AND WARRANTIES**

18.1 Franchisee's Independent Investigation. Franchisee acknowledges and agrees that its operation of its Franchised Business may be governed by federal, state, and local laws, regulations, ordinances, and licensing and permitting requirements. Franchisees acknowledges and warrants that, prior to entering into this Agreement, Franchisee has performed its own investigation and analysis of applicable law and the local market for this industry and has determined, to its full satisfaction, that Franchisee will be able to offer the authorized goods and services to Athletes at the Location sufficiently to allow Franchisee to operate a successful business. Franchisee acknowledges that it is entering into this Agreement as a result of its own independent investigation to the Franchised Business and not as a result of any representations about Franchisor or the System made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in

this Agreement, or in any disclosure document, prospectus, or similar document required or permitted to be given to Franchisee pursuant to applicable law.

18.2 No Reliance on Franchisor to Investigate. Franchisee represents and warrants that it has not relied and is not relying on Franchisor to perform any investigation or analysis of any laws, regulations, or market conditions that might affect Franchisee's operation at the Location, and further acknowledges that Franchisor has made no representation about Franchisee's ability to lawfully operate the Franchised Business.

18.3 Risk of Operations. Franchisee recognizes the uncertainties of the Franchised Business, and therefore acknowledges that, except as specifically set forth in this Agreement, no representations or agreements have been made to or with Franchisee regarding the success or profitability of the Franchised Business or the suitability of the Location.

18.4 Legal Authority to Operate. Franchisee represents and warrants that it has the full legal authority to operate the Franchised Business, and if an entity has been duly incorporated and authorized in whatever manner required by and among its Owners. Franchisee will ensure that it remains fully licensed and authorized to operate the Franchised Business for the Term of this Agreement.

18.5 Receipt of Documents. Franchisee acknowledges that this Agreement and Franchisor's Franchise Disclosure Document, or "FDD", have been in Franchisee's possession for at least fourteen (14) days before Franchisee signed this Agreement and before Franchisee's payment of any monies to Franchisor, refundable or otherwise, and that any material changes to this Agreement were memorialized in writing in this Agreement for at least seven (7) days before Franchisee signed this Agreement. Franchisee represents and warrants that before signing this Agreement, Franchisee was given ample opportunity to review and examine Franchisor's disclosure document and this Agreement. NO ORAL, WRITTEN OR VISUAL CLAIM OR STATEMENT THAT CONTRADICTS THE DISCLOSURE DOCUMENT WAS MADE, AND FRANCHISEE ENTERS INTO THIS AGREEMENT WITHOUT RELIANCE ON ANY STATEMENT OR REPRESENTATION MADE BY ANY PERSON EXCEPT AS INCLUDED IN THIS AGREEMENT OR THE DISCLOSURE DOCUMENT.

18.6 No Personal Liability. Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

18.7 Execution of Agreement. EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP, CORPORATION OR LIMITED

LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS OR HER CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP, ALL OF THE SHAREHOLDERS OF THE CORPORATION OR ALL OF THE MEMBERS/MANAGERS OF THE LIMITED LIABILITY COMPANY, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER INTERESTS IN THE PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY.

## **19. GENERAL PROVISIONS**

19.1 Relationship of the Parties. Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's Facility, and neither party to this Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards and contractual agreements entered into by Franchisee shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice, in the place Franchisor designates, that Franchisee operates Franchisee's Facility as an independently owned and operated Iron Tribe Fitness franchise and that Franchisee independently owns and operates the Facility as a System franchisee. At Franchisor's request, Franchisee must prominently display a "Franchises Available" sign in the form Franchisor prescribes and in the place that Franchisor designates. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor.

19.2 Compliance with Law and Tax Regulations. Franchisee will comply with all applicable laws, regulations and legal requirements in the operation of the Franchised Business and to the extent this Agreement is inconsistent with applicable law, such applicable law shall prevail. Franchisee will promptly pay when due all taxes, fees, debts, expenses, and assessments of the Franchised Business, including payroll taxes. Franchisee will take all reasonable actions not to permit a tax sale or seizure by levy of execution or similar writ or warrant to occur.

19.3 Warranties and Guarantees. Franchisor is not liable for any guarantee or warranty Franchisee makes or offers to any Athlete or other person.

19.4 Entire Agreement. This Agreement, including all exhibits and addenda, constitutes the parties' entire agreement and supersedes all prior negotiations, commitments, and representations; except that Franchisee's representations and information provided in conjunction with its application to become a franchisee survive this integration, and Franchisor is permitted to continue to rely on the accuracy and truthfulness of such representations and information; and

Franchisee is permitted to continue to rely on the accuracy and truthfulness of the representations made by Franchisor in any franchise disclosure document that Franchisor was required to provide and did provide to Franchisee.

19.5 Business Judgment. Franchisor and Franchisee acknowledge and agree that this Agreement grants Franchisor the discretion to make certain decisions, to vary the terms or conditions of other franchisees' agreements or its enforcement of rights under those agreements, and to take or forgo business-related actions in a manner that may favorably or adversely affect Franchisee's interests. Franchisor will use its business judgment in exercising its discretion based in part on its assessment of its own interests and the interests of all franchisees, which may outweigh the interests of Franchisee. Franchisee agrees that Franchisor will have no liability to Franchisee for the exercise of Franchisor's discretion in this manner, and that even if Franchisor has multiple motives for a particular action or decision, so long as at least one motive is a reasonable business justification, that single motive will eliminate any liability by Franchisor to Franchisee related to that action or decision.

19.6 Other Franchisees. Franchisee acknowledges and agrees that, to the extent Franchisor enters into other franchise agreements with other franchisees, Franchisor is not obligated to enforce its rights under those agreements for the benefit of Franchisee. In particular, but without limitation, Franchisee acknowledges and agrees that Franchisor is not obligated to enforce any right to restrict the area or territory in which any other franchisee operates its franchised business, so long as Franchisor does not explicitly grant any rights to other franchisees that would violate any territorial limitations contained in this Agreement.

19.7 Consent. Unless otherwise specified, any provision that refers to Franchisor's "consent" will mean Franchisor's prior written consent, which consent Franchisor is permitted to withhold or deny for any reason in its sole discretion.

19.8 Cumulative Remedies. The rights and remedies herein are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

19.9 Further Documentation. The parties will acknowledge, execute and deliver all further documents, instruments or assurances and will perform all further acts or deeds as may be reasonably required to carry out the terms and conditions of this Agreement.

19.10 Surviving Provisions. Without limitation, the terms and conditions of this Agreement that by their nature require performance or forbearance after transfer, expiration or termination, that impose any obligation to defend or indemnify, or that relate to the resolution of disputes arising out of this Agreement, remain enforceable notwithstanding the transfer, termination, or expiration of this Agreement. This Agreement inures to the benefit of and is binding on the respective heirs, legal representatives, successors, and permitted assigns of the parties, subject to the restrictions on transfer herein.

19.11 Execution, Amendment, and Modification. The submission of this Agreement to Franchisee does not constitute an offer by Franchisor. This Agreement will only become effective when it has been executed by duly-authorized representatives of both Franchisor and Franchisee.

No modification or amendment of this Agreement will be effective unless it is in a writing signed by authorized representatives of Franchisor and Franchisee, except that Franchisor is permitted to modify unilaterally the Manual and other System specifications and directives as provided herein, and Franchisee will be obligated to comply with those modified specifications and directives.

19.12 Notice. Either party delivering to the other any written notice required under this Agreement will provide that notice by traceable means to the contact information identified below. The party serving the notice will have the burden of establishing that notice was received by the other party, but receipt will be deemed proven by any third party carrier's or process server's written verification (including a standard form receipt in paper or electronic form) of its delivery of the notice to the other party or to the contact information identified below. Each party is permitted to change its contact information by delivering written notice to the other identifying the new information. Unless a party notifies the other of alternative contact information, all notices will be sent:

If to Franchisor:  
Iron Tribe Franchise, LLC  
300 27<sup>th</sup> Street South  
Birmingham, Alabama 35233  
Phone: (205) 226-8669  
Email: [forrest@IronTribeFitness.com](mailto:forrest@IronTribeFitness.com)

With a copy to:  
Lane Fisher, Esq.  
Fisher Zucker LLC  
21 S. 21<sup>st</sup> Street  
Philadelphia, PA 19103

If to Franchisee:  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_  
Fax: \_\_\_\_\_  
Email: \_\_\_\_\_

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

19.14 Severability. If any part of this Agreement, for any reason, is declared invalid by a court of competent jurisdiction, then that declaration will not affect the validity or enforceability of any remaining portion. The remaining portion will remain in force and effect as if this

Agreement were executed with the invalid portion eliminated or curtailed.

19.15 Currency. All monetary figures in this Agreement are described in United States Dollars, and the parties will make all payments in that currency.

19.16 Force Majeure. If, as a result of hurricane, tornado, typhoon, flooding, lightning, blizzard and other unusually severe weather, earthquake, avalanche, volcanic eruption, fire, riot, insurrection, war, terrorist attack, explosion, unavoidable calamity or other act of God (a “Force Majeure”), compliance by either party with the terms of this Agreement is rendered impossible or would otherwise create an undue and commercially unreasonable hardship upon that party, then both parties will be excused from their respective obligations hereunder for the duration of the Force Majeure and for a reasonable recovery period thereafter, but otherwise this Agreement will continue in full force and effect.

19.17 Anti-Terrorist Activities. Franchisee certifies that neither Franchisee, nor Franchisee’s owners, principals, employees nor anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (the “Annex”). Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee’s owners, principals, employees, or anyone associated with Franchisee being listed in the Annex. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor’s efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee’s property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that Franchisee and Franchisee’s owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee’s indemnification responsibilities as provided in Section 14.1 of this Agreement pertain to Franchisee’s obligations under this Section 19.17. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee’s owners, principals or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor’s affiliates in accordance with the terms of Section 15.5 of this Agreement. As used herein, “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts or acts of war.

19.18 Execution by Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original. Franchisee acknowledges that this Agreement will not take effect until accepted and executed by Franchisor.

**EXECUTED on the date below and effective as of the Effective Date by and between:**

**IRON TRIBE FRANCHISE, LLC**

**[FRANCHISEE]**

By: \_\_\_\_\_  
Forrest Walden, Managing Member

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

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

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

**EXHIBIT A**  
**LICENSED MARKS**

The Marks licensed to Franchisee under this Agreement are the following:

1. Iron Tribe Fitness, USPTO Registration No. 3,806,448
2. Iron Tribe Fitness (design mark), USPTO Registration No. 4,458,595
3. Chevron (design mark), USPTO Registration No. 4,455,167

Acknowledged by Franchisor, and replacing any prior version of this Exhibit A:

IRON TRIBE FRANCHISE, LLC

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

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

## EXHIBIT B

### GUARANTY OF PERFORMANCE

This Guaranty and Assumption of Obligations is given this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by \_\_\_\_\_ (whether one or multiple persons or entities, the “Guarantor”).

1. In consideration of, and as an inducement to, the execution of the Franchise Agreement (the “Franchise Agreement”) by Iron Tribe Franchise, LLC (“Franchisor”), and \_\_\_\_\_ (“Franchisee”), Guarantor hereby personally and unconditionally: (i) guarantees to Franchisor, and its successor and assigns, for the term of the Franchise Agreement and as provided in the Franchise Agreement, that Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and (ii) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Guarantor waives the right to assert as a defense to Franchisor’s claims under this Guaranty that Franchisor had the right to procure any insurance on Franchisee’s account.

2. Guarantor waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (iv) any right Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability.

3. Guarantor consents and agrees that: (i) Guarantor’s direct and immediate liability under this Guaranty is joint and several; (ii) Guarantor will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (iii) liability is not contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) liability is not diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which is continuing and irrevocable during the term of the Franchise Agreement.

4. Guarantor represents and warrants that, by signing the Guaranty: (i) any financial statements and other financial information that Guarantor has submitted to Franchisor are limited to the separate property of Guarantor and any marital property (community property) against which Franchisor is entitled to enforce its rights under this Guaranty and do not include any separate property of Guarantor’s spouse against which Franchisor may not enforce this Guaranty; and (ii) if no signature appears below for Guarantor’s spouse, Guarantor is either not married or, if married, is a resident of a state that does not require the consent of both spouses to encumber the assets of a marital estate (i.e., community property).

5. Guarantor hereby consents and agrees that:

(a) Guarantor's liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, Franchisee and the other parties who may be held liable for Franchisee's performance of the Franchise Agreement;

(b) Guarantor will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

(c) Franchisor is entitled to proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action or having obtained any judgment against Franchisee; and

(d) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking (including any amounts expended in pursuing payment from Franchisee) or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

**IN WITNESS WHEREOF**, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

**GUARANTOR(S)**

**Percentage Ownership in Franchisee**

Signature: \_\_\_\_\_ %  
Name: \_\_\_\_\_

Signature: \_\_\_\_\_ %  
Name: \_\_\_\_\_

Signature: \_\_\_\_\_ %  
Name: \_\_\_\_\_

## EXHIBIT C

### CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

This Confidentiality and Restrictive Covenant Agreement (the “Owner Agreement”) is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and among \_\_\_\_\_ (“Franchisee”), \_\_\_\_\_ (whether one or multiple persons, “Owner”), and Iron Tribe Franchise, LLC (“Franchisor”).

1. Recitals. Franchisor has executed or intends to execute a Franchise Agreement with Franchisee under which Franchisor grants to Franchisee certain rights (the “Franchise Agreement”) to operate a business under the Marks (as defined therein). Before allowing Owner to have access to the Confidential Information (as defined below) and as a material term of the Franchise Agreement necessary to protect Franchisor’s Confidential Information used in the operation of the Franchised Business (as defined in the Franchise Agreement) and Franchisor’s proprietary rights in and Franchisee’s right to use the Confidential Information, Franchisor and Franchisee require that Owner enter into this Owner Agreement. Owner acknowledges and agrees that any use or disclosure of the Confidential Information other than in accordance with this Owner Agreement and the Franchise Agreement will cause Franchisor and Franchisee substantial harm.

2. Confidential Information. “Confidential Information” means its trade secrets and confidential information, including but not limited to methods of movements; information regarding the build-out of a Facility; information about proprietary merchandise; any proprietary software Franchisor may now or in the future create; the Manual; trade secrets; price marketing mixes related to the sale of goods or services offered or authorized for sale by System franchisees; standards and specifications for gym equipment, floor design, equipment layout, lighting, supplemental exercise equipment configuration, systems and training manuals, instructor training systems, instructor break environments, compensation systems, online social marketing systems, merchandise sales systems, location identification and acquisition systems, ongoing instructor training, and general operations; Franchisor’s copyrighted materials; and methods and other techniques and know-how concerning the of operation of the Franchised Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee’s operation of a Facility; provided, however, that Confidential Information does not include any information that: (1) Franchisee can demonstrate came to its attention prior to its disclosure by Franchisor; (2) at the time of its disclosure by Franchisor to Franchisee, had become a part of the public domain through publication or communication by others without violating any confidentiality obligation; or (3) after disclosure to Franchisee by Franchisor, becomes a part of the public domain through publication or communication by others without violating any confidentiality obligation. Franchisor may make any additions, modifications, or deletions to the Confidential Information at any time.

3. Protection of Confidential Information. Owner agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on behalf of Franchisee. Owner is permitted to use or disclose the Confidential Information only as agent for Franchisee and only when and where Franchisee is permitted to use or disclose. Owner

acknowledges and agrees that Owner has no individual interest in or right to use the Confidential Information under this Owner Agreement and that the unauthorized use or duplication of the Confidential Information in connection with any other business or any other way would be detrimental to Franchisor and Franchisee. Unauthorized use or duplication would constitute a breach of Owner's obligations of confidentiality and an unfair method of competition with Franchisor, Franchisee and any other businesses owned or operated by Franchisor or other franchisees. Owner acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Franchisor. Owner agrees that during the term of the Franchise Agreement and thereafter, he or she: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the absolute confidentiality of the Confidential Information; (iii) will not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and (iv) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor or Franchisee to prevent unauthorized use or disclosure of or access to the Confidential Information.

4. Restrictive Covenants During the Term of this Agreement. Except as otherwise approved in writing by the Company, Owner shall not, while in his/her position with the Franchisee, for himself/herself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which operates or licenses any other Competing Business, as that term is defined in Section 11.1(a) of the Iron Tribe Franchise, LLC Franchise Agreement, except an Iron Tribe Fitness Facility operating under the System and Marks.

6. Covenants Reasonable. Owner recognizes the broad scope of the restrictive covenants set forth in this Owner Agreement, and agrees that they are reasonable. If any court or tribunal of competent jurisdiction refuses to enforce any covenant because it is more extensive than is deemed reasonable, it is expressly understood and agreed that such covenants are not void, but that the restrictions contained therein will be reduced to the extent necessary to permit the enforcement of such covenants. Owner expressly acknowledges and agrees that Owner possesses skills and abilities of a general nature and has opportunities for exploiting such skills. As a result, any required enforcement of these restrictive covenants will not deprive Owner of the ability to earn a living.

7. Surrender of Documents. Owner agrees that as of the effective date of the expiration, termination or transfer of the Franchise Agreement, Owner will immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Owner and will return to Franchisor all copies of the Confidential Information loaned or made available to Owner.

8. Costs and Attorneys' Fees. In the event that Franchisor or Franchisee is required to enforce this Owner Agreement in an action against Owner, the prevailing party will be entitled to recover its reasonable costs and attorneys' fees incurred in seeking such enforcement, including in any administrative proceeding and on appeal.

9. Waiver. Any party's failure to insist upon strict compliance with any of the terms, covenants or conditions hereof will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any right or remedy hereunder at any one time be deemed

a waiver or relinquishment of such right or remedy at any other time.

10. Severability. Each provision of this Owner Agreement and any portion thereof will be considered severable, and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling will not impair the operation of or have any other effect upon such other portions of this Owner Agreement as may remain otherwise intelligible, and those other portions will continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid will be deemed not to be a part of this Owner Agreement from the date the time for appeal expires if Owner is a party thereto or upon Owner's receipt of a notice from Franchisor that it will not enforce the provision in question.

11. Rights of Parties Are Cumulative. The rights of the parties hereunder are cumulative, and no exercise or enforcement by a party hereto of any right or remedy granted hereunder will preclude the exercise or enforcement by them of any other right or remedy hereunder or that they are entitled by law to enforce.

12. Benefit. This Owner Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. In the event Franchisor does not execute this Owner Agreement (regardless of the reason), Franchisor will be deemed a third party beneficiary of this Owner Agreement and will have the right to enforce this Owner Agreement directly.

13. Effectiveness. This Owner Agreement will be enforceable and effective when signed by Owner regardless of whether and when Franchisor or Franchisee signs this Owner Agreement.

14. Governing Law. This Owner Agreement and the relationship between the parties hereto will be construed and governed in accordance with the internal laws of the Alabama without regard to its conflict of laws principles.

*Remainder of page left intentionally blank. Signatures on following page.*

**IN WITNESS WHEREOF**, the parties hereto have executed this Owner Agreement in multiple counterparts as of the day and year first above written.

**OWNER:**

\_\_\_\_\_  
Print name of Owner

\_\_\_\_\_  
Signature of Owner

**FRANCHISEE:**

\_\_\_\_\_  
Print name of Franchisee

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

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

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

**OWNER:**

\_\_\_\_\_  
Print name of Owner

\_\_\_\_\_  
Signature of Owner

**FRANCHISOR:**

**IRON TRIBE FRANCHISE, LLC**

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

Forrest Walden, Managing Member

**OWNER:**

\_\_\_\_\_  
Print name of Owner

\_\_\_\_\_  
Signature of Owner

## EXHIBIT D

### CONDITIONAL ASSIGNMENT OF LEASE

This Conditional Assignment of Lease (the “Assignment”) is entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Lessor”), \_\_\_\_\_ (“Franchisee”), and Iron Tribe Franchise, LLC (“Franchisor”).

### RECITALS

A. Franchisor and Franchisee are parties to a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), under which Franchisee is obligated to purchase or lease a site from which to operate the business contemplated by the Franchise Agreement.

B. Lessor and Franchisee have entered into or will enter into a lease agreement (the “Lease”) for the Location located at \_\_\_\_\_ (the “Location”), to be leased by Lessor to Franchisee for use in the franchised business.

C. Lessor and Franchisee desire to make this Assignment an addendum to the Lease in order to grant Franchisor certain rights to assume and assign the Lease or to assert other rights relating to the Lease or the Location under certain circumstances.

NOW, THEREFORE, the parties covenant and agree as follows:

### AGREEMENT

1. Assignment of Lease. Franchisee is permitted to assign the Lease to Franchisor, or to a parent, subsidiary or affiliate of Franchisor, at any time during the term of the Lease for any reason whatsoever with no further consent of Lessor required.

2. Notice of Default or Termination. Lessor will simultaneously furnish Franchisor with a copy of any notice of default or notice of termination arising out of the Lease that Lessor sends to Franchisee. Franchisor’s address for notice is: 300 27<sup>th</sup> Street South, Birmingham, Alabama 35233, or such other address as Franchisor subsequently provides in writing to Lessor.

3. Cure of Franchisee Defaults. Franchisor is permitted to cure any default of Franchisee under the Lease, but Franchisor is not obligated to cure any such default unless Franchisor has assumed (and not re-assigned as permitted herein) the Lease.

4. Assumption of Lease. Upon termination prior to expiration of the Lease or termination or expiration of the Franchise Agreement, Franchisor or any of its parents, subsidiaries or affiliates has the option to assume the Lease or to enter into a new Lease upon the same terms and conditions, except that the term of such new Lease will be for the remainder of the original Lease term and, upon Franchisor’s exercise thereof, for any option terms. If Franchisor exercises its option to assume the Lease, and provided that Franchisor does not later default on any of its obligations under the Lease, then Franchisor is permitted upon written notice to Lessor to assign

its rights as lessee under the Lease to a duly authorized franchisee of Franchisor (or its affiliate) without further consent of Lessor; provided that any such assignment will only become effective upon Franchisor's providing to Lessor all of the following:

- (a) the name, address and contact person of the assignee franchisee;
- (b) a duly executed copy of a franchise agreement between the assignee franchisee and Franchisor (or its affiliate);
- (c) a duly executed assignment agreement under which the assignee franchisee agrees to assume the Lease unconditionally; and
- (d) a duly executed new conditional assignment of lease (in the Franchisor's then-current form) between Franchisor, the assignee franchisee and Lessor, which Lessor will execute in a timely manner.

5. Release of Obligations. Upon the date of delivery to Lessor of all of the documents listed in Section 4 herein, the assignment to the assignee franchisee will become effective and Franchisor will be released from performance of the Lease or any payment obligation thereunder.

6. Outstanding Debts of Franchisee. An outstanding debt of Franchisee to Lessor will not prevent Franchisor's exercise of its right to assume the Lease or to enter into a new Lease upon the same terms and conditions, and will not prevent Franchisor's taking possession of the Location. Lessor will solely recover any Franchisee debt from Franchisee, and will not seek repayment from Franchisor or seek to condition any transfer of the Lease or Franchisor's (or its assignee's) use of or access to the Location upon payment of any Franchisee debt.

7. Amendments to the Lease. Lessor and Franchisee will not alter or amend any material terms or conditions of the Lease without the prior written consent of Franchisor, which consent Franchisor will not unreasonably withhold. Any unapproved amendment or alteration will be null and void as to Franchisor and will not affect or limit Franchisor's rights hereunder.

8. Removal of Trademarks. If, upon the expiration or termination of the Lease, Franchisee fails to remove from the Location or its surroundings any of Franchisor's trademarks or trade dress, and Franchisor does not assume the Lease or otherwise take possession of the Location, then Lessor will remove those trademarks and trade dress or will give Franchisor a reasonable opportunity to remove them at Franchisor's expense. In no event will Lessor have any right to use or display any of Franchisor's trademarks or trade dress.

9. Consideration. The parties acknowledge the receipt of good and valuable consideration for the rights granted herein.

10. Binding Effect. This Assignment will extend to and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

11. Adequate Time. Each of the parties acknowledges that such party has received, has

had ample time to read, and has read this Assignment and fully understands its provisions. Each of the parties further acknowledges that such party has had an adequate opportunity to be advised regarding all pertinent aspects of this Assignment by legal advisors of the party's own choosing.

12. Not a Guarantee. Lessor acknowledges that Franchisor is executing this Assignment solely for the purposes of acknowledging the provisions contained herein, and Lessor agrees that the execution by Franchisor will in no way be construed to obligate Franchisor for the performance or guarantee of any terms, conditions, obligations and covenants in the Lease, except as specifically set out in this Assignment.

IN WITNESS WHEREOF, the parties have executed this Assignment effective the date first above written.

**FRANCHISEE**

\_\_\_\_\_

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

**FRANCHISOR**

**IRON TRIBE FRANCHISE, LLC**

By: \_\_\_\_\_  
Forrest Walden, Managing Member  
Date: \_\_\_\_\_

**LESSOR**

\_\_\_\_\_

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

**EXHIBIT E**

**CONDITIONAL ASSIGNMENT OF FRANCHISEE’S TELEPHONE NUMBERS,  
FACSIMILE NUMBERS AND DOMAIN NAMES**

1. \_\_\_\_\_ (“Assignor”), in exchange for valuable consideration provided by Iron Tribe Franchise, LLC (“Assignee”), receipt of which is hereby acknowledged, hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its Iron Tribe Fitness facility at Assignor’s above-referenced address (the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_  
Facsimile Number(s): \_\_\_\_\_  
Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): \_\_\_\_\_.

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

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

**ASSIGNOR:**

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

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

**ASSIGNEE:**

**IRON TRIBE FRANCHISE, LLC**

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

**EXHIBIT F**

**ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION**

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

ABA# : \_\_\_\_\_

Acct. No. : \_\_\_\_\_

Acct. Name : \_\_\_\_\_

Effective as of the date of the signature below,     [Franchisee Name]     hereby authorizes Iron Tribe Franchise, LLC (“Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at \_\_\_\_\_

\_\_\_\_\_ : (1) all Royalty Fees; (2) all contributions to the National Fund; and (3) any fees that the Company may impose under the terms of Franchisee’s Franchise Agreement from time to time. Such withdrawals shall occur on a monthly basis, or on such other schedule as Company shall specify in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization shall remain in full force and effect until terminated in writing by Company.     [Franchisee Name]     shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

ATTEST:

FRANCHISEE

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

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

Print name: \_\_\_\_\_

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

## EXHIBIT G

### FRANCHISEE QUESTIONNAIRE

**NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE) :**

FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, SUCH PROSPECTIVE FRANCHISEE IS NOT REQUIRED TO COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

In conjunction with entering into the Franchise Agreement, Franchisee (you) makes these representations in response to the following questions.

1. Have you reviewed the Franchise Agreement and each exhibit to it prior to signing?  
Yes  No
2. Are there any uncompleted blanks (other than signature lines) in the Franchise +- Agreement or exhibits?  
Yes  No
3. Regardless of whether you did so, did you have enough time to consult with an attorney and other advisors before executing the Franchise Agreement?  
Yes  No
4. Do you understand the Franchise Agreement and each exhibit?  
Yes  No
5. Did you receive a Franchise Disclosure Document from the Franchisor at least 14 days prior to executing the Franchise Agreement?  
Yes  No
6. Did you review the information in the Franchise Disclosure Document?  
Yes  No
7. Has anyone, speaking on behalf of the Franchisor, made any statement or representation to you that was inconsistent with information in the Franchise Disclosure Document?  
Yes  No

If yes, what statement or representation was made to you, and by whom?

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8. Aside from information in Item 19 of the Franchise Disclosure Document, and aside from information you may have obtained from other franchisees, has anyone made any statement, representation, or promise to you about the sales, revenues, income, or profits you would receive as a franchisee?

Yes  No

If yes, what statements, representations, or promises were made to you, and by whom?

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9. Has anyone, speaking on behalf of the Franchisor, made any promises or guarantees that your franchise operation will be successful or profitable?

Yes  No

If yes, what promises or guarantees were made to you, and by whom?

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Statement given this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by:

[FRANCHISEE]

\_\_\_\_\_  
By

**EXHIBIT H**  
**STATE SPECIFIC ADDENDA**

**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

This Amendment shall pertain to franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement shall be amended as follows:

1. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Agreement, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement.

2. Iron Tribe Franchise, LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

3. The Franchise Agreement shall be supplemented by the following provision:

Pursuant to Minn. Stat. Sec. 80C.21, nothing in this Agreement shall, in any way abrogate or reduce any of your rights as provided in Minnesota Statutes, Chapter 80C, including but not limited to the right to submit matters to the jurisdiction of the courts of Minnesota.

4. Minn. Stat. '80.C.21 and Minn. Rule 2860.4400J prohibit Iron Tribe Franchise, LLC from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or 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.

5. To the extent you are required to execute a general release in favor of Iron Tribe Franchise, LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. '80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

6. Any claims brought pursuant to the Minnesota Franchises Act, '80.C.01 *et seq.* must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act shall control.

**IRON TRIBE FRANCHISE, LLC**

**FRANCHISEE**

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

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

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

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

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

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

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

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

**RIDER TO STATE ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT, AND DEVELOPMENT AGREEMENT**

**FOR THE FOLLOWING STATES ONLY: CALIFORNIA, HAWAII, ILLINOIS, INDIANA,  
MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND,  
SOUTH DAKOTA, VIRGINIA, WASHINGTON, WISCONSIN (EACH A “REGULATED  
STATE” AND COLLECTIVELY, THE “REGULATED STATES”)**

This Rider to State Addendum to the Franchise Disclosure Document and Franchise Agreement (“Rider”) is entered into by and between (i) Iron Tribe Franchise, LLC (“Franchisor”), and (ii) \_\_\_\_\_, a (individual/limited liability company/corporation) with an address at \_\_\_\_\_ (“Franchisee”).

- A. Concurrently with the execution of this Rider, Franchisor and Franchisee are entering into a franchise agreement (the “Franchise Agreement,”) and development agreement (as applicable) (“Development Agreement”), pursuant to which Franchisee will acquire the right and undertake the obligation to own and operate a franchised business (the “Franchised Business”) that may be located in, or subject to the regulations of, one of the Regulated States (the “Applicable Franchise Registration State”).
- B. Franchisor and Franchisee wish to amend the Franchise Agreement and Development Agreement (as applicable) as provided in this Rider.

NOW, THEREFORE, for and in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Franchise Agreement is hereby amended as follows:

1. **NASAA SOP Acknowledgment.** Franchisee and Franchisor hereby acknowledge that the Statement of Policy regarding the use of franchise questionnaires and acknowledgments issued by the North American Securities Administrators Association, Inc. (“NASAA”), which went into effect on January 1, 2023, provides that questionnaires and acknowledgments that are used as contractual disclaimers that release or waive a franchisee’s rights under a state franchise law violate the anti-fraud and/or anti-waiver provisions of the statutes of the Regulated States. Accordingly, while the SOP remains in effect, or until such time as the regulations in the Regulated States are modified to adopt the restrictions on the use of acknowledgements and questionnaires as set forth in the SOP, for prospective franchisees that reside in or are looking to operate a Franchised Business in any Regulated State, the Franchise Agreement and Development Agreement (as applicable) will be amended to include the following provision:

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

2. Except as provided in this Rider, the Franchise Agreement and Development Agreement (as applicable) remains in full force and effect in accordance with its terms. This Rider shall be effective only to the extent that the jurisdictional requirements of the franchise law of the Applicable Franchise Registration State are met independently without reference to this Rider.

3. The following provisions are hereby removed from the Franchise Agreement: 18.1, 18.2, 18.3, 18.5, and 18.6.

4. The following provision is hereby removed from the Development Agreement: 8.4.

**FRANCHISOR**

**IRON TRIBE FRANCHISE, LLC**

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

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

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

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

**FRANCHISEE**

**[NAME]**

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

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

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

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

**EXHIBIT I**  
**SITE SELECTION ADDENDUM**

Iron Tribe Franchise, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”), have this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, entered into a Franchise Agreement for the operation of a gym using Franchisor’s Marks and System (the “Facility”) and desire to supplement its terms, as set forth below. The parties therefore agree as follows:

1. Within 180 days after the effective date of the Franchise Agreement, Franchisee shall obtain a site, at Franchisee’s expense, for the business franchised under the Franchise Agreement (the “Franchised Business”), which site Franchisor shall approve as hereinafter provided. The site shall be within the following territory: \_\_\_\_\_  
\_\_\_\_\_ (the “Site Selection Area”).

2. Franchisee’s failure to obtain a site for the Facility in the Site Selection Area within the time required in Paragraph 1 shall constitute a default under the Franchise Agreement and this Site Selection Addendum. Time is of the essence.

3. Franchisee hereby acknowledges and agrees that Franchisor’s approval of a site does not constitute an assurance, representation or warranty or any kind, express or implied, as to the suitability of the site for the Facility or for any other purpose. Franchisor’s approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for Franchisor’s purposes as of the time of the evaluation. Both parties to this Agreement acknowledge the application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor’s approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor’s criteria could change thereby altering the potential of a site. Such factors are unpredictable and are beyond Franchisor’s control. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee’s expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that Franchisee’s acceptance of a franchise for the operation of the Facility at the site is based on Franchisee’s own independent investigation of the suitability of the site.

4. Franchisee acknowledges and agrees that: (i) Franchisee does not have any exclusive rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their franchised Facility within the same Site Selection Area if Franchisor determines that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each franchised Iron Tribe Facility, and corresponding territory granted in connection with each Facility, within the Site Selection Area will be reviewed and rejected/granted by Franchisor on a first-to-propose basis.

5. When Franchisee secures a Location that Franchisor approves within the Site Selection Area, Franchisor will designate a Territory for the Franchised Business, as outlined in Section 1.4 of the Franchise Agreement. Upon such designation of this Territory, Franchisee will

need to open and operate the Franchised Business at the Location in accordance with the terms of the Franchise Agreement. Franchisee will not have any rights outside of the Territory once designated. Both the Location of the Franchised Business and Franchisee's designated Territory will be set forth in Exhibit A to the Franchise Agreement once determined.

6. This Site Selection Addendum constitutes an integral part of the Franchise Agreement between the parties hereto, and terms of this Site Selection Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed, including those terms related to governing law, venue and dispute resolution that will also apply to any disputes arising out of or related to this Site Selection Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum on the day and year first above written.

**IRON TRIBE FRANCHISE, LLC**

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

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

**FRANCHISEE**

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

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

**EXHIBIT A-1**  
**MULTI-UNIT DEVELOPMENT AGREEMENT**



**IRON TRIBE FRANCHISE, LLC**

**MULTI-UNIT DEVELOPMENT AGREEMENT**

# TABLE OF CONTENTS

Page No.

<b>1. GRANT OF DEVELOPMENT RIGHTS</b> .....	1
1.1 Development Area .....	1
1.2 Franchisor’s Reservation of Rights.....	1
1.3 Franchise Agreement .....	2
1.4 Guaranty.....	2
<b>2. INITIAL FRANCHISE FEES</b> .....	2
2.1 Fees .....	2
<b>3. DEVELOPMENT OBLIGATIONS</b> .....	2
3.1 Development Schedule .....	2
3.2 Subsequent Franchise Agreements .....	3
3.3 Training Program .....	3
<b>4. TERM AND TERMINATION</b> .....	3
4.1 Term .....	3
4.2 Termination by Developer .....	3
4.3 Termination by Franchisor.....	3
4.4 Post-Termination Obligations.....	4
<b>5. ASSIGNMENT</b> .....	4
5.1 Assignment By Franchisor.....	4
5.2 Assignment By Developer .....	4
5.3 Transfer Fee .....	4
5.4 Franchisor’s Right of First Refusal.....	4
<b>6. RESTRICTIVE COVENANTS</b> .....	5
6.1 Restrictive Covenants .....	5
<b>7. BUSINESS RELATIONSHIPS</b> .....	5
7.1 Independent Contractor.....	5
7.2 Indemnification .....	5
<b>8. MISCELLANEOUS</b> .....	5
8.1 Disputes.....	5
8.2 Binding Effect.....	5
8.3 Governing Law .....	5
8.4 Review .....	6
8.5 No Waiver.....	6
8.6 Modification.....	6
8.7 Entire Agreement .....	6
8.8 Invalidity .....	6
8.9 Notices .....	6
8.10 Controlling Terms.....	6
8.11 Attorneys’ Fees and Costs .....	6
8.12 Injunctive Relief.....	6

EXHIBIT A – DEVELOPMENT AREA

EXHIBIT B – GUARANTY AND ASSUMPTION OF DEVELOPER’S OBLIGATIONS

EXHIBIT C – STATE SPECIFIC ADDENDA

## MULTI-UNIT DEVELOPMENT AGREEMENT

**THIS MULTI-UNIT DEVELOPMENT AGREEMENT** (the “**Agreement**”) is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_ located at \_\_\_\_\_ (“**Developer**”), and IRON TRIBE FRANCHISE, LLC, an Alabama limited liability company, located at 300 27<sup>th</sup> Street South, Birmingham AL 35233 (“**Franchisor**”).

### RECITALS

A. Franchisor has developed methods for establishing, operating and promoting a business (each a “**Business**” or “**Facility**”) that offers fitness training. The services are provided by certified trainers in conjunction with distinctive business methods, marketing systems, knowledge and expertise (the “**System**”), and the Businesses are operated in connection with Franchisor’s service marks “IRON TRIBE,” “IRON TRIBE FITNESS” and other exclusive trademarks, service marks, logotypes, commercial symbols and trade names (the “**Marks**”).

B. The Developer would like to use the Franchisor’s Marks and System in connection with the development of a certain number of Businesses in a specific geographical area as set forth herein. The Franchisor desires to grant the Developer the right to establish and operate such Businesses under the terms and conditions, which are contained in this Agreement.

The parties therefore agree as follows:

### 1. GRANT OF DEVELOPMENT RIGHTS

**1.1 Development Area.** The Franchisor grants to the Developer the right to develop and establish Businesses using the Franchisor’s Marks and Licensed Methods in the geographic area described in Exhibit A attached hereto (the “**Development Area**”). Except pursuant to Section 1.2 below, the Franchisor shall not establish, nor shall it permit or license any other party to establish, Businesses using the Marks and Licensed Methods within the Development Area for so long as this Agreement is in effect.

**1.2 Franchisor’s Reservation of Rights.** The Developer acknowledges that the rights granted in this Agreement are non-exclusive and that the Franchisor, for itself and its successors and affiliates, reserves the right to (i) use and license the use of other proprietary marks or methods in connection with the sale of products or services similar to those which the Developer will sell in its Businesses, whether in alternative channels of distribution or in connection with the operation of businesses selling similar services or related products or services at any location, including within the Development Area, which businesses are the same as, or similar to, or different from the Developer’s Businesses, on any terms and conditions as the Franchisor deems advisable; (ii) to use the Marks and Licensed Methods to identify services and products other than those the Developer will sell, and to identify services and products the same as or similar to those the Developer will sell, but made available through alternative channels of distribution including on the Internet, through catalog sales, telemarketing, or other direct marketing, promotional efforts, or related items, at any location, including within the Development Area; (iii) advertise and promote the System within the Development Area; (iv) operate and license others to operate

Franchised or Development Businesses under Franchisor's marks at any location outside the Development Area; (v) develop and establish other business systems within or outside the Development Area using other names or marks, and to grant licenses to use those systems without providing any rights to the Developer; and (vi) use the marks and System, and license others to use the marks and System to engage in any other activities not expressly prohibited in this Agreement.

**1.3 Franchise Agreement.** The parties acknowledge that the Franchise Agreement, governing the operation of the Developer's first Businesses to be opened hereunder is being executed concurrently with this Agreement. The Developer agrees to comply with the terms and conditions of the Franchise Agreement as a part of its obligations hereunder and acknowledges that failure to execute and comply with such Franchise Agreement is a breach of this Agreement.

**1.4 Guaranty.** The Developer agrees that if the Developer is an entity, all of the owners of the Developer shall sign the Guaranty and Assumption of Developer's Obligations attached hereto as Exhibit B and incorporated herein by this reference.

## **2. INITIAL FRANCHISE FEES**

**2.1 Development Fee.** In consideration of the rights granted under this Agreement, Developer agrees to pay to Franchisor a development fee in the amount of \$\_\_\_\_\_ (the "**Development Fee**").

**2.2 Payment Terms.** The Development Fee is due and owing upon execution of this Agreement. The Development Fee is deemed fully earned upon payment and nonrefundable under any circumstance.

## **3. DEVELOPMENT OBLIGATIONS**

**3.1 Development Schedule.** The Developer agrees to: (i) develop the following number of Businesses in the Development Area, in accordance with the following schedule ("**Development Schedule**"), including the one (1) Business to be developed under the Franchise Agreement executed concurrently with this Agreement; and (ii) keep the minimum cumulative number of Businesses open and operating at the expiration of each Development Period:

Development Deadline	Minimum Total Number of Businesses Open in Development Area

The Developer agrees that time is of the essence with respect to compliance with the Development Schedule, payment of the balance of the initial franchise fees under Section 2.1 above and any and all other obligations to be performed by the Developer hereunder.

**3.2 Subsequent Franchise Agreements.** The parties agree that a separate Franchise Agreement shall be executed by the parties to this Agreement for each Business to be developed under this Agreement. The Franchise Agreements for subsequent Businesses will be executed at least 30 days prior to the date set forth in Section 3.1 of this Agreement which is the deadline for development of that particular Business. The Developer’s failure to execute any additional Franchise Agreements or its default in any term of such Franchise Agreements may, at the option of the Franchisor, be deemed a default under this Agreement and shall entitle the Franchisor to terminate this Agreement as further provided in Article 4 below. Each franchise agreement to be executed by the Developer for each Facility to be developed hereunder shall be Franchisor’s then-current form of franchise agreement, the terms of which may materially differ from the terms of the first franchise agreement entered into by Developer pursuant to this Agreement. Notwithstanding the foregoing, the Franchisor agrees that it will not charge an initial franchise fee to the Developer and will not increase the Royalty percentage to a rate that is greater than the rate charged to the Developer in the Franchise Agreement being executed herewith. The Developer acknowledges that the Franchisor has the right, however, to charge then current published rates for advertising contributions and optional products and services offered to the Developer in accordance with the then current franchise offering of the Franchisor. Developer must own and operate each Facility to be opened under this Agreement. Developer acknowledges that the Development Schedule is a fair and reasonable time frame to open the specified number of Facilities under this Agreement. Developer must keep a cumulative number of Businesses open for the duration of this Agreement.

**3.3 Training Program.** The Developer acknowledges that the Franchisor shall have the right, at the Franchisor’s sole discretion, to waive the initial training program, which is the same as or similar to the training provided under Section 8 of the Franchise Agreement executed concurrently herewith, for the second and each subsequent Business developed under the terms of this Agreement.

#### **4. TERM AND TERMINATION**

**4.1 Term.** The term of this Agreement shall commence as of the date of execution hereof and shall end on the last Development Deadline set forth in Section 3.1 above. After expiration of the term, or earlier termination of this Agreement as provided below, the Franchisor shall have the right to establish, or license any other party to establish Businesses anywhere within the Development Area; provided, however, that the Developer’s rights to its Territory, as defined

in the Franchise Agreement(s) executed hereunder, will remain in effect for the term of the Franchise Agreement(s), unless sooner terminated.

**4.2 Termination by Developer.** This Agreement may be terminated by the Developer for any reason upon 60 days prior written notice to all parties, provided that the Developer will not be entitled to a refund of any fees paid hereunder under any circumstances.

**4.3 Automatic Termination.** Franchisor is permitted to terminate this Agreement immediately if Developer:

(a) becomes bankrupt or insolvent or otherwise is unable to pay its debts as they become due;

(b) makes an assignment for the benefit of creditors, has a receiver or similar custodian appointed, or makes a disposition of substantially all of its assets; or

(c) attempts to assign, transfer, or make unauthorized use of the Marks, or discloses or makes unauthorized use of the Manual or other confidential materials or information.

**4.4 Termination by Franchisor with Notice and Cure Period.** This Agreement may be terminated by the Franchisor on 30 days prior written notice, such notice containing a right to cure such default, if applicable, in the event of any of the following:

(a) If the Developer defaults on any term or condition of this Agreement; including without limitation, failure to develop additional Businesses in accordance with the schedule set forth in Section 3.1 above; or

(b) In the event of any occurrence which would entitle the Franchisor to terminate any Franchise Agreement executed in furtherance of this Agreement.

This Agreement shall automatically terminate at the end of such 30-day notice period, unless the Developer cures the default set forth in such notice within said 30-day period.

**4.5 Post-Termination Obligations.** In the event of termination of this Agreement for any reason, the Developer shall remain subject to the provisions of Article 6 of this Agreement regarding nondisclosure and covenants not to compete, in addition to the terms and conditions of any and all Franchise Agreements executed in furtherance of this Agreement which have not also been terminated.

**4.6 No Renewal of Agreement.** This Agreement is not subject to any renewal.

## 5. ASSIGNMENT

**5.1 Assignment By Franchisor.** The Franchisor may transfer or assign its rights under this Agreement at any time upon notice to the Developer, provided that the Franchisor has fulfilled its obligations hereunder or has made adequate provisions therefor.

**5.2 Assignment By Developer.** The Developer will not voluntarily or involuntarily assign, transfer, or encumber its rights under this Agreement or controlling (more than fifty percent (50%)) interest in or ownership of it or any part of the Developer to a third party, unless the Developer obtains the Franchisor's prior written consent, which consent shall not be unreasonably withheld if the Developer complies with the transfer provisions of the Franchise Agreement most recently executed by the Franchisor and the Developer, which provisions shall be deemed to be incorporated herein by reference. The Franchisor will consent to the Developer's proposed transfer of rights to a specific Business to be developed, at the time of execution of the Franchise Agreement which shall govern operation of such Business, if the proposed transfer is to a corporation, limited liability company or other entity owned by, controlled by, or under common control with, the Developer and the transfer fee described in Section 5.3 below shall not be charged.

**5.3 Transfer Fee.** In the event of any proposed sale, transfer or assignment by the Developer as described herein to a third party, the Developer and/or the proposed transferee shall pay to the Franchisor the standard transfer fee for each franchise to be transferred, as governed by the applicable Franchise Agreement executed pursuant to this Agreement.

**5.4 Franchisor's Right of First Refusal.** In the event of any proposed sale, transfer or assignment of its rights under this Agreement or any interest in it or any part of the Developer entity to a third party, the Developer agrees to grant the Franchisor a 30 day right of first refusal to purchase such rights or assets on the same terms and conditions as are contained in the most recently executed Franchise Agreement.

## **6. RESTRICTIVE COVENANTS**

**6.1 Restrictive Covenants.** During the term and after the termination of this Agreement or any Franchise Agreement signed in furtherance of this Agreement, the Developer and its officers, partners, directors, agents or employees who have completed the Franchisor's training programs or had access to the Manual, as described in the Franchise Agreement, and/or the beneficial owners of a 5% or greater interest in the Developer and their respective immediate families, shall be subject to all restrictive covenants as set forth in Section 10 and Exhibit D of the Franchise Agreement executed concurrently herewith.

## **7. BUSINESS RELATIONSHIPS**

**7.1 Independent Contractor.** Franchisee is an independent contractor responsible for full control over the internal management and daily operation the Development Business and Developer's Facilities opened under this Agreement and neither party to this Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party. Developer may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Developer may not incur any obligation on Franchisor's behalf or in Franchisor's name. Nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the Businesses or the Development Business or

for any claim or judgment arising therefrom against Developer or Franchisor.

**7.2 Indemnification.** Developer will protect, defend, indemnify and hold harmless Franchisor, its members, officers, directors, employees, affiliates, and agents against any and all claims, demands, actions, causes of action, losses, damages, costs, suits, judgments, debts, losses, fines, assessments, taxes, liens, attorneys' fees, disbursements, penalties, expenses, and liabilities of any kind or nature arising directly or indirectly from: (i) any actions related to the operation of this Agreement; (ii) the operation of Developer's Facilities Developer is required to open under this Agreement, including the use, condition, or construction, equipping, decorating, maintenance or day-to-day operation of the Facility, the sale of any service or merchandise sold from the Facility, and Developer's advertising; (iii) Developer's use of the Marks; (iv) the transfer of any interest in this Agreement or Developer's Facility in any manner not in accordance with this Agreement; (v) the infringement, alleged infringement, or any other violation or alleged violation by Developer or any of Developer's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (vi) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Developer or by any of Developer's principals. Franchisee's duties to defend, indemnify, and hold harmless will not be affected by the fact that a claim is asserted directly against Franchisor for alleged acts or omissions by Franchisor, so long as this section otherwise would apply.

## 8. MISCELLANEOUS

**8.1 Disputes.** The parties agree that any dispute between the parties arising out of or relating to this Agreement shall be governed by the applicable provisions of Section 17 of the Franchise Agreement executed concurrently herewith, which terms and conditions are by this reference incorporated herein, including all provisions relating to venue and jurisdiction.

**8.2 Binding Effect.** This Agreement shall be binding upon and inure to the benefit of each of the parties' respective heirs, successors, assigns and personal representatives.

**8.3 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama.

**8.4 Review.** The Developer acknowledges that it had a copy of this Agreement in its possession for not fewer than 14 calendar days or 10 business days, whichever is applicable, during which time the Developer has had the opportunity to submit the same for professional review and advice of the Developer's choosing prior to freely executing this Agreement.

**8.5 No Waiver.** No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by any party hereto shall be considered to imply or constitute a further waiver of the same or any other condition, covenant, right or remedy.

**8.6 Modification.** This Agreement may be modified only upon execution of a written agreement between the parties.

**8.7 Entire Agreement.** This Agreement contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written, concerning the subject

matter hereof, provided that any Franchise Agreement executed by the parties hereto shall remain binding, except to the extent that this Agreement specifically supersedes any term thereof. Nothing in this Agreement is intended to require the Developer to waive reliance on the representations made in the Franchise Disclosure Document. You acknowledge that you are entering into this Agreement as a result of your own independent investigation to our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or similar document required or permitted to be given to you pursuant to applicable law.

**8.8 Invalidity.** If any provision of this Agreement is held invalid by any court of competent jurisdiction in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

**8.9 Notices.** All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the addresses first set forth above, or at such other address as either party may designate from time to time by written notice as set forth herein. Notice shall be deemed effective when deposited in the United States mail postage prepaid or when received by overnight delivery, as may be applicable.

**8.10 Controlling Terms.** In the event of any conflict between the terms of this Agreement and the terms of the Franchise Agreement, the terms of this Agreement shall control.

**8.11 Attorneys' Fees and Costs.** If Developer is in breach or default of any monetary or nonmonetary material obligation under this Agreement or any related agreement between Developer and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Developer must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

**8.12 Injunctive Relief.** Nothing herein shall prevent the Franchisor or the Developer from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies.

*Signatures on following page.*

**SIGNATURES**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed effective as of the date first above written.

**IRON TRIBE FRANCHISE, LLC**

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

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

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

**DEVELOPER:**

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

\_\_\_\_\_

Individually

\_\_\_\_\_

Print Name

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

\_\_\_\_\_

Individually

\_\_\_\_\_

Print Name

**OR** (if a corporation or partnership)

\_\_\_\_\_

(Print Name)

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

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

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

**EXHIBIT A**  
**TO MULTI-UNIT DEVELOPMENT AGREEMENT**  
**BETWEEN IRON TRIBE FRANCHISE, LLC**  
**AND**

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The Development Area, as referred to in Section 1.1 of the Multi-Unit Development Agreement, is described below by geographic boundaries and on the attached map and shall consist of the following area or areas:

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**EXHIBIT B**  
**TO MULTI-UNIT DEVELOPMENT AGREEMENT**  
**BETWEEN IRON TRIBE FRANCHISE, LLC**  
**AND**

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**GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the above Multi-Unit Development Agreement (the "**Agreement**") by IRON TRIBE FRANCHISE, LLC (the "**Franchisor**"), each of the undersigned hereby personally and unconditionally:

1. Guarantees to the Franchisor and its successors and assigns, for the term of the Agreement, including renewals any thereof, that the franchisee as that term is defined in the Agreement ("**Developer**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement; and

3. Waives the following: (a) acceptance and notice of acceptance by the Franchisor of the foregoing undertaking; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he or she may have to require that any action be brought against Developer or any other person as a condition of liability; and © any and all other notices and legal or equitable defenses to which he or she may be entitled; and

4. Consents and agrees that: (a) his or her direct and immediate liability under this guaranty shall be joint and several; (b) he or she shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Developer or any other person; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Developer or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

**WITNESS**

**GUARANTORS**

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

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

**EXHIBIT C**

**STATE SPECIFIC ADDENDA  
TO MULTI-UNIT DEVELOPMENT AGREEMENT  
BETWEEN IRON TRIBE FRANCHISE, LLC  
AND**

---

**MINNESOTA ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**

This Amendment shall pertain to franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Multi-Unit Development Agreement to the contrary, the Agreement shall be amended as follows:

1. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Agreement, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Multi-Unit Development Agreement.

2. Iron Tribe Franchise, LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

3. The Multi-Unit Development Agreement shall be supplemented by the following provision:

Pursuant to Minn. Stat. Sec. 80C.21, nothing in this Agreement shall, in any way abrogate or reduce any of your rights as provided in Minnesota Statutes, Chapter 80C, including but not limited to the right to submit matters to the jurisdiction of the courts of Minnesota.

4. Minn. Stat. '80.C.21 and Minn. Rule 2860.4400J prohibit Iron Tribe Franchise, LLC from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or 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.

5. To the extent you are required to execute a general release in favor of Iron Tribe Franchise, LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. '80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

6. Any claims brought pursuant to the Minnesota Franchises Act, '80.C.01 *et seq.* must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Multi-Unit Development Agreement imposes a different limitations period, the provision of the Act shall control.

**IRON TRIBE FRANCHISE, LLC**

**FRANCHISEE**

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

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

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

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

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

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

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

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

**EXHIBIT B**  
**FINANCIAL STATEMENTS**

**IRON TRIBE FRANCHISE, LLC**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**with**

**INDEPENDENT AUDITOR'S REPORT**

## CONTENTS

	<u>Page</u>
<u>Independent Auditor's Report</u>	1-2
<u>Financial Statements</u>	
Balance sheets	3
Statements of income and members' equity (deficit)	4
Statements of cash flows	5
Notes to financial statements	6-11



Horton, Lee, Burnett,  
Peacock, Cleveland  
& Grainger, P.C.

**Partners & Certified Public Accountants**

H.B. Lee, Jr., CPA

James Lamar Peacock, Jr., CPA

D. Grover Cleveland, CPA

J. Thomas Grainger, CPA

Patricia H. Oh, CPA, CVA

H.B. Lee III, CPA

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Mary Ann C. Burkhalter, CPA, CVA

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J. Brian Grainger, CPA, CGMA

Emily W. Brown, CPA

Anita H. Cusimano, CPA

Kelli J. Busby, CPA

Cooper M. Horton, Jr., CPA

(1930-2012)

**Independent Auditors' Report**

To the Members  
Iron Tribe Franchise, LLC  
Birmingham, Alabama

**Opinion**

We have audited the accompanying financial statements of Iron Tribe Franchise, LLC (an Alabama limited liability company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iron Tribe Franchise, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Iron Tribe Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Iron Tribe Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Iron Tribe Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iron Tribe Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

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

*Aberton, Lee, Swannell, Percock,  
Cleveland & Shainiger, P.C.*

Birmingham, AL

April 26, 2023

## IRON TRIBE FRANCHISE, LLC

## BALANCE SHEETS

December 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 17,953	\$ 37,695
Restricted cash	25,147	17,184
Accounts receivable	77,808	73,387
Accounts receivable - related party	-	136,630
Ad fund receivable	9,829	-
Prepaid expenses	9,726	8,000
Total current assets	<u>140,463</u>	<u>272,896</u>
Capital assets, net	<u>88,137</u>	<u>95,604</u>
	<u>\$ 228,600</u>	<u>\$ 368,500</u>
 <u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 39,231	\$ 74,091
Accounts payable - related party	461,403	-
Interest payable - related party	78,868	77,122
Ad fund payable	-	55
Deferred license fee revenue - current portion	8,058	9,379
Deferred pre-open services revenue	95,000	25,000
Total current liabilities	<u>682,560</u>	<u>185,647</u>
Long-term liabilities:		
Deferred license fee revenue - net of current portion	26,378	20,743
Paycheck protection program loan	-	91,842
Note payable - related party	444,523	444,523
Total long-term liabilities	<u>470,901</u>	<u>557,108</u>
Total liabilities	<u>1,153,461</u>	<u>742,755</u>
Members' deficit	<u>(924,861)</u>	<u>(374,255)</u>
	<u>\$ 228,600</u>	<u>\$ 368,500</u>

See accompanying notes.

## IRON TRIBE FRANCHISE, LLC

## STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Royalty fees	\$ 664,779	\$ 665,511
Management fees	450,000	450,000
Ad fee revenue	157,054	151,719
Pre-opening services	44,500	-
Franchise support fees	37,770	-
Sponsorship income	27,500	18,000
License fee revenue	10,686	16,879
Total revenue	<u>1,392,289</u>	<u>1,302,109</u>
General and administrative expenses:		
Payroll expenses	962,313	726,651
Professional fees	373,457	296,783
Marketing	134,803	128,338
Education	102,475	27,123
Travel and meals	53,931	20,564
Office expense	33,037	23,444
Rent	32,625	31,725
Event expenses	28,408	-
Insurance	24,419	27,974
Interest expense	18,946	18,896
Dues and subscriptions	18,468	20,927
Utilities	9,661	6,709
Depreciation	7,466	2,680
Service charges	609	1,748
Taxes and licenses	240	630
Donations	224	38
Website development	37	2,286
Franchise support fees	-	36,627
Total general and administrative expenses	<u>1,801,119</u>	<u>1,373,143</u>
Other income:		
Paycheck protection program loan forgiveness	91,842	92,000
Miscellaneous income	10,432	-
Employee retention credit	-	63,337
EIDL grant	-	15,000
Total other income	<u>102,274</u>	<u>170,337</u>
Net income (loss)	(306,556)	99,303
Members' equity (deficit) - beginning of year	(374,255)	102,467
Add: Contributions	144,000	-
Less: Distributions	388,050	576,025
Members' equity (deficit) - end of year	<u>\$ (924,861)</u>	<u>\$ (374,255)</u>

See accompanying notes.

## IRON TRIBE FRANCHISE, LLC

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income (loss)	\$ (306,556)	\$ 99,303
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,466	2,680
Paycheck protection program loan forgiveness	(91,842)	(92,000)
(Increase) decrease in operating assets:		
Accounts receivable	(4,421)	14,792
Accounts receivable - related party	-	436,719
Prepaid expenses	(1,726)	(284)
Increase (decrease) in operating liabilities:		
Accounts payable	(34,860)	66,319
Interest payable - related party	1,746	18,893
Ad fund payable	(9,884)	55
Deferred license fee revenue	4,314	(16,879)
Deferred pre-open service revenue	70,000	-
Net cash provided by (used in) operating activities	<u>(365,763)</u>	<u>529,598</u>
Cash flows from investing activities:		
Purchase of capital assets	-	(93,092)
Net cash used in investing activities	<u>-</u>	<u>(93,092)</u>
Cash flows from financing activities:		
Distributions	(388,050)	(576,025)
Contributions	144,000	-
Advances from related party	598,034	-
Proceeds from paycheck protection program loan	-	91,842
Net cash provided by (used in) financing activities	<u>353,984</u>	<u>(484,183)</u>
Net decrease in cash, cash equivalents, and restricted cash	(11,779)	(47,677)
Cash, cash equivalents, and restricted cash - beginning of year	<u>54,879</u>	<u>102,556</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 43,100</u>	<u>\$ 54,879</u>

See accompanying notes.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

1. DESCRIPTION OF ORGANIZATION

Iron Tribe Franchise, LLC (the “Company”) was formed under the laws of the State of Alabama on June 6, 2011 for the purpose of ownership, development, marketing, and sale of Iron Tribe Fitness locations and/or franchises. The rights and obligations of the Company are governed by the Operating Agreement and amendments of the Company. The operating agreement provides that no member in its capacity as a member shall be liable for the debt, obligation, or liability of the Company. There is no fixed date for dissolution of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition:

The Company adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (Topic 606)* on January 1, 2020. The Company derives its revenues from franchise fees, royalty fees, and other various fees.

*Franchise Royalty Fees and Ad Fees:* Franchisees are charged a royalty fee equal to 6% of the franchisees’ monthly gross revenues. The single performance obligation related to licensing is granting certain rights to use the Company’s intellectual property, which is satisfied over the term of each franchise agreement. The Company also collects a monthly fee for marketing services which is also based on a percentage of the franchisees’ monthly gross revenues and is recognized monthly over the contract term.

*Management Fees:* The Company manages nine Iron Tribe Fitness locations in a separate entity that has common ownership as the Company. In lieu of paying royalties, these locations pay a yearly management fee to the Company of \$450,000 per the terms of the management fee agreement. The Company has concluded this activity to be a stand-alone performance obligation. The Company recognizes revenues as earned on a monthly basis.

*Settlement Fees:* If a franchisee violates the franchisee agreement, the Company has a right to pursue damages as defined in the franchise agreement in an effort to protect its brand. The Company has concluded this activity to be a stand-alone performance obligation.

*Pre-opening Services:* Revenue from franchised locations includes a non-refundable initial franchise fee. The Company’s obligations under the franchise agreement are providing a variety of pre-opening assistance and services, including site selection assistance, design services, and training on operating procedures. These obligations are highly interrelated, are not individually distinct within the context of the contract, and are not separately valued or offered for sale and are, therefore, accounted for under ASC 606 as a single performance obligation, which is recognized when the gym opens.

Under ASC 606, if the Company exercises their right to terminate an agreement for any franchise agreement that has become dormant, as defined by the agreement, the fees collected up to that point will be fully recognized as revenue.

The portion of total revenue from initial franchise fees attributable to performance obligations required to be provided by the Company that have not yet been satisfied are included in deferred revenue in the accompanying balance sheet.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Revenue recognition (continued):

*Sponsorship Income:* The Company hosts a conference for all franchisees every year. This event is sponsored. The Company has concluded this activity to be a stand-alone performance obligation.

*Transfer Fees:* The franchisees can transfer their contract to another party for a fee. The Company has concluded this activity to be a stand-alone performance obligation that is satisfied upon granting the transfer and releasing the previous owner from the terms of the agreement.

*License fees:* A portion of the initial franchise fee paid by a franchisee is for the license to operate the gym under the Company brand. The license has a ten-year life from the date of the contract and is recognized over that time. The Company has concluded this activity to be a stand-alone performance obligation. Under the previous revenue standard, the Company recognized the entire initial franchise fee and license fee upon the opening of the franchised gym.

## Basis of accounting:

The Company prepares its financial statements on the accrual basis of accounting.

## Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management, such differences will not be material to the financial statements.

## Cash and cash equivalents:

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

## Fair values of financial instruments:

The Company has a number of financial instruments, including cash, receivables, accounts payable, and notes payable. Management estimates that the fair value of all financial instruments at December 31, 2022 and 2021 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheets.

## Income taxes:

The Company has elected under the Internal Revenue Code to be limited liability company (LLC). Under that provision, the Company does not pay corporate income taxes on its taxable income. The members of the LLC are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in the financial statements.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Income taxes (continued):

The Company has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Company to any material tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses as there are no unrecognized tax benefits. The federal and state tax returns of the Company for open tax years (generally three years from the date filed) are subject to examination by the applicable taxing authority.

## Accounts receivable and bad debts:

The Company accounts for bad debts using the direct charge-off method, directly expensing receivables for which management deems uncollectible, or realizable at less than full value. The direct charge off method provides results similar to the reserve method in all material respects. There was not bad debt for the years ended December 31, 2022 and 2021.

## Capital assets, net:

Capital assets have been recorded at cost and are being depreciated over their estimated useful lives. Depreciation is computed using the straight-line method with estimated useful lives ranging from five to fifteen years. Depreciation expense was \$7,466 and \$2,680 for the years ended December 31, 2022 and 2021, respectively.

## Marketing:

Advertising and marketing costs are expensed as incurred.

## New accounting standards:

In February 2016, the FASB issued ASU 2016-02, *Leases*, which require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. This ASU is effective for non-public companies for fiscal years beginning after December 15, 2021. The Company does not have any leases longer than twelve months.

3. RESTRICTED CASH

Restricted cash consists of cash that is contractually required to be used for the National Ad Program in accordance with the Franchise Disclosure Agreement. The National Ad Program was established to pay advertising costs for media placement, commission, market research, and other expenses reasonably related to advertising, marketing, or promotions. Franchise locations are charged a 1% fee based on gross sales for the prior month. These funds are deposited to the restricted cash account and eligible expenses are disbursed from this account. The restriction will lapse when the National Ad Program is dissolved.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

3. RESTRICTED CASH (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the accompanying balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 17,953	\$ 37,695
Restricted cash	<u>25,147</u>	<u>17,184</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 43,100</u>	<u>\$ 54,879</u>

4. REVENUES AND RELATED CONTRACT BALANCES

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States and its ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenues, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. License fees are recognized over time while all other revenues are recognized at a point in time.

Contract liabilities are comprised of deferred revenue from initial franchise fees. Initial franchise fees are categorized as either pre-open services or license fees. For a gym that is not open the portion of the initial franchise fee allocated to pre-open services is deferred until the performance obligation is met which is typically when the gym opens. This contract liability is presented as "Deferred pre-open services revenue". The remaining portion of the initial franchise fee is allocated to license fees. License fees are recognized over the ten-year term of the franchise agreement at the date of contract signing. The unamortized portion of license fees is presented as "Deferred license fee revenue".

The beginning and ending contract balances were as follows at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ <u>77,808</u>	\$ <u>73,387</u>	\$ <u>88,179</u>
Deferred pre-open service revenue	\$ <u>95,000</u>	\$ <u>25,000</u>	\$ <u>25,000</u>

At December 31, 2022, deferred license fee revenue are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

2023	\$ 8,058
2024	6,331
2025	4,967
2026	2,883
2027	2,700
Thereafter	<u>9,497</u>
	<u>\$ 34,436</u>

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

5. FRANCHISING

Information about the number of franchised locations at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Franchised stores:		
Single-unit developments sold during year	1	-
Multi-unit developments sold during year	1	-
In operation as of December 31	23	22

6. BALANCE SHEET DETAILS

The following table provides details of selected balance sheet items:

	<u>2022</u>	<u>2021</u>
Capital assets, net:		
Computers	\$ 20,050	\$ 20,050
Furniture and fixtures	70,541	70,541
Leasehold improvement	92,733	92,733
	<u>183,324</u>	<u>183,324</u>
Less: accumulated depreciation	95,187	87,720
	<u>\$ 88,137</u>	<u>\$ 95,604</u>

7. PAYCHECK PROTECTION PROGRAM LOAN

The Company received loan proceeds in the amount of \$91,842 under the Paycheck Protection Program (PPP) in 2021. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable within 24 weeks as long as the borrower uses the loan proceeds for eligible purposes within 24 weeks of the date of the loan (the "Covered Period"), including payroll, benefits, utilities, and interest on other debt obligations incurred before February 15, 2020 (the "Qualifying Expenses"). As of December 31, 2022, the loan received in 2021 for \$91,842 including interest was forgiven.

8. EMPLOYEE RETENTION CREDIT

The Coronavirus Aid, Relief, and Economic Security Act, (CARES Act) provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. During the year ended December 31, 2021, the Company recorded \$63,337 related to the CARES Employee Retention credit as other income on the Company's statement of income and members' equity (deficit).

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

9. RELATED PARTY TRANSACTIONS

The Company leases office space from an entity owned by the members of the Company. Rent expense related to this lease agreement totaled \$27,000 for both years ended December 31, 2022 and 2021. The Company also leased parking space totaling \$2,700. See note 13 for additional disclosure.

Management fees were earned from an entity owned by the Company's members totaling \$450,000 for both years ended December 31, 2022 and 2021. Accounts payable due to a related party owned by the Company's members totaled \$421,403 as of December 31, 2022. Accounts receivable due from a related entity owned by the Company's members totaled \$136,630 as of December 31, 2021. Amounts earned for advertising program fees from an entity owned by the Company's members totaled \$45,082 and \$35,844, respectively, for years ended December 31, 2022 and 2021.

In December 2017, the Company signed a promissory note with a member in the amount of \$444,523 with interest accruing monthly at a rate of 4.25% per year. At December 31, 2022 and 2021, the Company had an outstanding balance of \$444,523 for both years. Accrued interest outstanding on the note for the years ended December 31, 2022 and 2021 was \$78,868 and \$77,122, respectively. The note was renewed in April of 2023 and is interest only until 2028. At that time, a balloon payment of the balance is due.

10. RETIREMENT PLAN

The Company has established a retirement savings 401(k) plan in which eligible employees may participate. For years ending December 31, 2022 and 2021, the Company made matching contributions of \$14,929 and -0-, respectively.

11. INTEREST PAID

For the years ended December 31, 2022 and 2021, total interest paid was \$17,176 and -0-, respectively.

12. COMPENSATED ABSENCES

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

13. OPERATING LEASES

The Company leased its office space under an operating lease which is on a month-to-month basis. Rent expense totaled \$29,700 for both years ended December 31, 2022 and 2021.

14. CONCENTRATIONS OF CREDIT RISK

The Company maintains a cash balance at a financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022 and 2021, the Company's cash balance was fully insured.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued, which is the same date as the Independent Auditor's Report.

IRON TRIBE FRANCHISE, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

with

INDEPENDENT AUDITOR'S REPORT

## CONTENTS

	<u>Page</u>
<u>Independent Auditor's Report</u>	1-2
<u>Financial Statements</u>	
Balance sheets	3
Statements of income and members' equity (deficit)	4
Statements of cash flows	5
Notes to financial statements	6-12

## Independent Auditors' Report

To the Members  
Iron Tribe Franchise, LLC  
Birmingham, Alabama

### **Opinion**

We have audited the accompanying financial statements of Iron Tribe Franchise, LLC (an Alabama limited liability company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iron Tribe Franchise, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Iron Tribe Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Iron Tribe Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Iron Tribe Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iron Tribe Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

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

*Horton, Lee, Bennett, Percock,  
Cleveland & Shainiger, P.C.*

Birmingham, AL

June 20, 2022

## IRON TRIBE FRANCHISE, LLC

## BALANCE SHEETS

December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 37,695	\$ 67,113
Restricted cash	17,184	35,443
Accounts receivable	73,387	88,179
Accounts receivable - related party	136,630	573,349
Prepaid expenses	8,000	7,716
Total current assets	<u>272,896</u>	<u>771,800</u>
Capital assets, net	<u>95,604</u>	<u>5,192</u>
	<u>\$ 368,500</u>	<u>\$ 776,992</u>
 <u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 74,091	\$ 7,772
Accounts payable - related party	77,122	58,229
Ad fund payable	55	-
Deferred license fee revenue - current portion	9,379	11,600
Deferred pre-open services revenue	25,000	25,000
Total current liabilities	<u>185,647</u>	<u>102,601</u>
Long-term liabilities:		
Deferred license fee revenue - net of current portion	20,743	35,401
Paycheck protection program loan	91,842	92,000
Note payable - related party	444,523	444,523
Total long-term liabilities	<u>557,108</u>	<u>571,924</u>
Total liabilities	<u>742,755</u>	<u>674,525</u>
Members' equity (deficit)	<u>(374,255)</u>	<u>102,467</u>
	<u>\$ 368,500</u>	<u>\$ 776,992</u>

See accompanying notes.

## IRON TRIBE FRANCHISE, LLC

## STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Royalty fees	\$ 665,511	\$ 607,089
Management fees	450,000	450,000
Ad fee revenue	151,719	136,838
Sponsorship income	18,000	18,000
License fee revenue	16,879	11,360
Settlement fees	-	75,000
Pre-opening services	-	20,000
Alabama grant income	-	20,000
Transfer fees	-	15,000
Total revenue	<u>1,302,109</u>	<u>1,353,287</u>
General and administrative expenses:		
Payroll expenses	726,651	610,173
Professional fees	296,783	52,309
Marketing	128,338	85,060
Franchise support fees	36,627	89,255
Rent	31,725	29,200
Education	27,123	110,763
Office expense	23,444	5,671
Dues and subscriptions	20,927	9,002
Travel and meals	20,564	9,084
Interest expense	18,896	18,892
Insurance	27,974	29,954
Utilities	6,709	6,661
Depreciation	2,680	2,452
Website development	2,286	2,309
Service charges	1,748	792
Taxes and licenses	630	233
Donations	38	23
Bad debts	-	1,109
Event expenses	-	3,393
Total general and administrative expenses	<u>1,373,143</u>	<u>1,066,335</u>
Other income (expense):		
Employee retention credit	63,337	-
Paycheck protection program loan forgiveness	92,000	-
EIDL grant	15,000	-
Total other income (expense)	<u>170,337</u>	<u>-</u>
Net income	99,303	286,952
Members' equity - beginning of year	102,467	194,585
Less: Cumulative effect of adoption of ASC 606	-	43,361
Less: Distributions	576,025	335,709
Members' equity (deficit) - end of year	<u>\$ (374,255)</u>	<u>\$ 102,467</u>

See accompanying notes.

## IRON TRIBE FRANCHISE, LLC

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net income	\$ 99,303	\$ 286,952
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,680	2,452
Bad debts	-	1,109
Paycheck protection program loan forgiveness	(92,000)	
(Increase) decrease in operating assets:		
Accounts receivable	14,792	3,498
Accounts receivable - related party	436,719	(247,567)
Prepaid expenses	(284)	(350)
Increase (decrease) in operating liabilities:		
Accounts payable	66,319	1,690
Accounts payable - related party	18,893	18,892
Ad fund payable	55	-
Deferred license fee revenue	(16,879)	(6,360)
Net cash provided by operating activities	<u>529,598</u>	<u>60,316</u>
Cash flows from investing activities:		
Purchase of capital assets	(93,092)	-
Net cash used in investing activities	<u>(93,092)</u>	<u>-</u>
Cash flows from financing activities:		
Distributions	(576,025)	(185,709)
Proceeds from paycheck protection program loan	91,842	92,000
Net cash used in financing activities	<u>(484,183)</u>	<u>(93,709)</u>
Net decrease in cash, cash equivalents, and restricted cash	(47,677)	(33,393)
Cash, cash equivalents, and restricted cash - beginning of year	<u>102,556</u>	<u>135,949</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 54,879</u>	<u>\$ 102,556</u>

See accompanying notes.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

1. DESCRIPTION OF ORGANIZATION

Iron Tribe Franchise, LLC (the “Company”) was formed under the laws of the State of Alabama on June 6, 2011 for the purpose of ownership, development, marketing, and sale of Iron Tribe Fitness locations and/or franchises. The rights and obligations of the Company are governed by the Operating Agreement and amendments of the Company. The operating agreement provides that no member in its capacity as a member shall be liable for the debt, obligation, or liability of the Company. There is no fixed date for dissolution of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition:

The Company adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (Topic 606)* on January 1, 2020. The Company derives its revenues from franchise fees, royalty fees, and other various fees.

*Franchise Royalty Fees and Ad Fees:* Franchisees are charged a royalty fee equal to 6% of the franchisees’ monthly gross revenues. The single performance obligation related to licensing is granting certain rights to use the Company’s intellectual property, which is satisfied over the term of each franchise agreement. The Company also collects a monthly fee for marketing services which is also based on a percentage of the franchisees’ monthly gross revenues and is recognized monthly over the contract term.

*Management Fees:* The Company manages five Iron Tribe Fitness locations in a separate entity that has common ownership as the Company. In lieu of paying royalties, these locations pay a yearly management fee to the Company of \$450,000 per the terms of the management fee agreement. The Company has concluded this activity to be a stand-alone performance obligation. The Company recognizes revenues as earned on a monthly basis.

*Settlement Fees:* If a franchisee violates the franchisee agreement, the Company has a right to pursue damages as defined in the franchise agreement in an effort to protect its brand. The Company has concluded this activity to be a stand-alone performance obligation.

*Pre-opening Services:* Revenue from franchised locations includes a non-refundable initial franchise fee. The Company’s obligations under the franchise agreement are providing a variety of pre-opening assistance and services, including site selection assistance, design services, and training on operating procedures. These obligations are highly interrelated, are not individually distinct within the context of the contract, and are not separately valued or offered for sale and are, therefore, accounted for under ASC 606 as a single performance obligation, which is recognized when the gym opens.

Under ASC 606, if the Company exercises their right to terminate an agreement for any franchise agreement that has become dormant, as defined by the agreement, the fees collected up to that point will be fully recognized as revenue.

The portion of total revenue from initial franchise fees attributable to performance obligations required to be provided by the Company that have not yet been satisfied are included in deferred revenue in the accompanying balance sheet.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Revenue recognition (continued):

*Alabama Grant Income:* The company applied for and received a grant offered by the State of Alabama to defer costs associated with becoming compliant with state and local laws related to Covid.

*Sponsorship Income:* The Company hosts a conference for all franchisees every year. This event is sponsored. The Company has concluded this activity to be a stand-alone performance obligation.

*Transfer Fees:* The franchisees can transfer their contract to another party for a fee. The Company has concluded this activity to be a stand-alone performance obligation that is satisfied upon granting the transfer and releasing the previous owner from the terms of the agreement.

*License fees:* A portion of the initial franchise fee paid by a franchisee is for the license to operate the gym under the Company brand. The license has a ten-year life from the date of the contract and is recognized over that time. The Company has concluded this activity to be a stand-alone performance obligation. Under the previous revenue standard, the Company recognized the entire initial franchise fee and license fee upon the opening of the franchised gym.

## Basis of accounting:

The Company prepares its financial statements on the accrual basis of accounting.

## Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management, such differences will not be material to the financial statements.

## Cash and cash equivalents:

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

## Fair values of financial instruments:

The Company has a number of financial instruments, including cash, receivables, accounts payable, and notes payable. Management estimates that the fair value of all financial instruments at December 31, 2021 and 2020 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheets.

## Income taxes:

The Company has elected under the Internal Revenue Code to be limited liability company (LLC). Under that provision, the Company does not pay corporate income taxes on its taxable income. The members of the LLC are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in the financial statements.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## Income taxes (continued):

The Company has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Company to any material tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses as there are no unrecognized tax benefits. The federal and state tax returns of the Company for open tax years (generally three years from the date filed) are subject to examination by the applicable taxing authority.

## Accounts receivable and bad debts:

The Company accounts for bad debts using the direct charge-off method, directly expensing receivables for which management deems uncollectible, or realizable at less than full value. The direct charge off method provides results similar to the reserve method in all material respects. Bad debt expense for the years ended December 31, 2021 and 2020 totaled \$-0- and \$1,109, respectively.

## Capital assets, net:

Capital assets have been recorded at cost and are being depreciated over their estimated useful lives. Depreciation is computed using the straight-line method with estimated useful lives ranging from five to fifteen years. Depreciation expense was \$2,680 and \$2,452 for the years ended December 31, 2021 and 2020, respectively.

## Marketing:

Advertising and marketing costs are expensed as incurred.

## New accounting standards:

In May 2014, the FASB issued Accounting Standards Codification (ASC) 2014-09 *Revenue from Contracts With Customers* (Topic 606), requiring business entities to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace previously existing revenue recognition standards under GAAP when it became effective and permits the use of either a full retrospective or modified retrospective method. The Company adopted this new guidance on January 1, 2020 utilizing the modified retrospective method.

The Company's accompanying financial statements reflect the adoption of ASC 606 standards, while its members' equity for prior periods were a result of revenue recognition under the previous standards. The Company elected to utilize the practical expedient allowed under Accounting Standards Update (ASU) 2021-02 *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)*. ASU 2021-02 allows franchisors to recognize the pre-opening services as a single performance obligation distinct from the franchise license. As a result of the initial adoption on January 1, 2020, the Company reclassified \$43,361 cumulative effect adjustment from opening members' equity to deferred revenue. Of this amount, \$16,879 and \$11,130 was amortized in license fee revenue for 2021 and 2020, respectively.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards (continued):

In February 2016, the FASB issued ASU 2016-02, *Leases*, which require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. This ASU is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company has not yet implemented this ASU and is in the process of assessing the effect on its financial statements.

3. RESTRICTED CASH

Restricted cash consists of cash that is contractually required to be used for the National Ad Program in accordance with the Franchise Disclosure Agreement. The National Ad Program was established to pay advertising costs for media placement, commission, market research, and other expenses reasonably related to advertising, marketing, or promotions. Franchise locations are charged a 1% fee based on gross sales for the prior month. These funds are deposited to the restricted cash account and eligible expenses are disbursed from this account. The restriction will lapse when the National Ad Program is dissolved.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the accompanying balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 37,695	\$ 67,113
Restricted cash	<u>17,184</u>	<u>35,443</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 54,879</u>	<u>\$ 102,556</u>

4. REVENUES AND RELATED CONTRACT BALANCES

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States and its ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenues, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. License fees are recognized over time while all other revenues are recognized at a point in time.

Contract liabilities are comprised of deferred revenue from initial franchise fees. Initial franchise fees are categorized as either pre-open services or license fees. For a gym that is not open the portion of the initial franchise fee allocated to pre-open services is deferred until the performance obligation is met which is typically when the gym opens. This contract liability is presented as "Deferred pre-open services revenue". The remaining portion of the initial franchise fee is allocated to license fees. License fees are recognized over the ten-year term of the franchise agreement at the date of contract signing. The unamortized portion of license fees is presented as "Deferred license fee revenue".

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

4. REVENUES AND RELATED CONTRACT BALANCES (continued)

At December 31, 2021, deferred license fee revenue are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

2022	\$	9,379
2023		6,980
2024		5,250
2025		3,784
2026		1,389
Thereafter		<u>3,340</u>
	\$	<u><u>30,122</u></u>

5. FRANCHISING

Information about the number of franchised locations at December 31 is as follows:

	<u>2021</u>	<u>2020</u>
Franchised stores:		
Single-unit developments sold during year	-	1
Multi-unit developments sold during year	-	-
In operation as of December 31	22	25

6. BALANCE SHEET DETAILS

The following table provides details of selected balance sheet items:

	<u>2021</u>	<u>2020</u>
Capital assets, net:		
Computers	\$ 20,050	\$ 20,050
Furniture and fixtures	70,542	63,750
Leasehold improvement	<u>92,733</u>	<u>6,433</u>
	183,325	90,233
Less: accumulated depreciation	<u>87,721</u>	<u>85,041</u>
	<u><u>\$ 95,604</u></u>	<u><u>\$ 5,192</u></u>

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

7. PAYCHECK PROTECTION PROGRAM LOAN

The Company received loan proceeds in the amount of \$91,842 under the Paycheck Protection Program (PPP) in 2021 and \$92,000 in 2020 for a total of \$183,842. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable within 24 weeks as long as the borrower uses the loan proceeds for eligible purposes within 24 weeks of the date of the loan (the "Covered Period"), including payroll, benefits, utilities, and interest on other debt obligations incurred before February 15, 2020 (the "Qualifying Expenses"). As of December 31, 2021, the initial loan received in 2020 for \$92,000 including interest was forgiven. The loan of \$91,842 was forgiven after December 31, 2021 and is reflected on the balance sheet at December 31, 2021.

8. EMPLOYEE RETENTION CREDIT

The Coronavirus Aid, Relief, and Economic Security Act, (CARES Act) provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 21, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. During the year ended December 31, 2021, the Company recorded \$63,337 related to the CARES Employee Retention credit as other income on the Company's statement of income and members' equity (deficit).

9. RELATED PARTY TRANSACTIONS

The Company leases office space from an entity owned by the members of the Company. Rent expense related to this lease agreement totaled \$27,000 for both years ended December 31, 2021 and 2020. See note 12 for additional disclosure.

Management fees were earned from an entity owned by the Company's members totaling \$450,000 for both years ended December 31, 2021 and 2020. Accounts receivable due from a related entity owned by the Company's members totaled \$136,630 and \$573,349, respectively, as of December 31, 2021 and 2020. Amounts earned for advertising program fees from an entity owned by the Company's members totaled \$35,844 and \$26,040, respectively, for years ended December 31, 2021 and 2020.

In December 2017, the Company signed a promissory note with a member in the amount of \$444,523 with interest accruing monthly at a rate of 4.25% per year. At December 31, 2021 and 2020, the Company had an outstanding balance of \$444,523 for both years. Accrued interest outstanding on the note for the years ended December 31, 2021 and 2020 was \$77,122 and \$58,229, respectively. The note was renewed on January 1, 2020 and is interest only until 2023. At that time, a balloon payment of the balance is due.

10. RETIREMENT PLAN

The Company has established a retirement savings 401(k) plan in which eligible employees may participate. For year ending December 31, 2021 and 2020, the Company made no matching contributions.

## IRON TRIBE FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

11. COMPENSATED ABSENCES

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

12. OPERATING LEASES

The Company leased its office space under an operating lease which is on a month to month basis. Rent expense totaled \$27,000 for both years ended December 31, 2021 and 2020.

13. CONCENTRATIONS OF CREDIT RISK

The Company maintains a cash balance at a financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021 and 2020, the Company's cash balance was fully insured.

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following are supplemental disclosures of cash flow information:

	<u>2021</u>	<u>2020</u>
Noncash investing and financing transactions:		
Accounts receivable related party reduced by member distributions	\$ <u>          -</u>	\$ <u>      150,000</u>

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date these financial statements were available to be issued, which is the same date as the Independent Auditor's Report.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may have a negative impact on net income. The extent to which COVID-19 may impact the Company's financial condition or results of operations will depend on certain developments, including the duration and spread of the outbreak. At this point, the extent of which COVID-19 may impact the Company's financial condition or results of operations is uncertain.

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHIN AN AUDIT.  
PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE  
ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE  
FIGURES OR EXPRESS HIS/HER OPINION WITH REGARD TO THE CONTENT OR  
FORM.**

# Iron Tribe Franchise LLC

## Balance Sheet

As of November 30, 2023

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
1001 Servis First checking	-4,841.67
1002 National Ad Funds	20,100.92
<b>Total Bank Accounts</b>	<b>\$15,259.25</b>
Accounts Receivable	
1200 Accounts Receivable	99,207.56
<b>Total Accounts Receivable</b>	<b>\$99,207.56</b>
Other Current Assets	
1201 National Ad Fund	131,778.19
1401 Prepaid Expenses	7,399.32
1402 Due from 3rd Ave Partners LLC	0.00
1403 Due to/from NAF	0.00
1499 Undeposited Funds	666.65
Deferred Franchise Cost	0.00
<b>Total Other Current Assets</b>	<b>\$139,844.16</b>
<b>Total Current Assets</b>	<b>\$254,310.97</b>
Fixed Assets	
1601 Accumulated Amortization	-110,306.59
1901 Accumulated Depreciation	-95,187.43
1902 Leasehold improvements	92,733.00
1903 Computer	20,050.49
1904 Equipment	0.00
1905 Furniture and Fixtures	70,541.39
1906 Software	110,306.59
<b>Total Fixed Assets</b>	<b>\$88,137.45</b>
Other Assets	
2107 Prepaid Tech Fee	0.00
<b>Total Other Assets</b>	<b>\$0.00</b>
<b>TOTAL ASSETS</b>	<b>\$342,448.42</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
2101 Accounts Payable	39,833.32
<b>Total Accounts Payable</b>	<b>\$39,833.32</b>
Credit Cards	
2106 American Express	667.11
2109 Servis First Credit Card	-242.87
<b>Total Credit Cards</b>	<b>\$424.24</b>
Other Current Liabilities	
1500 Servis First LOC	100,000.00

	TOTAL
2020 Deferred Revenue License Fees	34,436.17
2102 Deferred Revenue - Fran Fees	95,000.00
2103 Due to Member	444,523.00
2103.1 Accrued Interest - Member	78,868.40
2104 Due to ITF	2,323,579.97
2105 Payroll Liabilities	0.00
2108 Due (To) From ITF - Mgt Fee	-1,350,375.00
Accrued Expense	0.00
PPP Loan	0.00
<b>Total Other Current Liabilities</b>	<b>\$1,726,032.54</b>
<b>Total Current Liabilities</b>	<b>\$1,766,290.10</b>
<b>Total Liabilities</b>	<b>\$1,766,290.10</b>
Equity	
3000 Opening Balance Equity	0.00
3010 Equity - Ricky	-2,575.00
3002 Capital -Ricky Brooks	1,765,839.00
3003 Distributions -Ricky Brooks	-2,052,088.50
3012 Share of Profit - Ricky	-1,070,749.00
<b>Total 3010 Equity - Ricky</b>	<b>-1,359,573.50</b>
3013 Equity- Forrest	-100,000.00
3005 Capital- Forrest Walden	1,243,836.00
3014 Distributions - Forrest	-1,292,453.02
3015 Share of Profit - Forrest	-1,377,376.00
<b>Total 3013 Equity- Forrest</b>	<b>-1,525,993.02</b>
3016 Baydoor Equity - Ricky	300,000.00
32000 Members Equity	1,387,413.27
Net Income	-225,688.43
<b>Total Equity</b>	<b>\$ -1,423,841.68</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$342,448.42</b>

# Iron Tribe Franchise LLC

## Profit and Loss by Class

January - November, 2023

	TOTAL
<b>Income</b>	
4000 Miscellaneous Revenues	
4005 Management Fees	48,500.00
4006 Tribecon Sponsorship	33,100.00
4007 Loud Rumor Royalties	6,750.00
4008 Uniform Site for Franchisees	-488.45
<b>Total 4000 Miscellaneous Revenues</b>	<b>87,861.55</b>
4010 Franchise Revenues	
40 Franchise renewal	10,000.00
4012 Franchise Fees - Final Purchase	110,000.00
4013 Royalty Income	677,403.32
4017 Prestige royalties	42.59
<b>Total 4010 Franchise Revenues</b>	<b>797,445.91</b>
<b>Total Income</b>	<b>\$885,307.46</b>
<b>GROSS PROFIT</b>	<b>\$885,307.46</b>
<b>Expenses</b>	
6000 Franchise Support Expenses	
6053 Emma	-822.83
6054 Franchise Baydoor Fees	-40,220.90
6055 Event Expenses	34,135.80
6057 Franchise Google Apps fee	24,190.95
6058 Franchisee Gifts	1,468.06
6104 Franchise Web Fee	51.63
<b>Total 6000 Franchise Support Expenses</b>	<b>18,802.71</b>
6005 Parking	2,475.00
6050 Rent	27,225.00
6060 Utilities	
6004 Cell Phones	7,243.45
6061 Power	2,814.73
6063 Water	316.64
6076 Telephone	102.52
<b>Total 6060 Utilities</b>	<b>10,477.34</b>
6100 Marketing	
6010 Music	30.00
6102 Copywriting	2,500.00
6105 Marketing	89,044.47
6119 Printing	158.31
<b>Total 6100 Marketing</b>	<b>91,732.78</b>
6110 Office Expense	
6014 Education	5,202.07
6118 Bank Fees	941.26
6500 Interest	11,430.32
<b>Total 6118 Bank Fees</b>	<b>12,371.58</b>

	TOTAL
6120 Office Supplies	3,616.55
6121 Dues and Subscriptions	26,243.48
6123 Postage	431.85
6124 Staff gifts	928.39
6700 Repairs/Maintenance	1,346.48
6704 Computer Expense	1,318.90
<b>Total 6110 Office Expense</b>	<b>51,459.30</b>
6122 IT / Software	
6303 Website & Zendesk	13,156.37
<b>Total 6122 IT / Software</b>	<b>13,156.37</b>
6200 Payroll Expenses	
6202 Payroll Service fees	1,543.41
6203 Payroll Taxes	44,194.71
6204 Salaries	626,976.89
6205 - Hourly Employee	17,130.00
6208 Health Insurance	34,697.30
6209 Dental	1,488.56
6210 Vision	229.46
6211 FSA	-1,439.36
6212 401K	15,881.88
6214 Staff Moving & Clothing	656.00
6216 Bonus	0.00
6223 Auto Allowance	8,800.00
<b>Total 6200 Payroll Expenses</b>	<b>750,158.85</b>
6400 Insurance	
6402 General Liability	16,427.91
6403 Cyber Insurance	2,149.69
6405 Workers Comp Insurance	575.86
<b>Total 6400 Insurance</b>	<b>19,153.46</b>
6600 Professional Fees	
6602 Accounting	19,850.09
6603 Legal Fees	13,378.70
6605 consulting	37,252.56
6606 Franchise Evolution Partners	123,250.00
<b>Total 6600 Professional Fees</b>	<b>193,731.35</b>
6800 Taxes and Licenses	50.00
6900 Travel	1,218.75
6902 Meals	6,925.24
6903 Parking & Tolls	840.20
6904 Hotel	14,653.49
6905 Fuel & Auto Maint.	4,250.22
6906 Flights	10,200.06
6908 Rental car/ Cab	5,613.15
6909 Conference Fee	399.00
<b>Total 6900 Travel</b>	<b>44,100.11</b>
<b>Total Expenses</b>	<b>\$1,222,522.27</b>
<b>NET OPERATING INCOME</b>	<b>\$ -337,214.81</b>
<b>NET INCOME</b>	<b>\$ -337,214.81</b>

**EXHIBIT C**

**CURRENT AND FORMER FRANCHISEE INFORMATION**

**Facilities Open As of December 31, 2022**

<b>Franchisee/ Group</b>	<b>Location Address</b>	<b>Phone Number</b>
M&G ITF, LLC (Blair Morris)	1300 Meridian Street N Suite 1100, Huntsville, AL 35801	(205) 441-9855
Blair Morris	12060 County Line Road, Madison, AL 35756	(205) 441-9855
Matt Wagner	406 Bridge Avenue, Northport, AL 35476	(205) 764-5688
JD Gettmann	9700 Medlock Bridge Road #128, Johns Creek, GA 30097	(678) 576-4766
Jason Crews	4719 Lower Roswell Road, Marietta, GA 30068	(770) 971-7797
Hayden Clark <sup>1</sup>	1176 S Acadian Thruway, Baton Rouge, LA 70806	(504) 522-5454
Hayden Clark <sup>1</sup>	8220 Perkins Road, Baton Rouge, LA 70810	(504) 522-5454
Body by E, LLC (Evan Taylor)	3021 Bank Street, Unit 120, Charlotte, NC 28203	(704) 492-8172
Zach Watson	4410-B Monroe Road, Charlotte, NC 28205	(704) 332-7858
Warren Beason	2227 Augusta Street, Greenville, SC 29605	(864) 990-2020
Corky Alexander	1145 Johnnie Dodds Blvd., Suite D, Mt. Pleasant, South Carolina 29464	(843) 388-8892
Jamie Warren <sup>1</sup>	214 Ward Circle, Brentwood, TN 37208	(615) 376-5050
Jamie Warren <sup>1</sup>	1731 Mallory Lane #106, Brentwood, TN 37027	(615) 953-3843
Jamie Warren <sup>1</sup>	507 Fair Street, Franklin, TN 37064	(615) 538-4659
John Irvine <sup>1</sup>	7460 McVay Station Ct., Germantown, TN 38138	(901) 433-9154
John Irvine <sup>1</sup>	145 Lt George W. Lee Street, Memphis, TN 38103	(901) 306-2730
John Irvine <sup>1</sup>	454 Perkins Extd, Memphis, TN 38117	(901) 590-2095
Jamie Warren <sup>1</sup>	5135 Harding Pike, Nashville, TN 37205	(615) 979-3959
Jamie Warren <sup>1</sup>	3201 Belmont Blvd., Nashville, TN 37212	(615) 636-6872
Scott Paul	9555 Spring Green Blvd F, Katy, TX 77494	(281) 303-5671

<sup>1</sup> denotes our Multi-Unit Franchisees.

**Franchisee(s) Who Left the System in the 2022 Fiscal Year**

<b>Name</b>	<b>Address</b>	<b>Current Business Telephone</b>
Noel Korowin	4402 Asher's Run Court, Crestwood, KY 40014	(502) 643-2203
Hayden Clark	PO Box 3513, Baton Rouge, LA 70821	(225) 223-7990
JD Gettmann	595 Croydon Lane, Alpharetta, GA 30022	(770) 595-7274

**Franchisee(s) With Signed Franchised Agreement, but Facility Not Open as of December 31, 2022**

<b>Name</b>	<b>Address</b>	<b>Current Business Telephone</b>
Derek & Ashley Gann	1041 Stagg Run Trail, Indian Springs, AL 35124	(404) 538-1822
Jamie Warren (Opening in TN)	1604 Grove Place, Homewood, AL 35209	(615) 791-4289
Allie Herrera and Jordan Tingle	9404 Crescent Loop Circle, Apt. 205, Tampa, FL	(901) 713-7383

**EXHIBIT D**

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

## State Administrators

California Department of Business Oversight  
TOLL FREE 1-(866) 275-2677

### LA Office

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

### Sacramento Office

1515 K Street, Suite 200  
Sacramento, CA 95814-4052  
(866) 275-2677

### San Diego Office

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

### San Francisco Office

One Sansome St., #600  
San Francisco, CA 94104  
(415) 972-8559

Florida Department of Agricultural  
and Consumer Services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Agents for Service of Process

California Commissioner of the Department of  
Business Oversight  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, CA 90013-2344

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

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

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

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

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

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

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

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

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

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

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

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

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

Director, Department of Financial Institutions  
Securities Division  
150 Israel Road, Southwest  
Olympia, WA 98501

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

**EXHIBIT E**

**TABLE OF CONTENTS FOR OPERATIONS MANUAL**

## Table of Contents

How to use this manual to develop your own franchise	1
CHAPTER 1: INTRODUCTION	8
How to use this manual	8
Confidential Disclosure Agreements	10
CHAPTER 2: WELCOME TO IRON TRIBE FITNESS	15
History of Iron Tribe Fitness	16
The Iron Tribe Fitness Management Team	17
Legal advisory and franchisor's management support	18
Iron Tribe Fitness Mission Principles & Promises	19
CHAPTER 3: SUPPORT RESOURCES	22
Franchisee support matrix	23
Franchise Corporate Officers	25
CHAPTER 4: PRE-OPENING TIMETABLE & OBLIGATIONS	26
Iron Tribe Fitness pre-opening timetable	27
Week One	30
Week Two	31
Week Three	32
Week Four	35
Week Five	39
Week Six	41
Week Seven	46
Week Eight	53
Week Nine	54
Week Ten	55
CHAPTER 5: FRANCHISEE TRAINING REQUIREMENTS	61
Iron Tribe Fitness Orientation Training	63
Iron Tribe Fitness qualified certifications	68
Additional training & refresher courses	69
Annual Iron Tribe Fitness national sales meeting	71
CHAPTER 6: STAFFING YOUR IRON TRIBE FITNESS FRANCHISE	73
Staffing your Iron Tribe Fitness franchise	75
Position descriptions with profiles	77
CHAPTER 7: OFFICE POLICIES	79
Setting up your office	80
Quality Standards of Service	81
Service and courtesy to clients	84
Handling typical complaints and problems	85
Employee appearance (trade dress) and hygiene	86
Visitors in the workplace	87
Computer usage	88
CHAPTER 8: OFFICE OPERATION AND MAINTENANCE	89

Business processes mapping	90
General housekeeping	91
Opening procedures	92
Closing procedures	93
Cleaning procedures	95
Miscellaneous franchise duties and responsibilities	95
Office administration major activities listing	96
Administrative management checklist	97
Material Safety Data Sheets (MSDS):	99
Alarms, locks and keys	99
Inventory levels	99
Daily procedures	99
Restrooms	99
Safety	100
CHAPTER 9: OFFICE EQUIPMENT, COMPUTER SYSTEM, INVENTORY, AND SUPPLIES	101
Office equipment	103
Approved vendors	107
Equipment “Starter Package”	109
CHAPTER 10: ADMINISTRATION	113
Record keeping	114
Accounting services	118
Collections and Accounts Receivable management	121
CHAPTER 11: REPORTS, AUDITS & INSPECTIONS	124
Franchisee reports	125
Records and reports	127
Failure to report	127
Audits and inspections	128
Contact with others	128
CHAPTER 12: VEHICLE ADMINISTRATION	129
Auto theft & carjacking	132
Leasing	133
CHAPTER 13: MARKETING	134
Iron Tribe Fitness franchisee marketing requirements	137
Target marketing with selected media	142
Executing your marketing plan	155
CHAPTER 14: SALES & PRICING	158
Introduction	159
Phone selling	159
Referrals	163
Group presentations	166
Pricing policies and fee structures	167
CHAPTER 15: INSURANCE REQUIREMENTS & RISK MANAGEMENT	170
General insurance coverage	171

Risk management	174
Managing risk at the franchise location or job site	175
Franchisee site security	175
Reporting incidents	176
<b>CHAPTER 16: CORPORATE STRUCTURE AND FINANCING</b>	<b>178</b>
Setting up your entity	179
Legal business structures	179
Types of structures	181
Setting up the new corporation	185
Financing arrangements	187
Financing alternatives	187
<b>CHAPTER 17: TRADEMARKS AND TRADE SECRETS - PROTECTION POLICIES</b>	<b>190</b>
Patents, copyrights and proprietary information	190
Trademark usage and guidelines	191
Examples Of trademark misuse	192
<b>CHAPTER 18: FIELD OPERATIONS</b>	<b>193</b>
Safety first	193
Business processes mapping	194
Outline of the window cleaning process	196
<b>CHAPTER 19: RESALE, TRANSFER, RENEWAL AND CLOSING</b>	<b>202</b>
Conditions of renewal	202
Continuation	203
Assignment or transfer	203
Termination	206
<b>CHAPTER 20: EXPANSION AND RELOCATION REQUIREMENTS</b>	<b>209</b>
Franchise expansion, new territory, resale purchase or territory expansion	209

**EXHIBIT F**

**STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT**

## MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

For franchises and franchisees subject to the Minnesota Franchise Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Iron Tribe Franchise, LLC Franchise Disclosure Document.

### Item 13

Iron Tribe Franchise, LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

### Item 17.

Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Disclosure Document, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 provides that any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of 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 or which has the effect of waiving compliance with any provision of §§80C.01 to 80C.22 of the Minnesota Franchises Act, or any rule or order thereunder, is void.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibits Iron Tribe Franchise, LLC requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or 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.

To the extent you are required to execute a general release in favor of Iron Tribe Franchise, LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. §80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

**EXHIBIT G**

**STATE EFFECTIVE DATES**

### **State Effective Dates**

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

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

<b>State</b>	<b>Effective Date</b>
Florida	February 8, 2023
Minnesota	Pending Registration

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 H**

**RECEIPTS**

**IRON TRIBE FRANCHISE, LLC**  
**RECEIPT**  
(FRANCHISEE'S COPY)

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

If Iron Tribe Franchise, LLC (“Company”) offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the company or an affiliate in connection with the proposed franchise sale.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship.**

**Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

If the Company does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit D to this Franchise Disclosure Document. A list of franchisor’s agents registered to receive service of process is also included in Exhibit D to this Franchise Disclosure Document.

The name, principal business address and telephone number of the Company’s franchise sellers offering the franchise are: (i) Forrest Walden, Richard Brooks, and Karen Broadwater, 300 27th Street South, Birmingham, Alabama 35233, (205) 226-8669; (ii) Brian Garoutte, BRG Ames Development, 8202 Newcomb Street, Apex, NC 27539; and (iii) Julianna Toledo-Mullin, JTM Partners, LLC, 5561 W 10<sup>th</sup> Ave., Lakewood, Colorado 80214, (720) 840-7778.

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I received a Disclosure Document dated April 30, 2023, that included the following exhibits:

Ex. A	Franchise Agreement
Ex. A	Licensed Marks
Ex. B	Guaranty of Performance
Ex. C	Confidentiality and Restrictive Covenants
Ex. D	Conditional Assignment of Lease
Ex. E	Conditional Assignment of Phone Numbers and Domain Names
Ex. F	EFT Authorization
Ex. G	Franchisee Questionnaire

	Ex. H	State Specific Addenda
	Ex. I	Site Selection Addendum
Ex. A-1	Multi-Unit Development Agreement	
Ex. B	Financial Statements	
Ex. C	Current Franchisee Information	
Ex. D	Manual Table of Contents	
Ex. E	State Agents and Registered Agents	
Ex. F	State Specific Addenda	
Ex. H	Receipts	

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

Prospective Franchisee:

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

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

Individually and on behalf of the following entity:

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

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

**IRON TRIBE FRANCHISE, LLC**  
**RECEIPT**  
(FRANCHISOR'S COPY)

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