

# FRANCHISE DISCLOSURE DOCUMENT



Madabolic Franchise System, LLC  
A Delaware limited liability company  
2610 South Blvd.  
Charlotte, North Carolina 28209  
Phone: (980) 217-4770  
Email: Brandon@madabolic.com  
Website: www.Madabolic.com

Madabolic Franchise System, LLC offers franchises for the operation of a strength training fitness business featuring workouts commonly used by professional athletes that have been modified for everyday people to improve their overall health and wellness.

If you finance the purchase of the Fitness Equipment Package or lease the equipment within the Fitness Equipment Package, then the total investment necessary to begin operation of a Madabolic franchise ranges from \$297,540 to \$504,106. This includes \$67,000 that must be paid to us and our affiliates.

If you choose to purchase the Fitness Equipment Package without financing, then the total investment necessary to begin operation of a Madabolic franchise ranges from \$394,900 to \$602,500. This includes \$186,000 to \$200,000 that must be paid to us and our affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 2610 South Blvd., Charlotte, North Carolina 28209 or by phone at (980) 217-4770.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](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 19, 2024 (amended April 30, 2024)

## How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or EXHIBIT "E".
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or EXHIBIT "F" 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 Madabolic business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Madabolic franchisee?</b>	Item 20 or EXHIBIT "E" 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 the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in EXHIBIT "A".

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in North Carolina. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in North Carolina than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **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.
5. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

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</b>	FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	1
<b>ITEM 2</b>	BUSINESS EXPERIENCE .....	3
<b>ITEM 3</b>	LITIGATION .....	4
<b>ITEM 4</b>	BANKRUPTCY .....	7
<b>ITEM 5</b>	INITIAL FEES .....	7
<b>ITEM 6</b>	OTHER FEES.....	8
<b>ITEM 7</b>	ESTIMATED INITIAL INVESTMENT.....	13
<b>ITEM 8</b>	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	16
<b>ITEM 9</b>	FRANCHISEE'S OBLIGATIONS .....	20
<b>ITEM 10</b>	FINANCING .....	21
<b>ITEM 11</b>	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....	21
<b>ITEM 12</b>	TERRITORY.....	32
<b>ITEM 13</b>	TRADEMARKS.....	34
<b>ITEM 14</b>	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	36
<b>ITEM 15</b>	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	37
<b>ITEM 16</b>	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	37
<b>ITEM 17</b>	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....	38
<b>ITEM 18</b>	PUBLIC FIGURES .....	40
<b>ITEM 19</b>	FINANCIAL PERFORMANCE REPRESENTATIONS .....	40
<b>ITEM 20</b>	OUTLETS AND FRANCHISEE INFORMATION .....	40
<b>ITEM 21</b>	FINANCIAL STATEMENTS.....	52
<b>ITEM 22</b>	CONTRACTS .....	52
<b>ITEM 23</b>	RECEIPT .....	52
<b>EXHIBIT "A"</b>	LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS	
<b>EXHIBIT "B"</b>	FRANCHISOR'S AGENT FOR SERVICE OF PROCESS	
<b>EXHIBIT "C"</b>	FRANCHISE AGREEMENT	
<b>EXHIBIT "D"</b>	TABLE OF CONTENTS OF BRAND STANDARDS MANUAL	
<b>EXHIBIT "E"</b>	LIST OF FRANCHISEES	
<b>EXHIBIT "F"</b>	FINANCIAL STATEMENTS FOR MADABOLIC FRANCHISE SYSTEM, LLC	
<b>EXHIBIT "G"</b>	OTHER AGREEMENTS	
<b>EXHIBIT "G"-1</b>	STATE ADDENDA	
<b>EXHIBIT "G"-2</b>	GENERAL RELEASE	
<b>EXHIBIT "G"-3</b>	FRANCHISE RESALE AGREEMENT	
<b>EXHIBIT "H"</b>	STATE EFFECTIVE DATES	
<b>EXHIBIT "I"</b>	RECEIPTS	

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
CONSUMER PROTECTION DIVISION  
Attention: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

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

The franchised business offered under this Disclosure Document is for a strength training fitness business that operates under the name MADABOLIC® (a “Madabolic Business”). To simplify the language in this Disclosure Document, “you” means the person who buys the franchise for a Madabolic Business – the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company. “We,” “us” and “the Company” mean Madabolic Franchise System, LLC – the franchisor.

### **Corporate Information**

Madabolic Franchise System, LLC is A Delaware limited liability company that was organized on June 19, 2019. Our principal business address is 2610 South Blvd., Charlotte, North Carolina 28209. Our telephone number is (980) 217-4770. Our agents for service of process are disclosed in EXHIBIT "A" (for franchise registration states) and EXHIBIT "B" (for other states). We do not do business under any names other than “Madabolic Franchise System, LLC”.

### **Business History**

We began offering franchises for Madabolic Businesses in July 2019. We are not engaged in any business other than offering franchises for Madabolic Businesses and administering the franchise system. We have never offered franchises in any other line of business.

We have never directly owned and operated a Madabolic Business. However, our founders Brandon Cullen (currently our Chief Concept Officer) and Kirk DeWaele (currently our Chief Training Officer) have operated Madabolic Businesses since 2011 through affiliated entities. These businesses operated under the name FIGHT GONE MAD until October 2013 when they rebranded to MADABOLIC®.

### **Predecessors, Parents and Affiliates**

Our predecessor, Madabolic, Inc., offered Madabolic franchises from February 2012 until July 2019. During that time, Madabolic, Inc. sold 11 franchises for Madabolic Businesses. Madabolic, Inc. has never: (a) offered franchises in any other line of business; or (b) operated a Madabolic Business. Madabolic, Inc. shares our principal business address.

Our direct parent company is Madabolic Holdings, LLC. Our indirect parent company is ZGrowth Acquisitions 5, LLC. The principal business address for both of our parent companies is 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038.

We do not have any affiliates that provide goods or services to franchisees. We have 2 affiliates that offer franchises in other lines of business, including Jabz Franchising, LLC (“Jabz”) and Daily Jam Franchise System, LLC (“DJFS”). We have no other affiliates that offer franchises in this or any other line of business.

Since June 2013, Jabz has offered franchises for a boxing studio that operates under the name JABZ BOXING®. Jabz has sold a total of 41 franchises as of December 31, 2023. Jabz has never operated a Madabolic Business. Jabz’ principal business address is 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038.

Since May 2020, DJFS has offered franchises for a fast-casual restaurant that operates under the name DAILY JAM®. During this time, DJFS sold development rights to 1 franchisee for the development of 10 Daily Jam franchises. DJFS has never operated a Madabolic Business. DJFS’ principal business address is 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038.

### **Description of Franchised Business**

The franchised business offered under this Disclosure Document is for a Madabolic Business, which is a strength training fitness business featuring workouts commonly used by professional athletes that have been modified for everyday people to improve their overall health and wellness. Certified Madabolic trainers



(referred to as “Trainers”) lead small fast-paced group fitness classes in a positive and encouraging environment. Exercises are performed using approved fitness equipment. Fitness classes focus on athletic movement patterns complemented by specific strength and metabolic conditioning exercises combined with interval training to achieve optimal results. Our athletic conditioning program is built around a wide variety of proprietary workouts that provide a balanced and comprehensive fitness program. Madabolic Businesses also offer and sell approved beverages, supplements and fitness-related merchandise, apparel and supplies.

Madabolic Businesses operate under a membership model. Madabolic offers affordable membership options, including a monthly membership that allows members to attend an unlimited number of fitness classes.

If we award you a franchise, you must sign the form of franchise agreement attached to this Disclosure Document as EXHIBIT "C" (the “Franchise Agreement”). We refer to the franchised business you purchase as your “Business” or your “Madabolic Business”. The premises from which you conduct your Business is referred to as your “Facility”. The Franchise Agreement grants you a license to use certain service marks, trademarks, trade names and logos, including the service mark Madabolic® and the associated logo (collectively, the “Marks”). The Marks also include our distinctive trade dress used to identify a Madabolic Business (including colors, distinct wallpaper, etc.) or the products it sells. The Franchise Agreement also grants you a license to use our system that was developed for the operation of a Madabolic Business (the “System”). Our confidential Brand Standards Manual (the “Manual”) describes the operational aspects of a Madabolic Business. You will operate your Madabolic Business as an independent business using the Marks, the System, the information in the Manual, and the support, guidance and other methods and materials we provide.

### **Market and Competition**

The target market for Madabolic members includes members of the general public, typically between the ages of 20 and 55. The fitness industry is well developed and highly competitive. Demand for fitness classes remains relatively stable over the course of the year, with a temporary surge at the beginning of the year (i.e., New Year’s resolutions).

As a franchisee, you will compete with personal trainers, fitness centers, health clubs and, to some extent, athletic and recreational programs. Some of our competitors are local independently owned and operated businesses, while others operate through regional or national chains. Some of our competitors operate under a franchise model.

### **Laws and Regulations**

You must comply with all local, state and federal laws that apply to businesses generally, including laws governing discrimination and sexual harassment in the work place, minimum wage, smoking in public areas as well as EEOC and OSHA standards. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. Building codes and requirements vary in different jurisdictions and it is important for you and your architect to be aware of and comply with all local laws.

A Madabolic Business may also be subject to various federal, state and local laws regulating the health and fitness industry, including:

- laws governing “health clubs” (these laws may regulate the content and form of consumer contracts signed by members and require the posting of a bond and/or escrowing of membership fees collected prior to opening)
- laws requiring that fitness facilities have: (a) a staff member onsite who is certified in basic cardiopulmonary resuscitation or other specialized medical training; and/or (b) an automated external defibrillator and/or other first aid equipment onsite
- laws requiring that fitness facilities post certain information regarding steroids and other drug use
- laws regulating the types of supplements that may be sold

- laws requiring prescribed disclosures of information in consumer contracts that offer financing (including the federal Truth In Lending Act)

The Payment Card Industry Data Security Standard (“PCI”) requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accept, transmit or store any cardholder data.

There may be other local, state and/or federal laws or regulations that apply to your Madabolic Business. We strongly suggest that you investigate these laws before buying this franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Rick Del Sontro: Chief Executive Officer**

Rick Del Sontro has served as our Chief Executive Officer since November 2023. During the prior 5 years, he has also held the following positions:

<b>Company</b>	<b>Location</b>	<b>Title</b>	<b>Period of Time</b>
Madabolic Franchise System, LLC	Charlotte, NC	Interim CEO	Jul 2019 to Oct 2023
ZGrowth Partners, LLC	Miami, FL	Chief Executive Officer	Jun 2018 to present

### **Brandon Cullen: Founder & Chief Concept Officer**

Brandon Cullen is one of our Founders and has served as our Chief Concept Officer since July 2019. During the prior 5 years, he has also held the following positions:

<b>Company</b>	<b>Location</b>	<b>Title</b>	<b>Period of Time</b>
Madabolic, Inc.	Charlotte, NC	President and CEO	Oct 2012 to Jul 2019
S3 Endurance, LLC (operates company-owned outlet)	Charlotte, NC	President	Jun 2009 to present

### **Kirk DeWaele: Founder & Chief Training Officer**

Kirk DeWaele is one of our Founders and has served as our Chief Training Officer since July 2019. During the prior 5 years, he has also held the following positions:

<b>Company</b>	<b>Location</b>	<b>Title</b>	<b>Period of Time</b>
Madabolic, Inc.	Charlotte, NC	Vice President and Director of Training	Oct 2012 to Jul 2019
S3 Endurance, LLC (operates company-owned outlet)	Charlotte, NC	Chief Operating Officer	Jun 2009 to present

### **Kristi Wass: Director of Franchise Openings & Corporate Events**

Kristi Wass has served as our Director of Franchise Openings & Corporate Events since May 2023. During the prior 5 years, she has also held the following positions:

<b>Company</b>	<b>Location</b>	<b>Title</b>	<b>Period of Time</b>
Spina Bifida Association	Arlington, VA	Director, Chapter Development & Walks	Jun 2018 to Dec 2021
		Manager, Chapter Development & Walks	Jun 2016 to Jun 2018
Foundation Fighting Blindness	Washington, DC	National Director – Walks	Jan 2023 to Aug 2023
		Director, Events – Mid-Atlantic	Jan 2022 to Jan 20203

### **Finley Funsten: Director of Communications**

Finley Funsten has served as our Director of Communications since June 2022. During the prior 5 years, she has also held the following positions:

Company	Location	Title	Period of Time
Madabolic Franchise System, LLC	Charlotte, NC	Director of Culture & Experience	Mar 2021 to Jun 2022
S3 Endurance, LLC (operates company-owned outlet)	Charlotte, NC	General Manager	May 2017 to Mar 2021
		Trainer	Oct 2014 to May 2017

### **Beth Berkey: Business Development Manager**

Beth Berkey has served as our Business Development Manager since June 2022. During the prior 5 years, she has also held the following positions:

Company	Location	Title	Period of Time
S3 Endurance, LLC (operates company-owned outlet)	Charlotte, NC	Trainer	Oct 2016 to present
Charlotte-Mecklenburg Schools	Charlotte, NC	Teacher	Aug 2012 to Jun 2022

### **Albert Mendoza: Chief Development Officer**

Albert Mendoza has served as our Chief Development Officer since Nov 2023. During the prior 5 years, he has also held the following positions:

Company	Location	Title	Period of Time
ZGrowth Partners, LLC	Miami, FL	Executive Vice President	Feb 2016 to present
APAC Franchise Services, Inc.	Escondido, CA	President	Jun 2009 to present

## **ITEM 3 LITIGATION**

### **United States of America Vs. Rainy Day Holdings, LLC et. al. Case No. 15-5576 (E.D.N.Y)**

On September 28, 2015, the United States Attorneys' Office for the Eastern District of New York filed a civil action against 20 defendants arising out of the residential mortgage crisis (2008-2010) (U.S. v. Rainy Day Holdings, LLC et al., Case No. 15-5576 (E.D.N.Y.)). Rick Del Sontro, who is the Chief Executive Officer of ZGrowth Partners, LLC and serves in the role of our CEO, was a named defendant as was his prior charity, The Rainy Day Foundation, Inc. ("Rainy Day"). Rainy Day was a registered non-profit 501(c)(3) organization involved with FHA-insured residential mortgage loans and the lenders enrolled in the HUD Direct Endorsement program. In order to remain enrolled in the program, these lenders were prohibited from exceeding certain specified delinquency and default ratios on the loans they originated. Once originated, many of these loans were bundled and sold on the secondary market to FDIC-insured financial institutions. The Complaint alleged that from 2008 through early 2009, Rainy Day and certain lenders artificially lowered the delinquency and default ratios of these FHA-insured loans by making payments on behalf of the borrowers in violation of HUD requirements. The Complaint asserted that these actions violated certain laws, including the False Claims Act, the Program Fraud Civil Remedies Act, the Financial Institutions Reform, Recovery and Enforcement Act and also were grounds for common law claims of gross negligence, breach of fiduciary duty, indemnification and unjust enrichment.

Current status: On February 19, 2018, the parties entered into a Consent Decree and Order of Settlement (the "Settlement Agreement"). Under the terms of the Settlement Agreement, Rainy Day was required to pay the United States \$116,000 and Mr. Del Sontro was required to pay the United States \$150,000. The Settlement Agreement prohibits Mr. Del Sontro from (1) directly or indirectly participating in any program concerning

Franchise Disclosure Document (2024)

federally-related or federally-insured loans, including but not limited to programs concerning those loans defined in the Real Estate Settlement Procedures Act, 12 U.S.C. § 2602(1); and (2) directly or indirectly participating in any activity having to do with the provision of monies to any borrower whose loan is involved in any federally-related program or is federally-insured. In exchange, the defendants were released from the all statutory and common law claims listed above or arising out of the conduct described in the Complaint, while reserving the right to pursue other claims that had not been asserted.

*Pearson and Tensaw Investment Group, LLC v. Zippy Shell Incorporated et. al., Case No: 01-20-0000-5245 (Washington, DC); Del Basso and Tampa Bay Storage and Moving, LLC v. Zippy Shell Incorporated et. al., Case No: 01-20-0000-4022 (Washington, DC); Brian Poggi v. Zippy Shell Incorporated et. al., Case No: 01-20-0001-7060 (Washington, DC); Sean Avery, Erin Avery and Avery Row Portable Moving & Storage LP v. Zippy Shell Incorporated et. al, Case No: 01-20-0005-4487 (Washington, DC); David Thurston, Rosemarie Thurston and Tilden Greater Atlanta, LLC n/k/a Tilden Storage and Moving LLC v. Zippy Shell Incorporated et. al., Case No: 01-22-0002-3087 (Washington, DC); Scott Sheffield and Bryma, Inc. v. Zippy Shell Incorporated et. al., Case No: 01-22-0002-3073 (Washington, DC); Stephen Feil and Maroon Spider, LLC v. Zippy Shell Incorporated et. al, Case No: 01-22-0002-3071 (Washington, DC); Thomas Elrod, Maureen Elrod and Sunrise Ventures TBAE, LLC v. Zippy Shell Incorporated et. al., Case No: 01-22-0002-3082 (Washington, DC).*

On March 5, 2020, 3 different Zippy Shell franchisees (John Pearson and his entity Tensaw Investment Group, LLC; Luigi Del Basso and his entity Tampa Bay Storage and Moving, LLC; and Brian Poggi), filed separate demands for arbitration with the American Arbitration Association in Washington, DC, naming the following parties as defendants: Zippy Shell incorporated; Virgo Investment Group, LLC; 1-800-Pack-Rat, LLC; Mark Kuhns; Rick Del Sontro; Gareth Taylor; Danielle Scott; and Jay Young. On or about June 1, 2020, one additional Zippy Shell franchisee (Sean Avery, Erin Avery and their entity Avery Row Portable Moving & Storage LP) filed a demand for arbitration with the American Arbitration Association in Washington, DC, naming the following parties as defendants: Zippy Shell incorporated; 1-800-Pack-Rat, LLC; Mark Kuhns; Rick Del Sontro; Gareth Taylor; Danielle Scott; C. Patterson Cardwell IV and Kevin Barbour. On June 1, 2022, 4 additional Zippy Shell franchisees (David Thurston, Rosemarie Thurston and their entity Tilden Greater Atlanta, LLC n/k/a Tilden Storage and Moving LLC; Scott Sheffield and his entity Bryma, Inc.; Stephen Feil and his entity Maroon Spider, LLC; and Thomas Elrod, Maureen Elrod and their entity Sunrise Ventures TBAE, LLC) filed separate demands for arbitration with the American Arbitration Association in Washington, DC, naming the following parties as defendants: Zippy Shell incorporated; 1-800-Pack-Rat, LLC; Mark Kuhns; Rick Del Sontro; Gareth Taylor; Danielle Scott; C. Patterson Cardwell IV and Kevin Barbour. Rick Del Sontro is our Chief Executive Officer (and the Chief Executive Officer of ZGrowth Partners, LLC). The plaintiff in each matter is a Zippy Shell franchisee. These actions arise out of a series of events relating to the 2018 acquisition of 1-800-Pack-Rat (a competitive system) by the franchisor (Zippy Shell Incorporated) and its majority owner, Virgo Investment Group, LLC (the “Acquisition”).

The complaints are virtually identical (prepared by the same attorney) and allege that the defendants: (i) breached the franchise agreement by allowing a competing business (i.e., 1-800-Pack-Rat) to operate within each franchisee’s exclusive territory following the Acquisition and misrepresented the nature of each plaintiff’s territory as being “exclusive” in the FDD; (ii) breached the covenant of good faith and fair dealing by acquiring 1-800-Pack-Rat utilizing the “acquisition” exception to exclusivity with the intention of undermining the Zippy Shell franchise system; (iii) tortiously interfered with plaintiff’s Zippy Shell franchise agreement by engaging in the Acquisition despite knowing that the Acquisition would result in a breach of each plaintiff’s franchise agreement; (iv) tortiously interfered with plaintiff’s prospective business advantage by modifying the “ZipMove program” in a manner that would make it unavailable to franchisees; (v) fraudulently induced each plaintiff to enter into a Zippy Shell franchise agreement by misrepresenting business forecasts of future growth and making unauthorized financial performance representations; (vi) violated state “Little FTC Acts” by defrauding the plaintiffs into purchasing Zippy Shell franchises and intentionally misrepresenting the prospects or chances for success of these franchises; and (vii) violated 18 U.S.C. s. 1962(c) and 1962(d) by engaging in a fraudulent scheme to fraudulently induce prospective franchisees to become franchisees and take actions adverse to their interests. Mr. Del Sontro had left Zippy Shell prior to the Acquisition and Ms. Scott left Zippy Shell 1 month

after the Acquisition. Each plaintiff sought damages (\$8,500,000 by Pearson, \$16,700,000 by Del Basso and \$7,100,000 by Poggi, \$6,800,000 by Avery, \$9,700,000 by Thurston, \$11,500,000 by Sheffield, \$9,700,000 by Feil, and \$9,700,000 by Elrod) including actual damages, treble damages under RICO, exemplary, statutory and punitive damages plus attorneys' fees and costs. The defendants vehemently denied all wrongdoing.

Current status: On September 16, 2022, each of the following parties entered into settlement agreements wherein the parties agreed to a discontinuance of claims under arbitration proceeding, termination of franchise agreement, compliance with post-termination covenants and executed mutual releases of claims. In addition, Zippy Shell agreed to the following settlement payments made by Zippy Shell Incorporated to each of the below franchisee plaintiffs:

Del Basso and Tampa Bay Storage and Moving, LLC: \$1,100,000; Sean Avery, Erin Avery and Avery Row Portable Moving & Storage LP: \$1,900,000; David Thurston, Rosemarie Thurston and Tilden Greater Atlanta, LLC n/k/a Tilden Storage and Moving LLC: \$1,325,000; Pearson and Tensaw Investment Group, LLC: \$7,375,000; Scott Sheffield and Bryma, Inc.: \$1,050,000; Stephen Feil and Maroon Spider, LLC: \$1,050,000; and Thomas Elrod, Maureen Elrod and Sunrise Ventures TBAE, LLC: \$1,350,000.

The Poggi arbitration, which formally closed on December 13, 2022, was not subject to a settlement agreement and resulted in the following findings and awards: that Zippy Shell breached the exclusivity provisions of the franchise agreement, that Zippy Shell breached the covenant of good faith and fair dealing in relation to the franchise agreement, that Poggi was fraudulently induced to enter in the franchise agreement, and that Del Sontro and Taylor participated in the wrongful acts alleged on behalf of Zippy Shell. Conversely, in the context of a franchisor-franchisee contractual relationship, Poggi was unable to establish a claim for unfair competition against any of the defendants. In conclusion, an award was issued on or about January 20, 2023 in favor of Poggi and against Zippy Shell, Gareth Taylor and Rick Del Sontro, jointly and severally, in the sum of \$1,464,048.

Consent Order, State of Washington Department of Financial Institutions, Securities Division (Division). In the matter of determining whether there has been a violation of the Franchise Investment Protection Act by ZGrowth Partners, LLC and Rick Del Sontro, Respondents. Order Number: S-23-3612-23-CO01, September 29, 2023; Consent Order, State of Washington Department of Financial Institutions, Securities Division (Division). In the matter of determining whether there has been a violation of the Franchise Investment Protection Act by Madabolic Franchise System, LLC, Respondent. Order Number: S-23-3612-23-CO02, September 29, 2023; Consent Order, State of Washington Department of Financial Institutions, Securities Division (Division). In the matter of determining whether there has been a violation of the Franchise Investment Protection Act by Albert V. Mendoza, Respondent. Order Number: S-23-3612-23-CO03, September 29, 2023.

On September 29, 2023, the State of Washington issued 3 separate Consent Orders involving the same factual situation. ZGrowth Partners, LLC (ZGrowth) is a franchise holding company and consulting firm that: (a) acquires and owns interests in franchise systems; and (b) manages franchise sales, operations, and brand development. On July 1, 2019, ZGrowth acquired a 70% majority ownership interest in the Madabolic franchise system through its affiliated entity (and our current parent company) ZGrowth Acquisitions 5, LLC. Following the acquisition, ZGrowth entered into a franchise consulting agreement with the franchisor, Madabolic Franchise System, LLC, (Madabolic), pursuant to which ZGrowth, through its CEO Rick Del Sontro (Del Sontro) and Executive Vice President Albert V. Mendoza (Mendoza), assisted Madabolic with franchise sales, marketing and operations.

On May 27, 2022, Madabolic filed an application for franchise registration with the Division. At the time, Madabolic submitted Franchise Seller Disclosure Forms for Del Sontro and Mendoza who at the time were not registered with the Division as franchise brokers. The Securities Division issued Madabolic a permit to offer and sell franchises in Washington that was made effective on November 23, 2022. On May 10, 2023, Madabolic filed a renewal application with the Division. Because Del Sontro and Mendoza were not employees of Madabolic (but instead employees of the entity that held the majority ownership interest in the brand), the Division issued a Comment Letter inquiring why Del Sontro and Mendoza were not registered as franchise

brokers. In response, franchise broker applications were submitted for Del Sontro and Mendoza. The Securities Division issued a permit for Mendoza to transact business in Washington as a franchise broker in August 2023. Del Sontro’s broker application was denied.

On August 25, 2023, the Division initiated an investigation, which led to the 3 Consent Orders pertaining to franchise sales activities conducted in Washington by Madabolic, ZGrowth, Del Sontro and Mendoza. The Division found that: (1) Madabolic offered franchises through its website, which generated 8 leads from Washington residents who expressed interest in the franchise opportunity, and some of these offers were made prior to Madabolic receiving a registration permit; (2) Mendoza facilitated and contacted these Washington residents regarding the franchise offers and, in one instance, provided a Franchise Disclosure Document (FDD) to a Washington resident before Madabolic obtained the registration permit; and (3) Del Sontro, Mendoza and ZGrowth offered franchises in Washington by engaging with potential franchisees prior to becoming registered as brokers. The Division alleged that these activities constituted (a) the “offer of a franchise” by Del Sontro, Mendoza and ZGrowth while not properly registered as franchise brokers, (b) the “offer a franchise” by Madabolic prior to issuance of a registration permit and (c) the unlawful engagement of an unregistered broker by Madabolic, in violation of RCW §§19.100.020, 19.100.040 and 19.100.140. The Consent Orders: (1) require payment of a total of \$6,000 for investigative costs; (2) deny the franchise broker registration applications for Del Sontro and ZGrowth; (3) prohibit ZGrowth, Del Sontro and Mendoza from offering franchises in Washington without a broker registration; (4) prohibit Madabolic from engaging an unregistered broker to offer franchises in Washington; and (5) prohibit all parties offering franchises while the offering is not registered.

ZGrowth, Madabolic, Del Sontro and Mendoza neither admit nor deny any findings of fact or conclusions of law contained in the Consent Orders.

Except for the actions described above, there is no litigation that must be disclosed in this Item.

#### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

#### **ITEM 5 INITIAL FEES**

##### **Initial Franchise Fee**

You pay us a nonrefundable \$50,000 initial franchise fee at the time you sign the Franchise Agreement. The initial franchise fee is uniformly imposed except for the Multi-Unit Discount described below:

<b>Discount Program</b>	<b>Discount</b>	<b>Qualifications for Discount</b>
Multi-Unit Discount	Business 1 – No discount Business 2 – \$5,000 discount Business 3 and up – \$7,500 discount	You must: (a) purchase 2 or more franchises from us at the same time; (b) sign Franchise Agreements for all of the franchises at the same time; and (c) pay the full initial franchise fee for all of the franchises at the same time.

##### **Fitness Equipment Package**

You must purchase our designated Fitness Equipment Package from us at least 90 days prior to your anticipated opening date. Our current Fitness Equipment Package includes your:

- Gym Clock
- Cardio, Gymnastics, Plyometric, Strength Training & Other Training Equipment
- Rogue Storage Equipment
- Beaver Fit Racking System
- Rogue Resin Plyo Box
- Assault Bikes (only required if facility lacks sufficient open area for sprints & other cardio activities)

- Water Bags
- Boxing/Bag Gloves

The purchase price for the Fitness Equipment Package, including tax, shipping and installation, is estimated to range from \$119,000 to \$133,000. The specific items included in the Fitness Equipment Package, and the associated costs, may vary depending on the size and layout of your Facility, the size of your classes and the distance the items must be shipped. The purchase price is nonrefundable and uniformly imposed (except as otherwise provided in the preceding sentence). At any time, we reserve the right to require that you purchase some or all of the items included within the Fitness Equipment Package directly from third-party suppliers that we designate.

Instead of purchasing the Fitness Equipment Package from us, some franchisees choose to finance the purchase or lease the equipment through an unaffiliated lender or equipment leasing company. If you choose to finance or lease the equipment in the Fitness Equipment Package, the lender or leasing company will submit payment to us and you will make payments to the lender or leasing company.

### **Grand Opening Marketing Fee**

We will collaborate with you to develop a grand opening marketing plan to promote the opening of your Madabolic Business. The grand opening marketing plan will identify the advertising, marketing and promotional expenditures that will be made during your grand opening period, which begins 60 to 90 days before opening and ends 30 days after opening. At the time you sign the lease for your Facility, you pay us a \$17,000 grand opening marketing fee that will be applied towards your grand opening marketing expenditures. We use the grand opening marketing fee to directly pay suppliers for certain expenditures (for example, amounts paid to a digital marketing company). You pay suppliers for other expenditures (in which case we use the grand opening marketing fee to reimburse you for your approved and documented expenditures). Reimbursement requests are submitted on a monthly basis. We do not retain any portion of the grand opening marketing fee as profit. Any portion of the fee that is not spent will be refunded back to you. Instead of paying the grand opening marketing fee to us, we may, at our option, require you to: (a) pay these funds to a third-party marketing company that we designate; or (b) spend these funds yourself on approved grand opening marketing and promotional activities.

### **ITEM 6 OTHER FEES**

<b>TYPE OF FEE <sup>1</sup></b>	<b>AMOUNT <sup>2,3</sup></b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty Fee	Greater of (a) 6% of monthly Gross Sales or (b) \$1,500 per month	10 <sup>th</sup> day of each month	The 6% royalty fee begins on the earlier of (a) the date you collect your first membership fee or (b) your opening date. The \$1,500 minimum monthly royalty fee begins 13 months after you sign the Franchise Agreement, even if you have not opened. You must send us monthly Gross Sales reports unless we independently generate Gross Sales reports from your POS system.
Brand Fund Fee	1.5% of Gross Sales (we may increase to 3%)	Same as royalty fee	You must contribute this amount to the Brand Fund. You have no voting rights pertaining to the administration of the Brand Fund, the creation or placement of advertising, or the amount of the brand fund fee. You begin paying brand fund fees when you begin paying the 6% royalty fee. We may increase the brand fund fee to 3% of Gross Sales on 90 days' notice.
Local Marketing Commitment	<i>[if less than 200 members]</i> \$2,000 per month	Monthly, as incurred (commencing with your opening date)	This is the minimum amount you must spend on advertising and marketing in your local market to promote your Business (the " <u>Local Marketing Commitment</u> "). This expenditure is in addition

TYPE OF FEE <sup>1</sup>	AMOUNT <sup>2,3</sup>	DUE DATE	REMARKS
	<i>[if 200 or more members]</i> \$1,000 per month		to the grand opening marketing fee and brand fund fee. The higher amount applies any month your Business has less than 200 paying members as of the beginning of the month. We measure your compliance on a rolling 6-month basis.
Cooperative Advertising Fee	Varies (will not exceed \$1,000 per month unless approved by majority of coop members)	Same as royalty fee	See Note 4.
Training Fees	<i>[Onsite Training]</i> \$500 per trainer per day plus Travel Expenses	10 days after invoice	Payable for any onsite training or assistance we provide at your Facility after opening.
	<i>[Train-The-Trainer]</i> \$500 per Lead Trainer	10 days after invoice	Payable for each Lead Trainer that attends our “train-the-trainer” training program to become certified to train new Trainers that you hire.
	<i>[LMS Access Fee]</i> Up to \$500 per Trainer	10 days after invoice	Payable for each Trainer that your Lead Trainer trains after we certify your Facility as a certified Madabolic Training Facility. The fee is paid for access to our Learning Management System (LMS) which is an integral part of the training.
	<i>[Other Ongoing Training]</i> \$300 per trainee per day	10 days after invoice	Payable for each person who attends (a) initial training after you open, (b) supplemental or refresher training, (c) repeat training (if trainee fails prior attempt), (d) remedial training or (e) additional training you request (onsite training requires the \$500 fee listed above)
Conference Registration Fee	\$1,500 per conference for up to 2 people (same fee applies even if you send 1 person)	10 days after invoice	We may hold conferences to discuss matters affecting franchisees. You must attend at least 1 annual conference every 2 years unless (a) we designate attendance as optional or (b) we waive your obligation to attend based on showing of good cause. If you fail to attend a required conference without a waiver, you must pay us the conference registration fee despite your non-attendance (we will provide you with a copy of written materials distributed at the conference).
Technology Fee	Currently \$805 per month (subject to change on 30 days’ notice based upon changes to Technology Systems or prices charged by third-party licensors)	10 days after invoice or as we otherwise specify	This fee includes all amounts you pay us and our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers. It may also include a reasonable administrative fee for managing the technology platform and negotiating / managing relationships with third-party licensors. It does not include amounts you pay directly to third-party suppliers. The software, technology and services we provide in exchange for the current fee are discussed in Item 11 (Computer System).
Music License Fee	\$1,800 per year	10 days after invoice	We acquire music licenses for your Business from BMI and ASCAP. You must reimburse us.



TYPE OF FEE <sup>1</sup>	AMOUNT <sup>2,3</sup>	DUE DATE	REMARKS
System Program Fees	Varies (not currently charged)	10 days after invoice or as we otherwise specify	You must participate in any customer loyalty, membership or gift card program we establish and pay all associated program contributions and fees we require to implement and administer the program. These amounts are paid to us or a third party we designate.
Product Purchases	Varies depending on item purchased	10 days after invoice	We or our affiliate may serve as a System supplier for products or services you must purchase. We will provide you with a price list upon request.
Product / Supplier Testing Fee	\$150 per test for equipment \$50 per test for all other products/services/suppliers	10 days after invoice	This covers the costs of testing new equipment, products, services or suppliers you propose.
Relocation Fee	\$500	At time we approve request to relocate	Imposed if we approve your request to relocate your Facility.
Renewal Fee	25% of our then-current, non-discounted, initial franchise fee	At time you sign Renewal Agreement	Imposed if you renew your franchise rights by signing a renewal Franchise Agreement.
Franchise Resale Service Fee	10% of Sales Proceeds	At time of franchise sale	We offer an optional service to help franchisees sell their business. To use this service, you must sign a Franchise Resale Agreement (attached as <u>EXHIBIT "G"-3</u> ) and pay the franchise resale service fee.
Transfer Fee	\$10,000	Before Transfer	We do not charge a transfer fee for Permitted Transfers. You pay the transfer fee for all other Transfers. If you sign a Franchise Resale Agreement, you pay us both a transfer fee and a franchise resale service fee. If buyer is referred by our broker, you must also reimburse us for all commissions we pay the broker.
Reimbursement of Quality Assurance Program Costs	Actual cost paid to company we hire	10 days after invoice	If we hire a person or company to inspect your Madabolic Business, you must reimburse us for all amounts we pay them for the inspection.
Reimbursement of Reinspection Costs	All Travel Expenses and other costs we incur to inspect your Madabolic Business	10 days after invoice	Imposed if we inspect your Madabolic Business to determine if you remedied a (a) health or safety issue identified by a government agency or (b) breach of system standards we brought to your attention as a result of a prior inspection.
Audit Fee	Actual cost of audit, including Travel Expenses for audit team (estimated to range from \$2,500 to \$5,000 per audit)	10 days after invoice	Imposed if an audit (a) is necessary because you fail to send us required information or reports in a timely manner or (b) reveals you understated Gross Sales by 3% or more.
Late Fee	\$25 plus default interest at lesser of (a) 18% per annum (prorated on daily basis) or (b) highest rate allowed by applicable law	10 days after invoice	If we debit your account but there are insufficient funds, or a check you issue is returned due to insufficient funds, then we may charge (in addition to the late fee) an NSF fee of \$50 per incident. In California, default interest is limited to 10% per annum.

TYPE OF FEE <sup>1</sup>	AMOUNT <sup>2,3</sup>	DUE DATE	REMARKS
Noncompliance fee	\$500 per incident	Upon demand	Imposed if you fail to comply with a mandatory standard or operating procedure (including timely submission of required reports) and do not cure within the time period we require. We may impose an additional \$500 fee every 48 hours the noncompliance issue remains uncured after we impose the initial fee. We will deposit these fees into the Brand Fund.
Default Reimbursements	All costs we incur to cure your default	10 days after invoice	If you fail to cure a breach of the Franchise Agreement or our brand standards in the time period we require, we may take steps to cure on your behalf and you must reimburse us for our costs (examples include failure to pay suppliers, maintain insurance or meet quality standards).
Management Fee	Up to \$200 per day plus Travel Expenses	10 days after invoice	If you fail to cure a material default in a timely manner, we can designate a person to manage your Business until the default is cured.
Indemnification	Amount of our damages, losses or expenses	10 days after invoice	You must indemnify and reimburse us for all damages, losses or expenses we incur due to the operation of your Madabolic Business or your breach of the Franchise Agreement.
Attorneys' Fees and Costs	Amount of attorneys' fees and costs we incur	Upon demand	You must reimburse us for all attorneys' fees and costs we incur relating to your breach of the Franchise Agreement or any related agreement.
Liquidated Damages	Varies (See Note 5)	30 days after invoice	Imposed if we terminate due to your default or you terminate in any manner not permitted by the Franchise Agreement.

Notes:

1. Nature and Manner of Payment: All fees are imposed by and payable to us except: (a) you pay the cooperative advertising fee directly to your advertising cooperative (we may instead require you to pay this fee to us, in which case we will remit the fee to the cooperative on your behalf); and (b) you spend the Local Marketing Commitment directly with third-party suppliers. All fees are nonrefundable and uniformly imposed. You must sign an ACH Authorization Form (attached to the Franchise Agreement as ATTACHMENT "E") permitting us to electronically debit your designated bank account for all amounts owed to us and our affiliates (other than fees due less than 15 days after signing the Franchise Agreement). You must deposit all Gross Sales into the bank account and ensure sufficient funds are available for withdrawal before each due date. You are responsible for all taxes imposed on you or us based on products, intangible property (including trademarks) or services we provide to you.

2. Definitions: As used in this Disclosure Document, the following capitalized terms have the meanings given to them below:

**"Brand Fund"** means the brand and system development fund we currently administer to promote public recognition of our brand and improve our System.

**"Gross Sales"** means total revenue generated from the operation of your Business including: (a) revenue from the sale of fitness classes, merchandise, retail items or any other goods or services, including sales made from your Facility and sales made from or relating to off-site events; (b) all membership-related fees (e.g., initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees, monthly dues, and revenue from the "presale" of memberships prior to your opening date); (c) the fair market value of any good or services received in a barter transaction; and (d) any other sums you collect that in any way relate to

your Business (e.g., advertising revenue, sponsorship fees and business interruption insurance proceeds). Gross Sales includes amounts invoiced or otherwise earned but not collected. Gross Sales excludes: (a) sales or use taxes; (b) amounts you collect but refund to the customer during the same Gross Sales reporting period (refunds issued in a subsequent reporting period are deducted from Gross Sales for the reporting period in which the refund is issued); (c) revenue from the sale of furniture, fixtures and equipment in the ordinary course of business; (d) discounts and comps that you offer; and (e) tips paid to and retained by trainers or other staff members as a gratuity. The Manual may include policies governing the manner in which membership fees and proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales.

“**Managing Owner**” means the owner you appoint and we approve with primary responsibility for the overall management and operation of your Madabolic Business.

“**Permitted Transfer**” means: (a) a Transfer from one owner to another owner who was an approved owner prior to the Transfer (other than a Transfer that results in the Managing Owner no longer holding an ownership interest in the franchised business); and/or (b) a Transfer to a newly established business entity with respect to which the transferring owners collectively own and control 100% of the ownership interests.

“**Technology Systems**” means all information and communication technology systems that we designate, including computer systems, point-of-sale systems, member management systems, music systems, audio visual systems, webcam systems, telecommunications systems, security systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

“**Transfer**” means a transfer or assignment of: (a) the Franchise Agreement (or any interest in the Franchise Agreement); (b) the Madabolic Business’s assets (other than the sale of fixtures or equipment in the ordinary course of business); (c) any ownership interest in the entity that is the “franchisee”; or (d) the franchised business you conduct under the Franchise Agreement.

“**Travel Expenses**” means all travel, meals, lodging, local transportation and other living expenses incurred: (a) by us and our trainers, field support personnel, auditors or other representatives to visit your Madabolic Business; or (b) by you or your personnel to attend training programs or conferences.

3. **CPI Adjustments**: All fees (and minimum fees) expressed as a fixed dollar amount are subject to adjustment based on changes to the Consumer Price Index in the United States (CPI). We may periodically review and increase these fees based on changes to CPI, but only if the increase to CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustment); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We may implement no more than 1 fee adjustment during any 5-year period.
4. **Cooperative Advertising Fee**: We may establish regional advertising cooperatives for purposes of pooling advertising funds to be used in discrete regions. We may either: (a) collect cooperative advertising fees and remit them to the applicable cooperative; or (b) require you to pay these fees directly to the cooperative. Cooperative advertising fees are uniformly imposed on all Madabolic Businesses in the cooperative, including company-owned Madabolic Businesses. We may set the minimum cooperative advertising fee, which will not exceed \$1,000 per month unless a higher amount is approved by majority vote of all members of the cooperative. Each member is entitled to 1 vote for each Madabolic Business that is owned by the member and located in the cooperative. We and our affiliates will be members of the cooperative (and have the same voting rights as franchisees) with respect to company-owned Madabolic Businesses located in the cooperative. However, if the majority of Madabolic Businesses in the cooperative are company-owned Madabolic Businesses, we will not increase the cooperative advertising fee unless a majority of all franchisee members vote in favor of the increase. All cooperative advertising fees you pay are credited towards your Local Marketing Commitment. There were no advertising cooperatives in effect

Franchise Disclosure Document (2024)

as of December 31, 2023.

5. **Liquidated Damages:** You must pay us liquidated damages if: (a) we terminate the Franchise Agreement due to your default; or (b) you terminate the Franchise Agreement prior to its expiration date (except in accordance with the provisions governing your right to terminate following our uncured breach). Liquidated damages are calculated as the sum of average monthly royalty fees and brand fund fees imposed during the 12-month period preceding termination (or your entire period of operation if less than 12-months) multiplied by the lesser of: (a) 24 (representing 2 years of fees); or (b) the total number of months remaining under the term. If you pay us liquidated damages in a timely manner, we may not pursue a claim against you for lost profits attributable to fees and revenue we would have received after termination if the Franchise Agreement had not been terminated. However, payment of liquidated damages does not prevent us from seeking other damages we incur due to your breach.

**ITEM 7 ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE <sup>1</sup>	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$50,000	Lump sum	At time you sign Franchise Agreement	Us
Initial Training Expenses <sup>2</sup>	\$5,200 to \$7,200	As incurred	During training	Hotels, restaurants and airlines
Lease Deposit & 3 Months' Rent <sup>3</sup>	\$20,000 to \$70,000	Lump sum	Monthly (with security deposit paid before opening)	Landlord
Construction <sup>4</sup>	\$45,000 to \$120,000	As incurred	Before opening	Contractor & suppliers
Project Management Fee <sup>5</sup>	\$0 to \$10,000	As incurred	Before opening	Project Manager
Signage Package <sup>6</sup>	\$20,500 to \$25,500	Lump sum	Before opening	Suppliers
Flooring & Tiling <sup>7</sup>	\$16,000 to \$18,500	As incurred	Before opening	Suppliers
Lighting & Fan <sup>8</sup>	\$15,000 to \$18,000	As incurred	Before opening	Suppliers
Fitness Equipment Package <sup>9</sup> (includes taxes, shipping and installation)	<i>[Financed or Leased]</i> \$21,640 to \$34,606	Financed or leased	Down payment plus monthly payments	Lender or leasing company
	<i>[Purchased]</i> \$119,000 to \$133,000	Lump sum	Before opening	Us
Technology Systems <sup>10</sup>	\$6,500 to \$9,400	Lump sum	Before opening	Suppliers
Furniture, Fixtures & Other Equipment <sup>11</sup>	\$17,000 to \$19,000	As incurred	Before opening	Suppliers
First Aid Equipment & Supplies <sup>12</sup>	\$1,500 to \$2,000	Lump sum	Before opening	Suppliers
Inventory & Operating Supplies <sup>13</sup>	\$6,100 to \$6,400	As incurred	Before opening	Suppliers
Grand Opening Marketing <sup>14</sup>	\$19,100 to \$20,000	Lump sum	Before opening	Us and suppliers
Utility Deposits	\$1,250 to \$2,000	As incurred	Before opening	Utility companies
Business Licenses	\$1,000 to \$2,000	Lump sum	Before opening	Government agencies
Professional Fees <sup>15</sup>	\$20,000 to \$25,000	Lump sum	Before opening	Architect, lawyers & accountants
Insurance <sup>16</sup>	\$1,750 to \$2,500	Lump sum	Before opening	Insurance companies
Pre-opening Payroll <sup>17</sup>	\$15,000 to \$20,000	As incurred	Before opening	Employees

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE <sup>1</sup>	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Additional Funds <sup>18</sup> (3 months)	\$15,000 to \$42,000	As incurred	As incurred	Suppliers and employees
<b>Total Estimated Initial Investment</b> <sup>19</sup>	\$394,900 to \$602,500 (if Fitness Equipment Package purchased) \$297,540 to \$504,106 (if Fitness Equipment Package financed or leased)			

Notes:

1. Financing and Refunds: We do not offer direct or indirect financing. However, some franchisee finance the Fitness Equipment Package or lease the equipment from an unaffiliated lender or equipment leasing company, respectively. We do not have a written agreement or formal relationship with any potential lenders or leasing companies. We refund any portion of the grand opening marketing fee that is not spent during your grand opening period. No other amounts paid to us are refundable. We are not aware of any amounts paid to third-party suppliers that are refundable, although your landlord may refund your security deposit at the end of the lease if you do not damage the property or default.
2. Initial Training Expenses: This estimates your expenses to send 5 to 7 people to Charlotte, North Carolina for 2 days for Fitness Instructor Training. Your actual training expenses may vary depending on: (a) the number of people you send to training; (b) the distance they must travel; and (c) the level and quality of accommodations, travel and dining selected.
3. Real Estate: This estimate assumes you lease your premises. Rent varies depending on the size of the premises, its location, landlord contributions and the requirements of individual landlords. We anticipate most Madabolic Business facilities will range in size from 2,500 to 3,000 square feet with rent ranging from \$5,000 to \$17,500 per month. Landlords typically require security deposits equal to 1- or 2-months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The amount shown in the table above includes 1 month's security plus 3 months' rent. Some franchisees may choose to purchase the real estate. The cost to purchase real estate varies so widely that we cannot reasonably estimate the cost.
4. Construction: The cost of construction and leasehold improvements varies widely based on a number of factors including:
  - the size and condition of the leased space
  - whether the premises is first or second generation retail space
  - the extent and nature of any existing leasehold improvements
  - whether the landlord will contribute to the costs of the leasehold improvements (a "TI Allowance") and the amount of any TI Allowance you are able to negotiate
  - local demolition costs
  - local construction costs and prevailing wage rates in your local market

Some landlords provide a TI Allowance but increase monthly rent to recapture the TI Allowance and amortize it over the lease term (or part of the lease term). A significant factor in determining whether a landlord will provide a TI Allowance, and if so, the amount, is whether the building is first generation or second generation space. The estimates in the table above assume you do not receive any TI Allowance.
5. Project Management Fee: We recommend, but do not require, that you hire a project management company to oversee the development process and coordinate with the various members of your development team (architects, engineers, general contractor, etc.) in an effort to manage the overall development process and allow you to open as quickly as possible. We estimate the project manager's fee could be up to \$10,000.

6. Signage Package: You must purchase and install the signage we specify. However, you may need to modify our standard signage to conform to local zoning laws, property use restrictions and/or lease terms. In some instances, exterior signage may be prohibited due to applicable zoning or use restrictions. This item estimates the cost for our designated signage package, which includes 1 exterior sign, 1 interior sign, window vinyl, site-specific logo/watermark, and window display artwork. It also includes the estimated cost to pay a local artist for the interior and exterior wall graffiti (which is part of our required trade dress).
7. Flooring & Tiling: This includes the estimated cost to purchase specialty flooring and tiling that we require.
8. Lighting & Fan: This includes the estimated cost to purchase specialty lighting and an oversized fan.
9. Fitness Equipment Package: You must purchase our designated Fitness Equipment Package from us. The items included in the package are listed in Item 5. If you choose to purchase the Fitness Equipment Package, the total cost is estimated to range from \$119,000 to \$133,000. Some franchisees choose to finance the purchase or lease the equipment through an unaffiliated lender or leasing company. If you choose to finance or lease the equipment, we estimate your down payment will range from \$5,860 to \$9,100 and your monthly payment will range from \$2,630 to \$4,251 (without tax). The low estimate assumes a \$119,000 purchase price and a 60-month term while the high estimate assumes a \$133,000 purchase price and a 36-month term. The down payment includes a documentation fee, the 1<sup>st</sup> monthly payment and a security deposit equal to 1 monthly payment. We estimate you will commence making monthly payments 3 months prior to opening. This estimate includes the down payment (\$5,860 to \$9,100) together with 6 monthly payments (\$15,780 to \$25,506) including 3 monthly payments made prior to opening and 3 monthly payments made after opening.
10. Technology Systems: This includes your initial cost to purchase and set up your Technology Systems, including your: (a) computer and point of sale system; (b) music/sound system; (c) security and surveillance system; and (d) telephone system.
11. Furniture, Fixtures & Other Equipment: This includes the estimated cost to purchase shelving, refrigerator, glove dryers, desk, display cabinet, wall racking systems and lockers. It excludes the costs to purchase specialty lighting fixtures and the oversized fan (these costs are separately disclosed in the table above).
12. First Aid Equipment & Supplies: This includes the estimated cost to purchase your AED Machine and First Aid Kit.
13. Inventory & Operating Supplies: This estimates the cost to purchase your initial supply of inventory (including SFH Protein, T-Shirts, FitAid Drinks, Defiance Fuel Water, nutritional bars and other retail items) and operating supplies (including cleaning/bathroom supplies and products).
14. Grand Opening Marketing: This estimate includes: (a) the \$17,000 grand opening marketing fee you pay to us when you sign the lease for your Facility; and (b) the cost to purchase your Trade Show Kit (estimated to cost \$2,100 to \$3,000), which is our designated pre-opening marketing kit that includes various promotional items such as apparel, tent, tablecloth, posters/banners, a-frame signage, postcards, laminated tote bags, etc. We use the grand opening marketing fee to implement your grand opening marketing campaign. Any portion of the grand opening marketing fee that is not spent will be refunded to you.
15. Professional Fees: This estimate includes architect fees (estimated to range from \$10,000 to \$17,000) and legal fees for a real estate attorney to review and negotiate your lease. It also includes fees for other professionals you may choose to hire in order to:
  - assist you in reviewing this Disclosure Document and negotiating your Franchise Agreement
  - advise you regarding local laws and regulations applicable to your Madabolic Business
  - form a business entity
  - set up your books, records and accounts
  - develop a business plan and budget for the development and operation of your Madabolic Business

These services are optional but highly recommended.

16. **Insurance:** This estimate includes 3 months of insurance premium for the insurance policies we require. If you choose to purchase additional insurance, your premium may be higher. Item 8 includes a description of the insurance policies you must purchase and maintain.
17. **Pre-opening Payroll:** You must hire certain staff prior to opening to ensure they complete our required training programs. This item estimates your pre-opening payroll.
18. **Additional Funds:** This estimates your expenses during the first 3 months of operation, including payroll costs (excluding any wage or salary paid to you), marketing and advertising expenses (\$2,000 per month on the assumption you will not have 200 members within the first 3 months), technology fees (\$805 per month), third-party software licensing fees, inventory replenishment costs, utilities and other miscellaneous expenses and required working capital. Your initial 3 months of rent and insurance premium are separately stated in the table above. These figures are estimates based on: (a) the experience of our management team in developing, opening and operating company-owned Madabolic Businesses; and (b) the experience of our franchisees in developing, opening and operating franchised Madabolic Businesses.
19. **Budget and Initial Investment Report:** We strongly recommend you hire an accountant, business advisor or other professional to assist you in developing a budget for the construction, opening and operation of your Madabolic Business. Within 60 days after your opening date, you must send us a report, in the form we designate, listing the expenses you incur to develop and open your Madabolic Business. We may use this data to update the initial investment estimate in future versions of our Franchise Disclosure Document.

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

### **Source-Restricted Purchases and Leases - Generally**

You must purchase or lease certain “source-restricted” goods and services for the development and operation of your Madabolic Business. By “source-restricted”, we mean the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). The Manual includes our specifications and supplier list. We notify you of changes to our specifications and suppliers by email, updates to the Manual or other means of communication.

### **Supplier Criteria**

Our criteria for evaluating a supplier include standards for quality, delivery, performance, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon request, we will provide you with any objective specifications pertaining to our evaluation of a supplier or product, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you wish to purchase or lease a source-restricted item from a non-approved supplier, you must send us a written request for approval and submit all additional information we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier’s facility. We will notify you of our decision within 30 days after we receive your request for approval and all additional information and samples we require. We may periodically re-inspect the facilities and products of an approved supplier and revoke our approval if the supplier fails to meet our then-current criteria. You must pay us a testing fee to help cover costs we incur to evaluate products and suppliers you propose. The testing fee (per test) is \$150 for equipment and \$50 for all other products, services and suppliers.

## **Current Source-Restricted Purchases and Leases**

We estimate nearly 85% of the total purchases and leases to establish your Madabolic Business and 15% of ongoing operating expenses will consist of source-restricted goods or services, as further described below.

### *Lease*

If you lease the premises for your Madabolic Business, you must use best efforts to ensure your landlord signs the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C". You must hire a real estate attorney to review and negotiate the terms of your lease. You may use our recommended real estate attorney who will provide this service for a flat fee of \$3,500 or you may hire a real estate attorney of your choosing.

### *Design and Construction of Facility*

You must hire an architect to prepare initial design plans and detailed construction plans for the construction of your Madabolic Business. We must approve all plans before construction begins. Once approved, you must construct and equip your Madabolic Business according to the approved plans and the specifications in the Manual. You must purchase and install the specific flooring we designate. You must purchase flooring, tiling and lighting from suppliers we designate or approve. Your architect and general contractor must be appropriately licensed and bonded to the extent required by applicable law.

### *Signage*

All exterior signage must meet our standards and specifications and be purchased from suppliers we designate or approve.

### *Fixtures, Furnishings and Décor*

All fixtures, furnishings and décor must meet our standards and specifications and be purchased from suppliers we designate or approve.

### *Exercise Equipment & Supplies*

All exercise equipment and supplies must meet our standards and specifications and be purchased exclusively from us.

### *Technology Systems*

Your Technology Systems (including hardware, software, equipment, software applications, mobile apps and similar items) must meet our standards and specifications. Certain components of your Technology Systems must be purchased from approved or designated suppliers while other components may be purchased from any supplier of your choosing. We may also require that certain services relating to the establishment, use, maintenance, monitoring, security or improvement of your Technology Systems be purchased from approved or designated suppliers. You must sublicense certain software exclusively from us. You must purchase our designated POS system from an approved or designated supplier. To ensure proper integration with your POS system, you must also purchase gift cards from suppliers that we designate.

### *Inventory*

All supplements, merchandise, and retail items meet our standards and specifications and be purchased from suppliers we designate or approve. You must purchase certain inventory items, such as Boxing/Bag Gloves exclusively from us. You may not utilize or sell any inventory items we have not approved. You must comply with our minimum merchandising and stocking requirements. You must maintain a reasonable supply of inventory at your Facility at all times. On a quarterly basis, we may require that you purchase between \$450 and \$750 worth of limited-time specialty merchandise or other promotional items (the purchase price for these items is credited towards your Local Marketing Commitment).



### *Uniforms*

Your employees must wear the uniforms we require or otherwise approve. You must purchase these uniforms from a designated or approved supplier.

### *Operating Supplies*

You must purchase certain operating supplies that meet our standards and specifications. Some operating supplies, such as cleaning and bathroom products must be purchased from suppliers we designate or approve. Other operating supplies can be purchased from any supplier of your choosing.

### *Cleaning Products and Services*

Maintaining a clean and sanitary environment is essential to our brand standards. Your Facility must be cleaned on a daily basis by a professional cleaning company that meets our minimum standards and criteria. We may require you to contract with a cleaning company we designate or approve. You must purchase cleaning supplies that meet our standards and specifications. You must also purchase your monthly bathroom cleaning supplies and floor mats from a supplier we designate.

### *Accounting Services*

If you are unable to consistently prepare and provide us with financial statements that are complete and accurate and conform to our required accounting standards, we may require you to hire a CPA to prepare your monthly and annual financial statements. You may use our recommended vendor of accounting services or you may use another CPA that you propose and we approve.

### *Marketing Materials and Services*

All marketing materials must comply with our brand standards and other requirements. We must approve your marketing materials prior to use. You must purchase branded marketing materials only from us or other suppliers we designate or approve. We may require that you contract with and utilize a company we designate to: (a) develop and/or implement your grand opening marketing campaign; and/or (b) manage your social media.

### *Insurance Policies*

You must obtain the insurance coverage we require (whether in the Franchise Agreement or in the Manual) from licensed insurance carriers rated A or better by Alfred M. Best & Company, Inc., including the following:

<b>Policy Type</b>	<b>Minimum Coverage</b>
"All risk" Property Insurance	Replacement Value
Comprehensive General Liability Insurance	\$1,000,000 per occurrence and \$2,000,000 in the aggregate
Professional Liability Insurance	\$1,000,000 per occurrence
Business Interruption Insurance	At least 6 months' coverage
Employer's Liability Insurance	As required by law
Worker's Compensation Insurance	As required by law
Landlord-Required Insurance	As required by lease

We also recommend, but do not currently require, that you purchase the following additional policies:

<b>Policy Type</b>	<b>Minimum Coverage</b>
Automobile Liability Insurance	\$500,000 per occurrence
Products Liability Insurance	\$1,000,000 per occurrence and \$2,000,000 in the aggregate
Theft and Dishonesty Insurance	\$10,000 per occurrence

The required coverage and policies are subject to change. All insurance policies must be endorsed to: (a) name us (and our members, officers, directors and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide us with at least 30 days' prior written notice of the termination, expiration, cancellation or modification of the policy.

### **Purchase Agreements**

We have negotiated purchase agreements with certain suppliers, including favorable pricing terms, for the benefit of our franchisees. You may purchase these goods or services at the discounted prices we negotiate (less any rebates or other consideration paid to us). As of the date of this Disclosure Document, we have negotiated purchase agreements (including pricing terms) with suppliers for the following goods and services: specialty lighting; gym flooring; lobby furniture; exercise equipment; hangmen for bags; nutritional items; and Madabolic-branded gear and apparel. We may also purchase items in bulk and resell them to you at our cost plus a reasonable markup.

Currently there are no purchasing cooperatives but we may establish them in the future. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing we negotiate.

### **Franchisor Revenue from Source-Restricted Purchases**

We are the exclusive supplier for all items included in the Fitness Equipment Package. You must also purchase your ongoing supply of Boxing/Bag Gloves exclusively from us. You must acquire certain licenses through us, including your annual music license and licenses to the software and email accounts we provide in exchange for the technology fee (although we are not the licensor of these items). We may designate ourselves or our affiliate as an approved or designated supplier for other items in the future. We and our affiliates may generate a profit from these purchases. No person affiliated with us is currently an approved (or the only approved) supplier. There are no approved or designated suppliers in which any of our officers own an interest.

We may receive rebates, payments or other material benefits from suppliers based on franchisee purchases and we have no obligation to pass them on to our franchisees or use them in any particular manner. As of the issuance date of this Disclosure Document, our designated supplier for branded apparel and marketing materials pays us a rebate ranging from 10% to 15% of the purchase price paid by our franchisees.

Our total revenue during the fiscal year ended December 31, 2023 was \$1,436,173. During that year, we generated \$795,537 in revenue as a result of franchisee purchases or leases of goods or services from designated or approved suppliers, which represents 55% of our total revenue for that year.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	7.1 & 7.2	Item 7 & Item 11
b. Pre-opening purchases/leases	6.2, 7.3, 11.9 & 15.1	Item 5, Item 7, Item 8 & Item 11
c. Site development and other pre-opening requirements	7.3 & 7.4	Item 6, Item 7 & Item 11
d. Initial and ongoing training	5	Item 6 & Item 11
e. Opening	7.4	Item 11
f. Fees	4.2, 5.6, 5.7 6.7, 7.5 8.5, 10, 11.9 11.10, 11.13, 11.19, 13, 15.1, 16, 19.2 & 21.3 See also §8 of Franchise Resale Agreement	Item 5 & Item 6
g. Compliance with standards and policies/Operating Manual	6.1, 7.1, 7.3, 10.3, 11 & 17.1	Item 11
h. Trademarks and proprietary information	17	Item 13 & Item 14
i. Restrictions on products/services offered	11.3	Item 16
j. Warranty and client service requirements	11.17	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	11.9	Item 8
m. Maintenance, appearance and remodeling requirements	11.13, 11.11& 11.12	Item 11
n. Insurance	15.1	Item 6, Item 7 & Item 8
o. Advertising	10	Item 6, Item 7 & Item 11
p. Indemnification	18	Item 6
q. Owner's participation/management/staffing	8	Item 11 & Item 15
r. Records/reports	15.2 & 15.3	Item 6
s. Inspections/audits	16	Item 6 & Item 11
t. Transfer	19	Item 17
u. Renewal	4	Item 17
v. Post termination obligations	21	Item 17
w. Non-competition covenants	14	Item 17
x. Dispute resolution	22	Item 17

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
y. Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	9 & <u>ATTACHMENT "D"</u>	Item 15

## ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

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

Before you open your Madabolic Business, we will:

1. Provide access to our Manual which will help you establish and operate your Madabolic Business, as discussed below under "Manual". (§6.1)
2. Review and approve or disapprove sites you propose for your Madabolic Business, as discussed below under "Site Selection". (§7.1)
3. Provide our written specifications for goods and services you must purchase to develop, equip and operate your Madabolic Business and a list of suppliers. (§11.2)
4. Well, and deliver to you, all of the items included within our designated Fitness Equipment Package and Inventory Package. The purchase price for the Fitness Equipment Package includes installation of the equipment at your Facility. We do not deliver or install any other items that you purchase. (§6.2)
5. Provide access to approved advertising and marketing materials, as discussed below under "Advertising and Marketing". (§10.2)
6. Provide you with our suggested marketing plan for your Business, as discussed below under "Advertising and Marketing". (§10.2)
7. Assist you in developing a grand opening marketing plan and implement your grand opening marketing campaign utilizing the grand opening marketing fee you pay to us. (§10.2 & 10.3(a))
8. Review and approve or disapprove the design and buildout of your Madabolic Business, as discussed below under "Site Development". (§7.3 & 7.4)
9. Provide an initial training program, as discussed below under "Training Program". (§5.1)

During the operation of your Madabolic Business, we will:

1. Provide our guidance and recommendations to improve the operation of your Madabolic Business. (§6.3)
2. Provide periodic training programs, as discussed below under "Training Program". (§5.2 & §5.3)
3. Maintain a corporate website to promote our brand and a local webpage to promote your Madabolic Business, as discussed below under "Advertising and Marketing". (§6.6 & 10.3)
4. Establish and implement the Brand Fund, as discussed below under "Advertising and Marketing". (§10.1)
5. Provide you with our suggested retail pricing, which may vary by market. To the extent permitted by applicable law we may: (a) set maximum or minimum prices on the goods and services you sell (including membership fees); and/or (b) establish membership pricing plans and initial offers you must implement (you may not deviate from these membership pricing plans or initial offers without approval).

(§11.7)

6. As an optional service, assist you with the offer and sale of your Madabolic Business under the terms described in the Franchise Resale Agreement attached to this Disclosure Document as EXHIBIT "G"-3. You must pay the compensation described in the Franchise Resale Agreement for the services we provide.

During the operation of your Madabolic Business, we may, but need not:

1. Conduct periodic field visits to provide onsite consultation, assistance and guidance pertaining to the operation and management of the Madabolic Business. (§6.4)
2. Develop new retail products, merchandise, fitness programs, exercises, exercise equipment or other goods or services that you may offer, utilize or sell. (§6.8)
3. Negotiate purchase agreements with suppliers to obtain favorable pricing. We may also purchase items in bulk and resell them to you at our cost plus shipping and a reasonable markup. (§6.7)
4. Host periodic conferences to discuss relevant business and operational issues such as industry changes or new services, products, technology or marketing strategies. (§5.7)
5. Create a franchise advisory council, as discussed below under “Advisory Council”. (§12)
6. Provide additional training or assistance you request, as discussed below under “Training Program”. (§5.3)

**Manual** (§6.1, 11.2 & 24.8)

You will have access to our Manual during the term of the Franchise Agreement. The Manual may include, among other things:

- architectural plans and specifications for the design, dimensions, layout, equipping and trade dress for a prototype Madabolic Business facility
- a list of (a) goods and services (or specifications for goods and services) you must purchase to develop and operate your Madabolic Business and (b) designated and approved suppliers
- a description of the authorized goods and services you may offer and sell, including memberships, fitness classes, training programs, merchandise and supplements
- specifications, techniques, methods, operating procedures and quality standards
- policies and procedures pertaining to: (a) marketing and advertising; (b) reporting; (c) insurance; (d) data ownership, protection, sharing and use; and (e) gift card, loyalty and membership programs

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. All mandatory provisions in the Manual are binding on you. We can modify the Manual at any time, but the modifications will not alter your status or fundamental rights under the Franchise Agreement. Modifications are effective at the time we notify you of the change. However, we may provide you with a reasonable period of time to implement certain changes (for example, implementing new software or technology). The Manual is confidential and remains our property. The Manual includes 136 pages. The Table of Contents is attached to this Disclosure Document as EXHIBIT "D".

**Training Program** (§5)

*Initial Training Programs*

We provide an initial training program for the Managing Owner and your initial general manager and Trainers. Our initial training program includes Remote Training, General Manager Training and Fitness Instructor Training (each described below). Your Managing Owner must attend all of our initial training programs. Your other owners may attend initial training but it is not required. As further discussed below, certain staff members we designate must attend some (but not all) initial training programs. General Manager Training is offered 6 to 8

Franchise Disclosure Document (2024)

times per year. Our other initial training programs are offered on a monthly basis assuming sufficient demand.

1. **Remote Training:** Remote Training is a 16-week program conducted remotely via telephone calls, video conferences or similar means. Each week includes 1 hour of training covering various operational topics. Remote Training is an informal program with no pre-set agenda or list of topics to be covered. Remote Training program begins approximately 16 weeks prior to your projected opening date. The Managing Owner must successfully complete Remote Training to our satisfaction prior to opening.
2. **General Manager Training:** General Manager Training is our franchise management training program that includes online training (through LMS), 6 weekly training calls (each call is 1 hour) and 3 to 4 days of onsite training that begins the day before your Facility opens. Your Managing Owner and initial general manager must attend and successfully complete General Manager Training to our satisfaction prior to opening. Only your Managing Owner must complete General Manager Training if he or she will also serve as your initial general manager. General Manager Training currently covers the following topics:

### TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
The Madabolic Philosophy	1	0	Remote / Online
Professionalism – Hiring Instructors, Employees & Staffing	1	0	Remote / Online
The Program & The System	2	0	Remote / Online
Contracts, Waivers & Membership Programs	1	0	Remote / Online
Administrative Bookkeeping Responsibilities & Approvals	0.5	0	Remote / Online
Inventory, Ordering & Approved Vendors	0.5	0	Remote / Online
Safety, Security, Health & Sanitation	0.5	0	Remote / Online
Technology & Software Overview	0.5	0	Remote / Online
Culture – Community Development & Marketing the Business	1	0	Remote / Online
The Madabolic® History	1	0	Remote / Online
The Brand	1	0	Remote / Online
The Program & The System	2	0	Remote / Online
Standards & Professionalism	1	0	Remote / Online
Culture – Social Media, Music	1	0	Remote / Online
The Close – Membership Sales & Pricing Options	2	0	Remote / Online
Exercise Equipment Description & Function	0	1	Onsite – Your Facility
Movement Standards, Facility Layout & Hands On Coaching	1	12	Onsite – Your Facility
Total	17	13	

3. **Fitness Instructor Training:** Fitness Instructor Training includes our Madabolic fitness instructor certification training program that includes 2 days of training at our corporate headquarters in Charlotte, North Carolina (or any other location we designate) and 3 days of training onsite at your Facility. Onsite training takes place during the week prior to opening. No person may teach classes at your Facility other

than a certified Trainer. To become certified, the person must complete Fitness Instructor Training and pass our certification test. You must send up to 5 Trainers to Fitness Instructor Training, including your lead Trainer (you must appoint a person we approve to serve as your lead Trainer at least 6 weeks prior to opening). You need at least 4 Trainers to open the Business. Your Managing Owner and (if applicable) general manager must attend Fitness Instructor Training. However, they are not required to successfully complete training (i.e., by taking and passing certification testing) unless they intend to serve as Trainers and teach classes.

The format for training may include lectures, interactive role playing, conference calls and/or webinars. We reserve the right to conduct all (or any portion) of our training program remotely via webinar, conference call or similar means, including via Microsoft Teams calls and/or Getup, our online learning platform. The training materials consist of the Manual, presentations and demos. We do not charge you for training materials. We can modify the training program at our discretion based on our subjective assessment of the skills, abilities and prior experience of your Managing Owner, general manager and Trainers.

### *Third-Party Training Programs*

Prior to attending initial training, your Managing Owner and Trainers must successfully complete and achieve certified status from: (a) a nationally accredited personal trainer program (the Managing Owner need not obtain this accreditation unless he or she also serves as a Trainer); and (b) a CPR and First Aid certification program held in your home state. You must keep a copy of these certifications in the appropriate personnel files.

### *Ongoing Training Programs*

From time to time, we may require that your Managing Owner, general manager and Trainers attend system-wide refresher or supplemental training courses. These educational courses, which typically last 1 day, may cover any topics we deem appropriate including: new equipment, products and services; membership programs and promotions; updates or changes to our training programs, workouts and/or group fitness classes; vendor and supplier relationship updates; industry developments; merchandising; customer service standards; technology and software developments; sales and marketing; and administrative matters.

All new employees and independent contractors you hire or appoint have 30 days to complete required online education through Getup (our online learning platform). Any new Managing Owner or general manager you appoint or hire must successfully complete the initial training programs we designate before assuming responsibility for the management of your Madabolic Business. If we inspect your Facility and determine you are not operating in compliance with the Franchise Agreement and the Manual, we may require that your Managing Owner, general manager and/or Trainers attend remedial training relevant to the operational deficiencies we observed. You may also request that we provide additional training (either at corporate headquarters or at your Madabolic Business). We are not required to provide additional training you request.

All of your Trainers must successfully complete Fitness Instructor Training before teaching any classes at your Facility. You may request that we send a representative to conduct Fitness Instructor Training onsite at your Facility. Otherwise, all post-opening Fitness Instructor Training takes place at our corporate headquarters or another location we designate.

After your Facility has been open at least 1 year, we may designate your Facility as a certified Madabolic Training Facility. Once certified, your Lead Trainer may provide Fitness Instructor Training for new Trainers that you hire. The Lead Trainer must utilize LMS in the manner we designate. In order to become certified, your Lead Trainer must successfully complete our 2-day “train-the-trainer” training program that takes place at our corporate headquarters.

Your Managing Owner and general manager must attend all required ongoing training programs. Trainers are only required to attend the training programs we designate as mandatory for Trainers.

### *Instructors*

Our training program will be conducted by the following instructors: Kirk DeWaele, Brandon Cullen, Finley Funston, Beth Berkey, David Schmidt and Robin Ashwood.

Kirk DeWaele is one of our founders and currently serves as our Chief Training Officer. Kirk has been with Madabolic since 2011. Kirk is involved with Fitness Instructor Training and Onsite Training. He has 16 years of experience in the fitness industry as a personal trainer and gym owner.

Brandon Cullen is one of our founders and currently serves as our Chief Concept Officer. He has been with Madabolic since 2011. Brandon is involved with all of our training programs and has 21 years of experience in the fitness industry as a personal trainer and gym owner.

Finley Funston is our Director of Communications. She has been with Madabolic since 2021. Finley is a long-time member of the Madabolic facility in Charlotte, North Carolina. In October 2014, she began serving as a Trainer at the Madabolic facility. In May 2017, she moved up to the role of General Manager. She continued in her role as General Manager until March 2021 when she joined us. Finley is involved with General Manager Training and Fitness Instructor Training. She has a total of 8 years of experience in the fitness field and 5 years of experience in franchise management/operations.

Beth Berkey has served as our Business Development Manager since June 2022. She started as a member at MADabolic in January 2015 and from October 2016 to present she has been a trainer at MAD Charlotte. She currently holds her ACE Personal Training Certification and is Precision Nutrition Level 1 certified. From August 2012 to June 2022, she worked for Charlotte-Mecklenburg Schools as a 7<sup>th</sup> and 8<sup>th</sup> grade English teacher and multi-classroom leader. She has a total of 7 years of experience in the fitness field.

Robin Ashwood is one of our instructors involved with the General Manager Training. She has been with Madabolic since January 2021. Robin has also served as lead instructor for our affiliate, Jabz, since 2019. She has been a certified trainer for over 13 years. She has built curriculum and served as an instructor for both private sessions and public classes. She holds a number of certifications, including BASI and Balanced Body national certifications. Robin also has 8 years of experience as a franchise opening manager and franchise operations manager with the Zippy Shell franchise system. She has a total of 14 years of experience in the fitness industry and 13 years of experience in the field of franchise and business management/operations.

Certain representatives from third party suppliers may also be involved with training.

### *Training Fees and Costs*

We do not charge you a training fee (or require reimbursement of our Travel Expenses) for our preopening initial training program.

If we conduct onsite training at your Facility after your opening date, you must: (a) pay us a training fee of \$500 per trainer per day; and (b) reimburse us for all Travel Expenses we incur to send our trainer to your Facility.

We may charge you a \$500 training fee to provide our “train-the-trainer” training program for your Lead Trainer. After your Facility is designated as a certified Madabolic Training Facility, you pay us a training fee (not to exceed \$500) for each Trainer that is trained by your Lead Trainer (this fee covers access to LMS).

For all other ongoing training we provide, we may charge you a training fee of up to \$300 per trainee per day.

You are responsible for all wages and Travel Expenses that you and your trainees incur for training.

### **Site Selection** (§7.1 & 7.2)

A typical Madabolic Business ranges in size from 2,500 to 3,000 square feet. We do not select the site for your Madabolic Business and we do not purchase the premises and lease it to you. You must identify and obtain our approval of the site for your Madabolic Business within 120 days after signing the Franchise Agreement. We may terminate your Franchise Agreement if you fail to meet this deadline.



Your Madabolic Business must be located within the Site Selection Area identified in Part B of ATTACHMENT "A" to the Franchise Agreement and conform to our minimum site selection criteria. You must send us a complete site report that includes all information we require about your proposed site.

We try to approve or disapprove sites you propose within 30 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 30-day period. We consider the following factors when reviewing proposed sites:

- parking
- safety
- visibility, size, condition and characteristics of the building
- traffic counts and patterns
- general location and character of neighborhood
- existence and location of competitive businesses
- local demographic information
- zoning ordinances
- various economic indicators

If we approve your site before signing the Franchise Agreement, we will list the address in Part C of ATTACHMENT "A" to the Franchise Agreement. Otherwise, we will list the address of your approved site in a Site Approval Notice we will send to you within 30 days after we approve your site.

You must hire a real estate attorney to review and negotiate your lease. We do not review the terms of your lease. If you lease the premises for your Madabolic Business, you must use best efforts to cause your landlord to sign the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C". The Lease Addendum is designed to protect our interests. For example, the landlord must notify us of your defaults, offer us the opportunity to cure your defaults, allow us to take an assignment of your lease in certain situations, permit us to enter the premises to remove items bearing our Marks if you refuse to do so and give us a right of first refusal to lease the premises upon the expiration or termination of your lease. If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may either (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord) or (b) require you to find a new site for your Madabolic Business. You and the landlord must sign the lease and Lease Addendum within 150 days after you sign the Franchise Agreement.

#### **Site Development** (§7.3 & 11.11)

The Manual includes generic prototype plans for a Madabolic facility as well as our standards and specifications for the design, layout, equipping and trade dress for a Madabolic facility. We recommend, but do not require, that your facility include showers and locker rooms. You must hire a licensed and bonded architect to prepare initial design plans for the construction of your Madabolic Business and leasehold improvements. We must approve the initial design plans to ensure they are consistent with our system standards. Once approved, your architect must prepare detailed construction plans that: (a) are consistent with the approved design plans; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all federal, state and local ordinances, building codes, permits and lease requirements and restrictions applicable to the premises. You must submit the final construction plans to us for approval. Once approved, you must construct and equip your Madabolic Business according to the approved construction plans and the requirements of the Manual. You must purchase (or lease) and install the Technology Systems, equipment, fixtures, signs and other items we require.

You must remodel and make all improvements and alterations to your Madabolic Business that we reasonably require from time to time to reflect our then-current standards and specifications. We will not require that you remodel your Facility more than once during any 5-year period, except as a condition to a Transfer or renewal of

your franchise rights. You may not remodel or significantly alter your premises without our prior approval.

### **Opening Requirements** (§7.4)

We expect most franchisees will open between 180 and 270 days after signing the Franchise Agreement. Factors that may affect this time include:

- the amount of time needed to find an approved site
- protracted lease negotiations with your landlord
- the amount of time needed to secure financing, insurance, licenses and permits
- the condition of your building and extent of required upgrades, remodeling and renovations
- construction delays due to labor or materials shortages, inclement weather or other reasons
- delayed delivery or installation of equipment and fixtures
- the amount of time needed to comply with zoning requirements and other laws and regulations
- the amount of time needed to complete training
- the amount of time needed to hire and train your staff
- the amount of time needed to sell 100 memberships or 300 free week offers

You may not open your Madabolic Business prior to receipt of our written authorization to open. Unless we agree to the contrary, you must open your Madabolic Business within 180 after the later to occur of: (a) the date you sign the Franchise Agreement; or (b) the date you sign the lease or purchase contract for your Facility. If you fail to open by this deadline, we may choose between: (a) terminating the Franchise Agreement; or (b) extending your required opening date (we only grant extensions to franchisees that made diligent and continuing efforts to open in a timely manner).

### **Advertising and Marketing** (§10)

We provide the advertising and marketing support discussed below. You must participate at your own expense in all advertising, promotional and marketing programs we require. We are not required to spend any of our funds on advertising in your territory. There is currently no franchisee advertising council that advises us on marketing and advertising matters.

#### *Grand Opening Marketing*

We will collaborate with you to develop a grand opening marketing plan to promote the opening of your Madabolic Business. At the time you sign the lease for your Facility, you pay us a \$17,000 grand opening marketing fee that will be applied towards your grand opening marketing expenditures, as further discussed in Item 5. We may require that you utilize our designated marketing company to design and implement your customized grand opening marketing plan. You must also purchase our designated Trade Show Kit, which will be used to conduct off-site events to attract new members.

#### *Ongoing Local Marketing By You*

After opening, you must spend a minimum monthly amount equal to your Local Marketing Commitment on local advertising. The Local Marketing Commitment is \$2,000 per month (reduced to \$1,000 per month for each month that your Facility has 200 or more paying members as of the beginning of the month). Your minimum grand opening marketing expenditure is in addition to, and not credited towards, your Local Marketing Commitment. We measure your compliance on a rolling 6-month basis, meaning as long as your average monthly expenditure on local advertising over the 6-month period equals or exceeds your Local Marketing Commitment, you are deemed in compliance even if your expenditure in any given month is less than your Local Marketing Commitment.

You may develop your own advertising and marketing materials and programs but we must approve them prior

to use. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved. We have 30 days to review and approve or disapprove advertising and marketing materials and programs you submit for approval. Our failure to approve them within the 30-day period constitutes our disapproval.

#### *Local Marketing Assistance From Us*

We provide reasonable marketing consulting, guidance and support throughout the franchise term on an “as-needed” basis. We assist you in developing your grand opening marketing plan. We also provide access to our recommended post-opening marketing plan, including “best practices” for local community business development activities. We strongly encourage you to follow the marketing plan and implement the suggested local community business development activities in conjunction with your paid local marketing and advertising activities. We may create and make available to you advertising and marketing materials for your purchase. We may use the Brand Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may provide online access to these materials, in which case you must print the materials at your expense. We may also contract with third-party suppliers to create advertising or marketing materials that you may purchase.

#### *Websites, Social Media and Digital Advertising*

We will maintain a corporate website to promote our brand. We will also create and host a local webpage to promote your Madabolic Business, which will be linked to our corporate website. Your webpage will list certain information about your Madabolic Business that we designate or approve. We can modify or discontinue our website and/or your local webpage at any time.

Except for the webpage we provide, you may not: (a) develop, host, or otherwise maintain a website or other digital presence relating to your Madabolic Business (including any website bearing any of our Marks); (b) utilize the Internet to conduct digital or online advertising; or (c) engage in ecommerce. However, we do permit you to market your Business through approved social media channels, subject to the following requirements:

- you may only conduct social media utilizing the social media platforms that we approve
- you must strictly comply with our social media policy, as revised from time to time
- you must immediately remove any post we disapprove
- we may require that you contract with and utilize a social media company we designate
- you must provide us with full administrative rights to your social media accounts
- we must retain ownership of all social media accounts relating to your Madabolic Business

#### *Gift Card and Loyalty Programs*

We may require that you participate in a gift card or other customer loyalty program in accordance with our policies and procedures. In order to participate, you may be required to purchase additional equipment, software and/or Apps and pay fees relating to the use of that equipment, software and/or Apps. We have the right to determine how proceeds from gift card sales are divided or otherwise accounted for and we may retain proceeds from unredeemed gift cards. You must follow all policies we establish for gift card and/or loyalty programs.

#### *Advertising Cooperatives*

We may, but need not, form advertising cooperatives for the benefit of all Madabolic Businesses located in a particular region. We will determine the boundaries of the cooperative. In most instances, the boundaries will coincide with zip codes, designated marketing areas or municipal boundaries. We will specify the manner in which the cooperative is organized and governed. We may choose between: (a) administering the cooperative ourselves; or (b) establishing an advertising council, comprised by the cooperative’s members, to administer the cooperative. We may require that the cooperative be administered in accordance with written bylaws, organizational documents or other governing documents that we approve.

If your Madabolic Business is located within a region subject to an advertising cooperative you must: (a) participate in the cooperative according to its rules and procedures and abide by its decisions; and (b) pay a cooperative advertising fee. We may set the minimum cooperative advertising fee or we may allow the cooperative to set the fee based on majority vote of its members. The cooperative advertising fee will not exceed \$1,000 per month unless a higher amount is approved by majority vote of all members of the cooperative. All cooperative advertising fees you pay are credited against your Local Marketing Commitment. Any company-owned Madabolic Business located in the cooperative will contribute on the same basis as franchisees.

Advertising cooperatives are not required to prepare annual or periodic financial statements. Any financial statements that are prepared will be made available to you upon request. We reserve the right to form, change, merge or terminate advertising cooperatives at any time.

#### *Brand and System Development Fund*

We administer the Brand Fund to promote public awareness of our brand and improve our System. We may use the Brand Fund to pay for any of the following in our discretion:

- developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs
- conducting and administering promotions, contests or giveaways
- expanding public awareness of the Marks
- public and consumer relations and publicity
- brand development
- sponsorships
- charitable and nonprofit donations and events
- research and development of technology, products and services
- website development and search engine optimization
- development and maintenance of an ecommerce platform
- development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys
- conducting market research
- changes and improvements to the System
- the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts
- collecting and accounting for contributions to the Brand Fund
- preparing and distributing financial accountings of the Brand Fund
- any other programs or activities we deem appropriate to promote or improve the System
- direct and indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates in relation to any of these activities (including salary, benefits and other compensation of any of our, and any of our affiliate's, officers, directors, employees or independent contractors based upon time spent working on any Brand Fund matters described above)

We direct and have complete control and discretion over all advertising programs paid for by the Brand Fund, including the creative concepts, content, materials, endorsements, frequency, placement and media used for the programs. Currently, most advertising is intended to be local in scope, but we may also conduct regional or national advertising. We may utilize any media we deem appropriate, including digital, print, television, radio and billboard. The Brand Fund will not be used to pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as "franchises available" and

one or more pages on our website may promote the franchise opportunity.

You must pay the brand fund fee we specify from time to time (currently 1.5% of Gross Sales, not to exceed 3% of Gross Sales). We deposit all brand fund fees and noncompliance fees into the Brand Fund. Company-owned Madabolic Business contribute to the Brand Fund on the same basis as our franchisees. However, if we modify the amount or timing of required contributions, any company-owned Madabolic Business established or acquired after the modification may contribute to the Brand Fund utilizing the modified amount or timing. Except for brand fund fees paid by company-owned Madabolic Businesses, we have no obligation to expend our own funds or resources for any marketing activities in your area.

All monies deposited into the Brand Fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of monies may be invested and we may lend money if there is a deficit. An unaudited financial accounting of Brand Fund contributions and expenditures will be prepared annually and made available to you upon written request. During the fiscal year ended December 31, 2023 we spent the marketing funds in the following manner:

Allocation of Marketing Expenditures (2023)				
Use of Funds	Production	Media Placement	Administrative Expenses	Other*
Percentage Allocation	47%	45%	4%	4%

The Brand Fund is not a trust. We have no fiduciary obligations or liability to you with respect to our administration of the Brand Fund. Once established, we may discontinue the Brand Fund on 30 days' notice.

**Advisory Council** (§12)

We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions in good faith, but would not be bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be a member of the council as long as you comply with your Franchise Agreement and do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Any company-owned Madabolic Business would also be a member of the council. Each member would be granted 1 vote on all matters on which members are authorized to vote. We would have the power to form, change or dissolve the advisory council in our discretion.

**Computer System** (§11.9, 11.13, 11.10, 15.3 & 16.1)

You must purchase and use all Technology Systems we designate. One component of our Technology Systems is your "computer system", which consists of the following items: 2 Apple computers (1 desktop and 1 laptop which may also be your personal laptop); 1 printer/copy machine; 1 iPad; 1 iPhone; cloud-based scheduling software and associated point-of-sale system; business management software; and email/text marketing software. We may change the components of the Technology Systems from time to time, including your computer system.

*Email Addresses*

We provide you with Madabolic email addresses for use with your Business. The cost of these email addresses is covered by the technology fee. You must exclusively use the email addresses we provide for all communications with us, members, suppliers and other persons relating to your Madabolic Business. You may not use any email address we provide for any purpose unrelated to your Madabolic Business. We will own the email addresses and accounts but allow you to use them during the term of your Franchise Agreement.

### *How Computer System Is Used*

The computer system is used for: scheduling; processing sales transactions; inventory management; payroll; reporting; business management and analytics; contract management; and implementing the membership model. It also serves as your CRM system and implements various marketing campaign utilizing customer profiling tools. The email/text marketing software is used for automated email and text marketing. The business management software is used for a variety of purposes, including: storing and accessing documents; accessing the Manuals and other important business-related data; tracking financial information; and communicating with us and other franchisees. You will also use your computer system for general business purposes, such as communicating by email and preparing reports.

### *Fees and Costs*

We estimate the initial cost to acquire your computer system will range from \$3,500 to \$5,400. As further detailed in Item 6, you must pay us a technology fee for certain software, technology and related services that we provide. As of the issuance date of this Disclosure Document, we charge a technology fee of \$805 per month (\$9,660 per year). The table below identifies the ongoing fees and costs you must pay for the software, technology, Apps, subscriptions and related services (including the software, technology and related services covered by the technology fee):

<b>COMPUTER SYSTEM – ONGOING FEES AND COSTS</b>			
<b>Item</b>	<b>Fee (Monthly)</b>	<b>Fee (Annual)</b>	<b>To Whom Paid?</b>
Intranet, email accounts, website support and ongoing technology research and development (included in technology fee)	\$100	\$1,200	Us
Business management software (included in technology fee)	\$250	\$3,000	Us
Scheduling and payment processing software (included in technology fee)	\$455	\$5,460	Us
Email/text marketing software	\$250	\$3,000	Third-party licensor
Music Licensing	\$150	\$1,800	Third-party licensor
Performance Indicator Dashboard	\$45	\$540	Third-party licensor
Total	\$1,250	\$15,000	

### *Maintenance, Support, Updates and Upgrades*

In exchange for the monthly fees noted above: (a) the licensor of the scheduling and payment processing software provides ongoing maintenance, support, repairs, upgrades and updates for the software; (ii) the licensor of the email/text marketing software provides ongoing maintenance, support, repairs, upgrades and updates for the software, although all such activities may be coordinated through us; and (iii) the licensor of the business management software provides ongoing maintenance, support, repairs, upgrades and updates for the software.

Except as otherwise disclosed above: (a) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (b) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

### *Collection and Sharing of Data*

Your computer system will collect information about your members (including names, contact information, class attendance history, purchase history and credit card information), sales data and inventory data. We will

have independent unlimited access to the data collected that is entered into your (a) scheduling and payment processing software and (b) business management software, and there are no contractual limits imposed on our access. We also have independent access to our email accounts, which we will own. We will not have independent access to the data collected on your general-purpose laptop or desktop that is not entered into these software programs. However, we may inspect your general-purpose laptop or desktop and access the data during an inspection.

We own all data relating to your operations and customers. We grant you a license to use this data solely for purposes of operating your Madabolic Business. You must protect all customer data with a level of control proportionate to the sensitivity of data. You must comply with all applicable data protection laws and our data processing and data privacy policies in the Manual. You must also comply with the standards established by PCI-DSS to protect the security of credit card information.

#### *Computer System Maintenance and Changes*

You must maintain the computer system in good condition at your cost. We may require that you upgrade, update or otherwise change your computer system and other Technology Systems to conform to our then-current specifications. There is no contractual limitation on the frequency or cost of these updates, upgrades or changes.

## **ITEM 12 TERRITORY**

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

### **Location of Your Business**

Each Franchise Agreement grants you the right to operate one Madabolic Business from a site we approve. You must identify a site for your Madabolic Business within the Site Selection Area described in your Franchise Agreement.

You may relocate your Madabolic Business with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) obtain our approval of the new site for your Madabolic Business within the Site Selection Area (but outside any territory granted or reserved to us, our affiliate or any other franchisee); (b) comply with our then-current site selection and development requirements; (c) remove trade dress and alter the premises of the closed (i.e., former) Facility to eliminate any resemblance to a Madabolic Business; (d) pay us a relocation fee of \$500 at the time we approve your request to relocate; and (e) open your Facility at the new site and resume operations within 30 days\* after closing your Facility at the former site. We may also require that you conduct another grand opening marketing campaign to promote the opening of your Madabolic Business at the new site.

\* If your Madabolic Business is destroyed, condemned or otherwise rendered unusable due to the physical condition of the premises, you will instead have 270 to relocate and resume operations at the new site.

### **Description of Territory**

We will grant you a territory with a minimum population of 20,000 individuals between the ages of 20 and 50, as determined by the most recent United States Department of Commerce Census Bureau census data. We have no obligation to modify your territory based on population changes during the term of the Franchise Agreement. We may define the boundaries of your territory in any manner we deem appropriate, including by zip code, municipal boundaries or the geographic area marked on a map (such as a circle) or within a specified radius from your Facility. Upon renewal, we reserve the right to modify the boundaries of your territory in accordance with our then-current territory guidelines and criteria.

If we approve the site for your Madabolic Business before you sign the Franchise Agreement, we will identify your territory in Part D of ATTACHMENT "A" to your Franchise Agreement. Otherwise, we will identify your territory in the Site Approval Notice we send to you within 30 days after approving your site.

## **Off-Site Events and Activities**

You may conduct business at off-site events within your territory (such as fitness expos, health fairs, promotional events, charity events, etc.) in order to promote your Business, sell memberships and provide authorized products and services.

We may establish policies for conducting business at off-site events outside your territory. Under current policy, we allow you to conduct business and sell group memberships (a group is defined as 5 or more people) from sites located outside your territory if: (a) you notify us in writing (and provide all details we require) before conducting the business or engaging in the sales activity; and (b) the site is not located within a territory assigned to another Madabolic Business. If the site is located in an area that we later designate as a territory for another Madabolic Business, you must immediately cease conducting business and selling group memberships from the site and follow our instructions to transition any group membership to the Madabolic Business that owns the territory. If you receive a request to conduct business at an off-site event located in a territory assigned to another Madabolic Business, you must refer the request to the Madabolic Business that owns the territory.

## **Territorial Protections and Limitations**

During the term of your Franchise Agreement we will not develop or operate, or license a third party to develop or operate, a Madabolic Business using our Marks that is located within your territory except as otherwise permitted with respect to Acquisitions. We reserve the right to acquire, or be acquired by, another business or chain that may sell competitive or identical goods or services, and those businesses may be converted into Madabolic Businesses operating under the Marks regardless of their location (an "Acquisition"). Any such acquired or converted businesses may be located within your territory.

## **Alternative Channels of Distribution**

We reserve the right to sell, and license others to sell, competitive or identical goods and services (either under the Marks or different trademarks) through Alternative Channels of Distribution, including within your territory. An "Alternative Channel of Distribution" means any channel of distribution other than (a) fitness classes conducted from a Madabolic facility or (b) retail sales made to members while present at a Madabolic facility. Examples of Alternative Channels of Distribution include:

- sales through direct marketing, such as over the Internet or through catalogs or telemarketing
- sales through retail stores that do not operate under the Marks such as fitness, nutrition, exercise equipment, department or sporting goods stores
- sales made at wholesale
- fitness classes conducted onsite at a customer's location, such as personal training conducted in a customer's home or group fitness classes conducted for employees at the employer's corporate office

You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution.

## **Restrictions on Your Sales and Marketing Activities**

You can market and advertise outside of your territory as long as: (a) you comply with all policies and procedures in the Manual governing extra-territorial marketing; and (b) you do not engage in targeted marketing\* directed into any territory assigned to us, our affiliate or another franchisee (unless the marketing is conducted as part of an advertising cooperative that includes the affected territory). You may accept members who reside outside your territory, but you may not solicit them via targeted marketing directed into the territory of another Madabolic Business. You may not market or sell using Alternative Channels of Distribution (such as the Internet, catalog sales, telemarketing or other direct marketing) either within or outside of your territory. Your marketing activities are also subject to the additional restrictions described in Item 11 under the Section entitled "Websites, Social Media and Digital Advertising". You must comply with any minimum advertised pricing policy that we establish from time to time. There are no other restrictions on your right to solicit or accept members, whether from inside or outside of your territory.



\* Marketing that is distributed, circulated or received both within your territory and within another territory is not considered “targeted marketing” if: (a) you use reasonable efforts to limit the circulation or distribution of the advertising to areas within your territory; and (b) the majority of the recipients of the advertising are located within your territory and there is only incidental circulation or distribution within a territory assigned to us, our affiliate or another franchisee. The meaning of “targeted marketing” that is “directed into a territory” may be further defined in the Manual, but examples include direct mail sent to addresses within a given territory, digital advertising sent to devices with IP addresses registered within a given territory and conducting promotional events within a given territory.

**Minimum Performance Requirements**

Your territorial protections under the Franchise Agreement do not depend on achieving a certain sales volume, market penetration or other contingency.

**Additional Franchises and Territories**

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises.

**Competing Businesses Under Different Marks**

As discussed in Item 1, our affiliate Jabz currently offers franchises for a boxing studio that operates under the name JABZ BOXING®. Jabz’ principal business address is 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038. Jabz studios offer workout programs that can be considered competitive with the services offered by Madabolic Businesses. Jabz operates both corporate-owned and franchised studios. There are no restrictions on the ability of Jabz studios to solicit or accept customers from within territories operated by Madabolic Businesses. Similarly, there are no restrictions on your ability to solicit or accept members from within the territories operated by Jabz studios. We do not anticipate any conflicts between us and our franchisees, or between franchisees, regarding territory, customers and franchise support. Any such conflicts would be reviewed and resolved on a case-by-case basis.


Except as disclosed above, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered by a Madabolic Business. However, we reserve the right to do so in the future.

**ITEM 13 TRADEMARKS**

We grant you the right to operate a Madabolic Business under the name MADABOLIC® and the associated logo. By trademark, we mean trade names, trademarks, service marks and logos used to identify your Madabolic Business or the products or services you sell. We may change the trademarks you may use from time to time, including by discontinuing use of the Marks listed in Item 13. If this happens, you must change to the new trademark at your expense.

Our affiliate, Madabolic IP, LLC, owns the following Marks that have been registered on the Principal Register of the United States Patent and Trademark Office:

REGISTERED MARKS		
Mark	Registration Number	Registration Date (Renewal Date)
MADABOLIC	4509804	April 8, 2014 (February 8, 2024)

REGISTERED MARKS		
Mark	Registration Number	Registration Date (Renewal Date)
	4490936	March 4, 2014 (February 16, 2024)
MADLIFESTYLE	4925765	March 29, 2016
BETTER IS BETTER	5990798	February 18, 2020
WORK. REST. REPEAT. *	6115898	August 4, 2020

All required affidavits have been filed and we intend to file all renewals by the required renewal date.

\* On September 24, 2019, the USPTO issued a Nonfinal Office Action regarding our application for the mark WORK. REST. REPEAT (Serial Number 88249551). The examiner concluded the phrase is a commonly used slogan in the fitness industry. As such, the examiner denied the application but only for class 41, which relates to physical fitness services. We subsequently obtained a registration for class 35 (franchising services).

On July 17, 2019, we entered into an Intellectual Property License Agreement with Madabolic IP, LLC (the “License Agreement”). Under the terms of the License Agreement, Madabolic IP, LLC granted us the right to use the Marks in the Madabolic System and sublicense the Marks to our franchisees. The term of the License Agreement automatically renews annually, unless it is terminated in accordance with its terms. Madabolic IP, LLC is permitted to terminate the License Agreement only if we: (a) declare bankruptcy or become insolvent; (b) breach Madabolic IP, LLC’s quality control standards and fail to cure the breach within a 60-day cure period; or (c) consent to the termination. If the License Agreement is terminated, it states all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. No other agreements limit our right to use or sublicense use of the Marks.

You must follow our rules when using the Marks. You cannot use the Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You cannot use the Marks relating to the sale of any product or service we have not authorized.

You must notify us immediately if you discover an infringing use (or challenge to your use) of the Marks. We will take the action we deem appropriate. We are not required to take any action if we do not feel it is warranted. We may require your assistance, but you may not control any proceeding or litigation relating to our Marks. You must not directly or indirectly contest our or Madabolic IP, LLC’s rights to the Marks.

The Franchise Agreement does not require that we: (a) protect your right to use the Marks; (b) protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (c) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our Marks or if the proceeding is resolved in a manner unfavorable to you.

There are currently no: (a) effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; (b) pending infringements, oppositions or cancellations; (c) pending material litigation matters involving any of the Marks; or (d) infringing uses we are aware of that could materially affect your use of the Marks.

## ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

### **Patents**

No patents or pending patent applications are material to the franchise.

### **Copyrights**

Although we have not filed an application for copyright registration for the Manual, our website or our marketing materials, we do claim a copyright to these items.

### **Proprietary Information**

During the term of the Franchise Agreement, we allow you to use certain confidential and proprietary information (some of which constitute “trade secrets”) relating to the development, marketing and operation of a Madabolic Business. Examples include:

- architectural plans, drawings and specifications for a prototype Madabolic Business
- site selection criteria
- methods, techniques, policies, procedures, standards and specifications
- supplier lists and information
- marketing and merchandising strategies and programs
- proprietary training programs, workouts and group fitness classes
- membership programs, features and billing procedures
- inventory management systems
- customer contracts and forms
- recording keeping and reporting procedures
- information comprising the System

We will own all ideas, improvements, inventions, marketing materials and other concepts you develop relating to a Madabolic Business. We will also own all operational and customer data relating to your Madabolic Business. You must treat this data as confidential and proprietary. We license you the right to use this data during the term of your Franchise Agreement.

We provide access to our confidential information through the Manual, training programs and other periodic support and guidance. You may use this information solely for purposes of developing, marketing and operating your Madabolic Business in compliance with the Franchise Agreement and Manual. You may not disclose our confidential information to anyone other than your employees, on a need-to-know basis, without our prior permission. We consider all information in the Manual to be confidential. All of your employees, agents and representatives (other than your general manager) must sign the Confidentiality Agreement attached to the Franchise Agreement as ATTACHMENT "G" before you give them access to our confidential information.

### **Infringements & IP Disputes**

You must promptly notify us if you discover any unauthorized use of our proprietary information or copyrighted materials. We are not obligated to act, but will respond as we deem appropriate. You may not control any proceeding or litigation involving allegations of unauthorized use of our proprietary information or copyrighted materials. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information or copyrighted materials. There are no infringements known to us at this time.

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

### **Owner Participation**

You must designate an owner with overall responsibility for the management and operation of your Madabolic Business (the “Managing Owner”). The Managing Owner must: (a) be approved by us; (b) successfully complete all training programs we require; and (c) dedicate full-time efforts to the Business unless you hire a general manager. The Managing Owner is not required to provide onsite management of your Business as long as a trained general manager is onsite. Any new Managing Owner you appoint must successfully complete our then-current initial training program before assuming responsibility for the supervision, management or operation of the Madabolic Business.

We do not require that your owners personally participate in the management or operation of your Business except as otherwise provided above with respect to your Managing Owner. If you are an entity, each owner (i.e., each person holding a direct or indirect ownership interest in the entity) and the spouse of each owner must sign the Franchise Owner Agreement attached to the Franchise Agreement as ATTACHMENT "D". By signing the Franchise Owner Agreement, the owner (or spouse of the owner) agrees to: (a) comply with all brand protection covenants, covenants that protect our intellectual property and transfer restrictions set forth in the Franchise Agreement; and (b) guarantee the franchisee’s financial obligations.

### **General Manager**

You may hire a general manager to assist the Managing Owner with onsite management and supervision of the Business. Any person you hire as a manager must: (a) successfully complete all training programs we require; and (b) sign the Brand Protection Agreement attached to the Franchise Agreement as ATTACHMENT "F". Either the Managing Owner or a trained general manager must be present at your Facility to provide onsite management and supervision during a reasonable period of time each week. The Managing Owner must monitor and supervise each manager to ensure the Madabolic Business is operated in accordance with the Franchise Agreement and Manual. You may also hire assistant managers who would report to the Managing Owner or your manager. We do not require that the manager own any equity interest in the franchise.

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

We must approve all goods and services you sell, including class offerings, merchandise, equipment and other inventory items, memberships and consultations. You must offer all goods and services we require. You may not sell any goods or services we have disapproved. You may only offer the specific classes, training programs and exercises that we designate. You must only sell the memberships and/or packages that we authorize or designate. Your memberships must include all features and benefits (and only the features and benefits) we prescribe. We may also require you to participate in a gift card or other customer loyalty program in accordance with our policies and procedures. At any time, we may change the goods and services you sell and you must comply with the change.

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

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
a. Length of franchise term	1 (Definition of “Term”) & 4.1	Term is equal to 10 years.
b. Renewal or extension of the term	4.1 & 4.2	If you meet our conditions for renewal, you can enter into 2 consecutive successor franchise agreements. Each renewal term will be 5 years. The parties may mutually agree to further renewals but neither party is obligated to do so (subject to state law).
c. Requirements for you to renew or extend	4.1 & 4.2	You must: not be in default; give us timely notice; sign then-current form of franchise agreement; sign general release (subject to state law); pay renewal fee; remodel Facility and upgrade furniture, fixtures and equipment to current standards; and extend lease for duration of renewal term.  If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
d. Termination by you	20.1	You can terminate if we default and fail to timely cure.
e. Termination by us without cause	20.3	We can terminate without cause if you and we mutually agree to terminate.
f. Termination by us with cause	20.2	We can terminate if you default.
g. “Cause” defined - curable defaults	20.2	You have 10 days to cure any monetary default. You have 30 days to cure any other default, other than defaults described below under “non-curable defaults”.
h. “Cause” defined - non-curable defaults	20.2	The following defaults cannot be cured: insolvency, bankruptcy or seizure of assets; failure to successfully complete training; failure to find approved site, secure lease or open in timely manner; abandonment; failure to maintain required license or permit; conviction of certain crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of System or Marks; health or safety hazards; material misrepresentations; 2 <sup>nd</sup> underreporting of Gross Sales by 3% or more; unauthorized Transfers; unauthorized use of our intellectual property; violation of brand protection covenant; breach of Franchise Owner Agreement; breach of legal compliance representations; termination of lease due to your default; 3 or more default notices in a 12-month period; or termination of any other agreement between you (or your affiliate) and us (or our affiliate) due to your default.
i. Your obligations on termination/ non-renewal	21.1	Obligations include: remove trade dress and alter premises to eliminate any resemblance to a Madabolic Business; cease use of intellectual property; return Manual and branded materials; assign telephone numbers, listings and domain names; assign customer information, agreements and accounts; cancel fictitious names; comply with data retention policies; and pay amounts due (also see “r”, below).
j. Assignment of contract by us	19.1	No restriction on our right to assign.

**THE FRANCHISE RELATIONSHIP**

<b>PROVISION</b>	<b>SECTIONS IN AGREEMENT</b>	<b>SUMMARY</b>
k. "Transfer" by you – definition	1 (definition of "Transfer") & 19.2	Includes ownership change or transfer of contract or assets.
l. Our approval of transfer by you	1 (definition of "Permitted Transfer"), 19.2 & 19.3	You may engage in a Permitted Transfer (defined in Note 2 in Item 6) without approval. We must approve other Transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	19.2	<p>Transferee must: meet our qualifications; successfully complete training (or arrange to do so); obtain required licenses and permits; agree in writing to assume your obligations under agreements relating to the Business; sign then-current form of franchise agreement for remainder of term or, at our option, assume your Franchise Agreement; and remodel Facility and upgrade furniture, fixtures and equipment to current standards within 12 months after Transfer or such shorter period of time we specify.</p> <p>You must: be in compliance with Franchise Agreement; assign lease (if applicable); pay transfer fee; subordinate transferee's ongoing payments owed to you (if any) to transferee's financial obligations owed to us; and sign general release (subject to state law).</p> <p>We must notify you that we will not exercise our right of first refusal.</p>
n. Our right of first refusal to acquire your business	19.5	We can match any offer for your business.
o. Our option to purchase your business	21.2	We have the option to purchase your Madabolic Business at the expiration or termination of the Franchise Agreement.
p. Your death or disability	19.4	Within 180 days, interest must be assigned by estate to an assignee in compliance with conditions for other Transfers. We may designate manager to operate your Madabolic Business prior to Transfer.
q. Non-competition covenants during the term of the franchise	14.3	No involvement in competing business conducted from any location.
r. Non-competition covenants after the franchise is terminated or expires	14.3 & 21.1	No involvement for 2 years in competing business conducted from your Facility or anywhere within 25 miles of your Facility or any other Madabolic facility that is operating or under construction as of the date the franchise is terminated or expires.
s. Modification of the agreement	24.3 & 24.8	Requires writing signed by both parties (except we may unilaterally change Manual or reduce scope of restrictive covenants). Other modifications to comply with state laws.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
t. Integration/ merger clause	24.8	Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) 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.
u. Dispute resolution by arbitration or mediation	22	Subject to state law, all disputes must be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants.
v. Choice of forum	22	Subject to state law, mediation and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, Mecklenburg County, North Carolina).
w. Choice of law	24.1	Subject to state law, North Carolina law governs.

## ITEM 18 PUBLIC FIGURES

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

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

### **Defined Terms**

For purposes of this financial performance representation, the following terms have the meanings given to them below.

“**Adjusted Gross Profit**” or “**AGP**” means the financial performance metric calculated as Gross Profit minus Operating Expenses. It does not account for Excluded Expenses.

“**COGS**” means variable costs that are directly associated with the provision and delivery of goods and services, including the cost of merchandise and retail items and credit card processing fees.

“**Company-Owned Outlet**” means any Madabolic Business that is owned by: (a) us; (b) any affiliate of ours; or (c) any person listed in Item 2 of this Disclosure Document if that person, or another person listed in Item 2, is also involved with the management of the Madabolic Business.

“**Converted Outlet**” means any Madabolic Business that either: (a) was a Company-Owned Outlet that was sold to a franchisee at any time during the Measuring Period; or (b) was a Franchised Outlet that we or our affiliate reacquired from the franchisee at any time during the Measuring Period.

“**Excluded Expenses**” means and includes: amortization; depreciation; donations and charitable contributions (when reported); entertainment; expenses for travel and lodging; vehicle expenses (including lease payments, car rentals, gas, mileage, repairs, etc.); income taxes; debt service and interest payments; officer guaranteed payments and salary; owner draws and distributions; personal expenses; and royalty and brand fund fees.

“**FPR**” means the financial performance representation set forth in Item 19 of this Disclosure Document.

“**Franchised Outlet**” means any Madabolic Business that is owned by a franchisee.

“**Gross Profit**” means the financial performance metric calculated as Gross Sales minus COGS.

“**Gross Sales**” means total revenue generated by the Madabolic Business including: (a) revenue from the sale of fitness classes, merchandise, retail items or any other goods or services, including sales made from the Facility and off-site sales; (b) all membership-related fees (e.g., initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees and monthly dues); (c) the fair market value of any good or services received in a barter transaction; and (d) any other sums collected that in any way relate to the Madabolic Business (e.g., advertising revenue, sponsorship fees and business interruption insurance proceeds). Gross Sales includes amounts invoiced or otherwise earned but not collected. Gross Sales excludes: (a) sales or use taxes; (b) refunds; (c) revenue from the sale of furniture, fixtures and equipment in the ordinary course of business; (d) discounts and comps; and (e) tips paid to and retained by trainers or other staff members as a gratuity.

“**Mature Outlet**” means a Qualifying Outlet that opened on or prior to January 1, 2021 and has operated on a continuous from January 1, 2021 through December 31, 2023.

“**Measuring Period**” means the period of time commencing January 1, 2023 and expiring December 31, 2023.

“**Non-Mature Outlet**” means any Qualifying Outlet that is not a Mature Outlet.

“**Operating Expenses**” means the following expenses incurred by the Qualifying Outlets:

- (1) *Administrative & General* - includes bank charges and fees, dues and subscriptions, permits, taxes (other than sales tax), penalties and license fees;
- (2) *Insurance* - includes property and liability insurance premiums;
- (3) *Marketing* - includes local advertising, marketing and promotional costs;
- (4) *Occupancy Costs* - includes cleaning and janitorial, gross rent, repairs and maintenance, security, telephone, Internet and utilities;
- (5) *Operating & Technology* - includes music services, software/technology fees paid to us and third parties, postage, office supplies, payroll services, small equipment, training and education;
- (6) *Payroll* – includes: health insurance (when reported); payroll service fees; payroll taxes; wages for contractors, trainers and management; and worker’s compensation.
- (7) *Professional Services* - includes accounting, legal and outside consulting.

“**Qualifying Outlet**” means any Franchised Outlet or Company-Owned Outlet that is not a Converted Outlet, was open and operating throughout the entire Measuring Period and (with respect to the AGP FPR only) provided us with Profit and Loss Statements for the entire Measuring Period.



## **System Statistics**

For purposes of this FPR, each Madabolic Business may be referred to as an “outlet.”

As of December 31, 2023, there were 3 Company-Owned Outlets in operation. Of these 3 Company-Owned Outlets, 2 are Qualifying Outlets for purposes of both the Gross Sales and AGP FPRs. The 3<sup>rd</sup> Company-Owned Outlet is not a Qualifying Outlet because it opened in 2023 and was not open the entire Measuring Period.

As of December 31, 2023, there were 27 Franchised Outlets in operation. Of these 27 Franchised Outlets: (a) 22 are Qualifying Outlets for purposes of the Gross Sales FPR; and (b) 20 are Qualifying Outlets for purposes of the AGP FPR. We excluded 5 Franchised Outlets from both the Gross Sales FPR and AGP FPR because they opened in 2023 and were not open the entire Measuring Period. We excluded 2 additional Franchised Outlets from the AGP FPR (but not the Gross Sales FPR) because they failed to provide complete Profit and Loss Statements covering the entire Measuring Period. For these outlets, we prepared the Gross Sales FPR based on data obtained from the point-of-sale system used by the outlets.

The tables below summarize the outlet statistics and the number of Qualifying Outlets:

2023 Outlet Statistics – Gross Sales FPR								
Outlet Type	Open Outlets As Of		2023 Statistics			Provided Full P&L	Qualifying Outlets	
	Jan 1, 2023	Dec 31, 2023	Opened	Closed	Converted		Gross Sales FPR	AGP FPR
Franchised	22	27	5	0	0	20	22	20
Company-Owned	2	3	1	0	0	2	2	2

Our current franchise model is for a 25-person class format. In prior years, our model allowed for either a 25-person class format or a 20-person class format. Of the 24 Qualifying Outlets, 5 operate under a 20-person class format and 19 operate under a 25-person class format. There are no other material differences between any of the Qualifying Outlets whose data has been provided and the franchised business offered under this Disclosure Documents.

## **Subsets Utilized**

We have broken out the data between Company-Owned Outlets and Franchised Outlets. For the Franchised Outlets, we have separately broken out the data into the following subsets:

SUBSETS FOR FRANCHISED OUTLETS	
Subset	Number of Qualifying Outlets in Subset – Gross Sales FPR
All Outlets	22
Subset 1(a): 25-person class format	18
Subset 1(b): 20- person class format	4
Subset 2(a): Mature Outlets	8
Subset 2(b): Non-Mature Outlets	14

## **Financial Performance Representation**

The following tables present the historical financial results achieved by the Qualifying Outlets during the Measuring Period. Part A includes data for the Company-Owned Outlets. Part B includes data for the Franchised-Outlets.

### *A. Company-Owned Outlets*

The tables in this section present Gross Sales and Adjusted Gross Profit data for the 2 Company-Owned Outlets that are Qualifying Outlets.

**Table 1:** The following table presents Gross Sales data for each Company-Owned Outlet on an individualized basis. For each outlet, the table lists: (a) year opened; (b) whether it is a 20-person or 25-person format class; (c) whether it is a Mature or Non-Mature Outlet; (d) 2023 annual Gross Sales; (e) 2024 quarterly Gross Sales (from January 1, 2024 to March 31, 2024); and (f) 2023 Adjusted Gross Profit.

TABLE 1 - 2023 FINANCIAL PERFORMANCE DATA OVERVIEW						
COMPANY-OWNED OUTLETS						
Outlet	Year Opened	Class Format	Maturity	Gross Sales		2023 Adjusted Gross Profit
				2023 Gross Sales (Jan 1 to Dec 31)	2024 Gross Sales (Jan 1 to Mar 31)	
1	2011	25	Mature	\$920,699	\$176,051	\$304,131
2	2016	20	Mature	\$459,659	\$135,386	\$151,838

**Table 2:** The following table presents 2023 Adjusted Gross Profit data for each Company-Owned Outlet and lists the various expenses deducted from Gross Sales to calculate Adjusted Gross Profit.

TABLE 2 – 2023 ADJUSTED GROSS PROFIT				
COMPANY-OWNED OUTLETS				
Financial Metric	Company-Owned Outlet 1		Company-Owned Outlet 2	
	Dollars	% of Gross Sales	Dollars	% of Gross Sales
<b>Gross Sales</b>	<b>\$920,699</b>	<b>100%</b>	<b>\$459,659</b>	<b>100%</b>
Credit Card Processing Fees	\$28,456	3.1%	\$14,207	3.1%
Merchandise & Retail	\$62,250	6.8%	\$31,078	6.8%
<b>Total COGS</b>	<b>\$90,706</b>	<b>9.9%</b>	<b>\$45,285</b>	<b>9.9%</b>
<b>Gross Profit</b>	<b>\$829,994</b>	<b>90.1%</b>	<b>\$414,375</b>	<b>90.1%</b>
Administrative & General	\$3,798	0.4%	\$1,896	0.4%
Insurance	\$2,703	0.3%	\$1,350	0.3%
Marketing	\$5,913	0.6%	\$2,952	0.6%
Occupancy Costs	\$196,494	21.3%	\$98,100	21.3%
Operating & Technology	\$18,241	2.0%	\$9,107	2.0%
Payroll	\$286,708	31.1%	\$143,139	31.1%
Professional Services	\$12,004	1.3%	\$5,993	1.3%
<b>Total Operating Expenses</b>	<b>\$525,862</b>	<b>57.1%</b>	<b>\$262,537</b>	<b>57.1%</b>
<b>Adjusted Gross Profit</b>	<b>\$304,131</b>	<b>33.0%</b>	<b>\$151,838</b>	<b>33.0%</b>

**B. Franchised Outlets**

The tables in this section present Gross Sales and Adjusted Gross Profit data for the Franchised Outlets that are Qualifying Outlets.

**Table 3:** The following table presents Gross Sales data for all 22 Franchised Outlets on an individualized basis. For each outlet, the table lists: (a) year opened; (b) whether it is a 20-person or 25-person format class; (c) whether it is a Mature or Non-Mature Outlet; (d) 2023 annual Gross Sales; (e) 2024 quarterly Gross Sales (from January 1, 2024 to March 31, 2024); and (f) 2023 Adjusted Gross Profit (excluding the 2 Franchised Outlets that did not provide Profit and Loss Statements for the entire Measuring Period).

TABLE 3 - 2023 GROSS SALES: FRANCHISED OUTLETS INDIVIDUAL RESULTS						
Outlet	Year Opened	Class Format	Maturity	Gross Sales		Adjusted Gross Profit
				2023 Gross Sales (Jan 1 to Dec 31)	2024 Gross Sales (Jan 1 to Mar 31)	
1	2015	25	Mature	\$468,426	\$129,283	\$119,135
2	2016	25	Mature	\$777,543	\$198,794	\$197,873
3	2017	25	Mature	\$534,447	\$170,830	\$185,685
4	2018	25	Mature	\$368,837	\$98,199	\$126
5	2019	20	Mature	\$247,043	\$65,302	\$1,946
6	2019	25	Mature	\$584,900	\$159,623	\$242,075
7	2019	25	Mature	\$698,085	\$189,389	\$168,986
8	2020	25	Mature	\$427,458	\$105,286	\$73,950
9	2021	20	Non-Mature	\$275,799	\$77,608	\$96,313
10	2021	25	Non-Mature	\$384,016	\$105,405	\$65,248
11	2021	25	Non-Mature	\$189,311	\$51,142	(\$219,626)
12	2021	25	Non-Mature	\$438,603	\$128,024	\$163,984
13	2021	25	Non-Mature	\$587,506	\$168,653	\$103,964
14	2021	25	Non-Mature	\$499,035	\$162,739	(\$161,818)
15	2022	25	Non-Mature	\$179,510	\$39,411	Not Applicable
16	2022	25	Non-Mature	\$254,922	\$72,800	\$22,863
17	2022	25	Non-Mature	\$361,220	\$110,736	\$97,432
18	2022	20	Non-Mature	\$480,799	\$146,057	Not Applicable
19	2022	20	Non-Mature	\$298,440	\$83,709	(\$35,215)
20	2022	25	Non-Mature	\$352,383	\$114,142	\$58,013
21	2022	25	Non-Mature	\$492,029	\$169,125	\$20,891
22	2022	25	Non-Mature	\$232,969	\$79,650	(\$76,388)

**Table 4:** The following table aggregates 2023 Gross Sales data for all 22 Franchised Outlets. It includes highest, lowest, median and average Gross Sales. The data is presented for all 22 Franchised Outlets, and then separately provided based on subset, including: (1) 25-person versus 20-person class format; and (2) Mature Outlet versus Non-Mature Outlet.

TABLE 4 – 2023 GROSS SALES SUMMARY					
2023 Gross Sales	Subsets				All Qualifying Outlets (22 Outlets)
	Class Format		Maturity		
	25-person (18 Outlets)	20-person (4 Outlets)	Mature (8 Outlets)	Non-Mature (14 Outlets)	
Highest	\$777,543	\$480,799	\$777,543	\$587,506	\$777,543
Lowest	\$179,510	\$247,043	\$247,043	\$179,510	\$179,510
Median	\$478,526	\$363,921	\$512,293	\$383,508	\$478,526
Average	\$435,067	\$325,520	\$513,342	\$359,039	\$415,149
Number & Percent that Achieved or Surpassed Stated Average	9 of 18 (50.0%)	1 of 4 (25%)	4 of 8 (50.0%)	7 of 14 (50.0%)	11 of 22 (50.0%)

**Table 5:** The following table aggregates 2023 Adjusted Gross Profit data for all 20 Franchised Outlets that are Qualifying Outlets for purposes of the AGP FPR. It lists the various expenses deducted from Gross Sales to calculate Adjusted Gross Profit. It includes highest, lowest, median and average for each financial metric. The data is presented for all 20 Franchised Outlets, and then separately provided based on subset, including: (1) 25-person versus 20-person class format; and (2) Mature Outlet versus Non-Mature Outlet.

<b>TABLE 5 – 2023 ADJUSTED GROSS PROFIT SUMMARY</b>					
<b>2023 Adjusted Gross Profit</b>	<b>Subsets</b>				<b>All Qualifying Outlets (20 Outlets)</b>
	<b>Class Format</b>		<b>Maturity</b>		
	<b>25-person (17 Outlets)</b>	<b>20-person (3 Outlets)</b>	<b>Mature (8 Outlets)</b>	<b>Non-Mature (12 Outlets)</b>	
Highest	\$242,075	\$96,313	\$242,075	\$163,984	\$242,075
Lowest	(\$219,626)	(\$35,215)	\$126	(\$219,626)	(\$219,626)
Median	\$73,950	\$1,946	\$119,135	\$40,438	\$69,599
Average	\$62,494	\$21,015	\$123,722	\$11,305	\$56,272
Number & Percent that Achieved or Surpassed Stated Average	9 of 17 (52.9%)	1 of 3 (33.3%)	3 of 8 (37.5%)	8 of 12 (66.7%)	12 of 20 (60.0%)

**Tables 6:** The following table present the 2023 Adjusted Gross Profit data for each of the 20 Franchised Outlets on an individualized basis. The table lists the various expenses deducted from Gross Sales to calculate Adjusted Gross Profit.

[Remainder of Page Left Blank]

**TABLE 6 – 2023 ADJUSTED GROSS PROFIT  
ALL FRANCHISED OUTLETS**

Financial Metric	Franchised Outlet 1		Franchised Outlet 2		Franchised Outlet 3		Franchised Outlet 4	
	Dollars	% of Gross Sales	Dollars	% of Gross Sales	Dollars	% of Gross Sales	Dollars	% of Gross Sales
<b>Gross Sales</b>	<b>\$ 468,426.04</b>	<b>100.0%</b>	<b>\$ 777,543.46</b>	<b>100.0%</b>	<b>\$ 534,447.16</b>	<b>100.0%</b>	<b>\$ 368,836.99</b>	<b>100.0%</b>
Credit Card Processing Fees	\$ 16,543.43	3.5%	\$ 26,187.07	3.4%	\$ 25,821.78	4.8%	\$ 120.89	0.0%
Merchandise & Retail	\$ 16,767.98	3.6%	\$ 23,537.26	3.0%	\$ 12,967.58	2.4%	\$ 4,072.81	1.1%
<b>Total Cost of Goods Sold</b>	<b>\$ 33,311.41</b>	<b>7.1%</b>	<b>\$ 49,724.33</b>	<b>6.4%</b>	<b>\$ 38,789.36</b>	<b>7.3%</b>	<b>\$ 4,193.70</b>	<b>1.1%</b>
<b>Gross Profit</b>	<b>\$ 435,114.63</b>	<b>92.9%</b>	<b>\$ 727,819.13</b>	<b>93.6%</b>	<b>\$ 495,657.80</b>	<b>92.7%</b>	<b>\$ 364,643.29</b>	<b>98.9%</b>
Administrative & General	\$ 3,878.40	0.8%	\$ 542.42	0.1%	\$ 3,967.34	0.7%	\$ 7,313.53	2.0%
Insurance	\$ 2,310.00	0.5%	\$ 9,609.56	1.2%	\$ 2,714.00	0.5%	\$ 2,556.18	0.7%
Marketing	\$ 27,278.27	5.8%	\$ 46,871.71	6.0%	\$ 24,778.84	4.6%	\$ 18,370.40	5.0%
Occupancy Costs	\$ 114,564.27	24.5%	\$ 188,963.66	24.3%	\$ 154,029.43	28.8%	\$ 206,579.16	56.0%
Operating & Technology	\$ 24,572.94	5.2%	\$ 35,256.43	4.5%	\$ 20,586.32	3.9%	\$ 18,419.60	5.0%
Payroll Expenses	\$ 140,250.90	29.9%	\$ 241,222.70	31.0%	\$ 100,912.82	18.9%	\$ 110,443.00	29.9%
Professional Services	\$ 3,125.00	0.7%	\$ 7,479.97	1.0%	\$ 2,983.79	0.6%	\$ 835.00	0.2%
<b>Total Operating Expenses</b>	<b>\$ 315,979.78</b>	<b>67.5%</b>	<b>\$ 529,946.45</b>	<b>68.2%</b>	<b>\$ 309,972.54</b>	<b>58.0%</b>	<b>\$ 364,516.87</b>	<b>98.8%</b>
<b>Adjusted Gross Profit</b>	<b>\$ 119,134.85</b>	<b>25.4%</b>	<b>\$ 197,872.68</b>	<b>25.4%</b>	<b>\$ 185,685.26</b>	<b>34.7%</b>	<b>\$ 126.42</b>	<b>0.0%</b>

**TABLE 6 – 2023 ADJUSTED GROSS PROFIT  
ALL FRANCHISED OUTLETS**

Financial Metric	Franchised Outlet 5		Franchised Outlet 6		Franchised Outlet 7		Franchised Outlet 8	
	Dollars	% of Gross Sales	Dollars	% of Gross Sales	Dollars	% of Gross Sales	Dollars	% of Gross Sales
<b>Gross Sales</b>	<b>\$ 247,043.74</b>	<b>100.0%</b>	<b>\$ 584,900.42</b>	<b>100.0%</b>	<b>\$ 698,085.68</b>	<b>100.0%</b>	<b>\$ 427,457.92</b>	<b>100.0%</b>
Credit Card Processing Fees	\$ 7,865.52	3.2%	\$ 19,835.88	3.4%	\$ 21,501.87	3.1%	\$ -	0.0%
Merchandise & Retail	\$ 13,790.43	5.6%	\$ -	0.0%	\$ 56,388.02	8.1%	\$ 20,714.62	4.8%
<b>Total Cost of Goods Sold</b>	<b>\$ 21,655.95</b>	<b>8.8%</b>	<b>\$ 19,835.88</b>	<b>3.4%</b>	<b>\$ 77,889.89</b>	<b>11.2%</b>	<b>\$ 20,714.62</b>	<b>4.8%</b>
<b>Gross Profit</b>	<b>\$ 225,387.79</b>	<b>91.2%</b>	<b>\$ 565,064.54</b>	<b>96.6%</b>	<b>\$ 620,195.79</b>	<b>88.8%</b>	<b>\$ 406,743.30</b>	<b>95.2%</b>
Administrative & General	\$ 2,135.93	0.9%	\$ 2,981.57	0.5%	\$ 7,952.87	1.1%	\$ 117.72	0.0%
Insurance	\$ 1,965.00	0.8%	\$ 3,006.00	0.5%	\$ 1,613.64	0.2%	\$ 5,674.00	1.3%
Marketing	\$ 16,367.92	6.6%	\$ 22,260.86	3.8%	\$ 37,544.37	5.4%	\$ 20,010.26	4.7%
Occupancy Costs	\$ 92,528.20	37.5%	\$ 143,179.20	24.5%	\$ 152,807.46	21.9%	\$ 119,609.43	28.0%
Operating & Technology	\$ 9,992.32	4.0%	\$ 59,850.53	10.2%	\$ 47,826.04	6.9%	\$ 10,527.86	2.5%
Payroll Expenses	\$ 98,352.54	39.8%	\$ 87,861.25	15.0%	\$ 195,804.75	28.0%	\$ 163,636.05	38.3%
Professional Services	\$ 2,100.00	0.9%	\$ 3,850.00	0.7%	\$ 7,660.06	1.1%	\$ 13,218.43	3.1%
<b>Total Operating Expenses</b>	<b>\$ 223,441.91</b>	<b>90.4%</b>	<b>\$ 322,989.41</b>	<b>55.2%</b>	<b>\$ 451,209.19</b>	<b>64.6%</b>	<b>\$ 332,793.75</b>	<b>77.9%</b>
<b>Adjusted Gross Profit</b>	<b>\$ 1,945.88</b>	<b>0.8%</b>	<b>\$ 242,075.13</b>	<b>41.4%</b>	<b>\$ 168,986.60</b>	<b>24.2%</b>	<b>\$ 73,949.55</b>	<b>17.3%</b>

TABLE 6 – 2023 ADJUSTED GROSS PROFIT ALL FRANCHISED OUTLETS								
Financial Metric	Franchised Outlet 9		Franchised Outlet 10		Franchised Outlet 11		Franchised Outlet 12	
	Dollars	% of Gross Sales	Dollars	% of Gross Sales	Dollars	% of Gross Sales	Dollars	% of Gross Sales
<b>Gross Sales</b>	<b>\$ 275,799.04</b>	<b>100.0%</b>	<b>\$ 384,016.46</b>	<b>100.0%</b>	<b>\$ 189,310.71</b>	<b>100.0%</b>	<b>\$ 438,602.89</b>	<b>100.0%</b>
Credit Card Processing Fees	\$ 11,860.04	4.3%	\$ 27,921.72	7.3%	\$ -	0.0%	\$ 15,993.60	3.6%
Merchandise & Retail	\$ 6,367.06	2.3%	\$ 10,351.57	2.7%	\$ 12,374.03	6.5%	\$ 14,201.61	3.2%
<b>Total Cost of Goods Sold</b>	<b>\$ 18,227.10</b>	<b>6.6%</b>	<b>\$ 38,273.29</b>	<b>10.0%</b>	<b>\$ 12,374.03</b>	<b>6.5%</b>	<b>\$ 30,195.21</b>	<b>6.9%</b>
<b>Gross Profit</b>	<b>\$ 257,571.94</b>	<b>93.4%</b>	<b>\$ 345,743.17</b>	<b>90.0%</b>	<b>\$ 176,936.68</b>	<b>93.5%</b>	<b>\$ 408,407.68</b>	<b>93.1%</b>
Administrative & General	\$ 108.31	0.0%	\$ 2,972.95	0.8%	\$ 15,808.22	8.4%	\$ 1,904.88	0.4%
Insurance	\$ 2,436.31	0.9%	\$ 2,955.00	0.8%	\$ 5,172.72	2.7%	\$ 3,131.66	0.7%
Marketing	\$ 11,982.42	4.3%	\$ 9,422.40	2.5%	\$ 34,034.50	18.0%	\$ 11,085.77	2.5%
Occupancy Costs	\$ 74,778.69	27.1%	\$ 146,587.43	38.2%	\$ 197,940.90	104.6%	\$ 135,014.64	30.8%
Operating & Technology	\$ 12,121.64	4.4%	\$ 3,188.01	0.8%	\$ 12,761.15	6.7%	\$ 36,334.84	8.3%
Payroll Expenses	\$ 56,928.29	20.6%	\$ 112,036.20	29.2%	\$ 122,019.97	64.5%	\$ 48,745.34	11.1%
Professional Services	\$ 2,903.00	1.1%	\$ 3,332.99	0.9%	\$ 8,825.68	4.7%	\$ 8,206.60	1.9%
<b>Total Operating Expenses</b>	<b>\$ 161,258.66</b>	<b>58.5%</b>	<b>\$ 280,494.98</b>	<b>73.0%</b>	<b>\$ 396,563.14</b>	<b>209.5%</b>	<b>\$ 244,423.73</b>	<b>55.7%</b>
<b>Adjusted Gross Profit</b>	<b>\$ 96,313.28</b>	<b>34.9%</b>	<b>\$ 65,248.19</b>	<b>17.0%</b>	<b>\$ (219,626.46)</b>	<b>-116.0%</b>	<b>\$ 163,983.95</b>	<b>37.4%</b>

TABLE 6 – 2023 ADJUSTED GROSS PROFIT ALL FRANCHISED OUTLETS								
Financial Metric	Franchised Outlet 13		Franchised Outlet 14		Franchised Outlet 16		Franchised Outlet 17	
	Dollars	% of Gross Sales	Dollars	% of Gross Sales	Dollars	% of Gross Sales	Dollars	% of Gross Sales
<b>Gross Sales</b>	<b>\$ 587,505.54</b>	<b>100.0%</b>	<b>\$ 499,035.44</b>	<b>100.0%</b>	<b>\$ 254,921.77</b>	<b>100.0%</b>	<b>\$ 361,220.31</b>	<b>100.0%</b>
Credit Card Processing Fees	\$ 20,771.70	3.5%	\$ 18,083.70	3.6%	\$ -	0.0%	\$ 12,825.79	3.6%
Merchandise & Retail	\$ 19,673.99	3.3%	\$ 42,305.60	8.5%	\$ 147.35	0.1%	\$ 6,042.07	1.7%
<b>Total Cost of Goods Sold</b>	<b>\$ 40,445.69</b>	<b>6.9%</b>	<b>\$ 60,389.30</b>	<b>12.1%</b>	<b>\$ 147.35</b>	<b>0.1%</b>	<b>\$ 18,867.86</b>	<b>5.2%</b>
<b>Gross Profit</b>	<b>\$ 547,059.85</b>	<b>93.1%</b>	<b>\$ 438,646.14</b>	<b>87.9%</b>	<b>\$ 254,774.42</b>	<b>99.9%</b>	<b>\$ 342,352.45</b>	<b>94.8%</b>
Administrative & General	\$ 4,206.49	0.7%	\$ 1,896.77	0.4%	\$ 3,360.90	1.3%	\$ 1,278.00	0.4%
Insurance	\$ 1,613.58	0.3%	\$ 1,613.58	0.3%	\$ 3,395.00	1.3%	\$ 1,841.31	0.5%
Marketing	\$ 29,451.38	5.0%	\$ 27,590.00	5.5%	\$ 11,785.55	4.6%	\$ 14,126.09	3.9%
Occupancy Costs	\$ 149,668.88	25.5%	\$ 475,136.29	95.2%	\$ 138,045.81	54.2%	\$ 158,555.67	43.9%
Operating & Technology	\$ 35,608.31	6.1%	\$ 36,689.65	7.4%	\$ 19,649.93	7.7%	\$ 5,317.68	1.5%
Payroll Expenses	\$ 204,649.83	34.8%	\$ 136,320.18	27.3%	\$ 42,514.00	16.7%	\$ 56,124.54	15.5%
Professional Services	\$ 17,897.23	3.0%	\$ 14,368.13	2.9%	\$ 13,160.54	5.2%	\$ 7,677.09	2.1%
<b>Total Operating Expenses</b>	<b>\$ 443,095.70</b>	<b>75.4%</b>	<b>\$ 693,614.60</b>	<b>139.0%</b>	<b>\$ 231,911.73</b>	<b>91.0%</b>	<b>\$ 244,920.38</b>	<b>67.8%</b>
<b>Adjusted Gross Profit</b>	<b>\$ 103,964.15</b>	<b>17.7%</b>	<b>\$ (254,968.46)</b>	<b>-51.1%</b>	<b>\$ 22,862.69</b>	<b>9.0%</b>	<b>\$ 97,432.07</b>	<b>27.0%</b>

Notes:

1. **Estimated Allocation of Gross Sales and Expenses:** Prior to August 2023, the 2 Company-Owned Outlets shared a single point-of-sale system that did not separately identify Gross Sales or expenses attributable to each outlet. Of the total reported Gross Sales and expenses, we estimated 2/3 was attributable to Outlet 1 and 1/3 was attributable to Outlet 2 based on information provided by the owner. Since August 2023, each

Company-Owned Outlet has utilized its own point-of-sale system. For purposes of this FPR: (a) we allocated 2/3 of total Gross Sales generated from January 1, 2023 until August 2023 to Outlet 1 and the remaining 1/3 to Outlet 2; and (b) we provided the actual Gross Sales figures generated by each Company-Owned Outlet from August 2023 through the end of the year.

2. Gross Sales Data: We obtained the 2023 annual Gross Sales data used in this FPR from Profit and Loss Statements submitted by the Franchised Outlets and Company-Owned Outlets. We did not receive complete Profit and Loss Statements from Franchised Outlet 15 or Franchised Outlet 18. For these outlets, we obtained the 2023 annual Gross Sales data from the point-of-sale system used by the outlets. We obtained the first quarter 2024 Gross Sales data from the point-of-sale system used by all of the outlets.
3. Adjusted Gross Profit Data: We obtained the 2023 annual Adjusted Gross Profit data used in this FPR from Profit and Loss Statements submitted by the Franchised Outlets and Company-Owned Outlets.
4. Expense Information: The Adjusted Gross Profit FPR does not account for any Excluded Expenses (as defined above).

You should consult with your advisors to develop your own estimates of revenue for your Madabolic Business.

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

Written substantiation for this financial performance representation will be made available to you upon your reasonable written request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Brandon Cullen at 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038 or by phone at (980) 217-4770, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	9	14	+5
	2022	14	22	+8
	2023	22	27	+5
Company-Owned	2021	2	2	0
	2022	2	2	0
	2023	2	3	+1
Total Outlets	2021	11	16	+5
	2022	16	24	+8
	2023	24	30	+6

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)  
FOR YEARS 2021 TO 2023**

State	Year	Number of Transfers
Connecticut	2021	0
	2022	0
	2023	1
Georgia	2021	1
	2022	0
	2023	0
North Carolina	2021	1
	2022	2
	2023	0
South Carolina	2021	1
	2022	0
	2023	0
Total	2021	3
	2022	2
	2023	1

**TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Arizona	2021	0	0	0	0	0	0	0
	2022	0	1	1	0	0	0	0
	2023	0	0	0	0	0	0	0
California	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Connecticut	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Georgia	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Kansas	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1



**TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
New York	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
North Carolina	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	1	1	0	0	0	0	2
	2022	2	3	0	0	0	0	5
	2023	5	2	0	0	0	0	7
Virginia	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Washington D.C.	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Totals	2021	9	6	0	0	0	1	14
	2022	14	9	1	0	0	0	22
	2023	22	5	0	0	0	0	27

**TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
North Carolina	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3

**TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Totals	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3

**TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	2	1	0
Colorado	3	3	0
Florida	5	1	0
Indiana	2	1	0
Kansas	2	1	0
Kentucky	2	1	0
Maryland	1	1	0
New York	1	1	0
North Carolina	2	1	0
Ohio	2	2	0
Oklahoma	1	1	0
Oregon	1	0	0
Pennsylvania	4	2	0
South Carolina	2	0	0
Texas	24	4	0
Virginia	6	3	0
Wisconsin	2	1	0
Totals	62	24	0

Notes:

1. Company-Owned Outlets: The company-owned outlets listed in Table 4 are not affiliates of ours. However, they are owned, in part, by our Director of Communications who is listed in Item 2.

All outlets listed in the tables above are limited to outlets located in the United States.

A list of all current franchisees is attached to this Disclosure Document as EXHIBIT "E" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2023. In addition, EXHIBIT "E" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

In the last 3 fiscal years, some franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no: (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

## **ITEM 21 FINANCIAL STATEMENTS**

Our fiscal year ends on December 31<sup>st</sup>. Audited financial statements of Madabolic Franchise System, LLC for the fiscal years ended December 31, 2023, December 31, 2022 and December 31, 2021 are attached to this Disclosure Document as EXHIBIT "F".

## **ITEM 22 CONTRACTS**

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

### Exhibits to Disclosure Document

EXHIBIT "C"	Franchise Agreement
EXHIBIT "G"-1	State Addenda
EXHIBIT "G"-2	General Release
EXHIBIT "G"-3	Franchise Resale Agreement

### Attachments to Franchise Agreement

ATTACHMENT "B"	Form of Site Approval Notice
ATTACHMENT "C"	Lease Addendum
ATTACHMENT "D"	Franchise Owner Agreement
ATTACHMENT "E"	ACH Authorization Form
ATTACHMENT "F"	Brand Protection Agreement
ATTACHMENT "G"	Confidentiality Agreement

## **ITEM 23 RECEIPT**

EXHIBIT "I" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

<p><b><u>CALIFORNIA</u></b> Commissioner of Financial Protection &amp; Innovation Department of Financial Protection &amp; Innovation 320 West 4<sup>th</sup> Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><b><u>HAWAII</u></b> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><b><u>ILLINOIS</u></b> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><b><u>INDIANA</u></b> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><b><u>MARYLAND</u></b> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p> <p><u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020</p> <p><b><u>MICHIGAN</u></b> Franchise Section Consumer Protection Division 525 W. Ottawa Street, G. Mennen Williams Building, 1<sup>st</sup> Floor Lansing, MI 48913 (517) 335-7567</p> <p><b><u>MINNESOTA</u></b> Commissioner of Commerce Director of Registration 85 Seventh Place East, #280 St. Paul, Minnesota 55101-3165 (651) 539-1500</p> <p><b><u>NEW YORK</u></b> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 Phone: (212) 416-8222</p> <p><u>Agents for Service of Process:</u> Secretary of State 99 Washington Avenue Albany, NY 12231</p> <p><b><u>NORTH DAKOTA</u></b> North Dakota Securities Department State Capitol, 5<sup>th</sup> Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p>	<p><b><u>RHODE ISLAND</u></b> Department of Franchise Regulation 1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, 2<sup>nd</sup> Floor Pierre, South Dakota 57501 (605) 773-3563</p> <p><b><u>VIRGINIA</u></b> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9<sup>th</sup> Floor Richmond, Virginia 23219 (804) 371-9051</p> <p><u>Agents for Service of Process:</u> Clerk of the State Corporation Commission 1300 East Main Street, 1<sup>st</sup> Floor Richmond, Virginia 23219</p> <p><b><u>WASHINGTON</u></b> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>Mailing Address:</u> Department of Financial Institutions Securities Division PO BOX 41200 Olympia, WA 98504-1200</p> <p><b><u>WISCONSIN</u></b> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500, Madison, WI 53703 (608) 261-9555</p>
---	--	---

**EXHIBIT "B"**

**TO DISCLOSURE DOCUMENT**

**FRANCHISOR'S AGENT FOR SERVICE OF PROCESS**

CORPORATION SERVICE COMPANY  
251 LITTLE FALLS DRIVE  
Wilmington, Delaware 19808  
302-636-5401

In states listed in EXHIBIT "A", the additional agent for Service of Process is listed in EXHIBIT "A".

**EXHIBIT "C"**  
**TO DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

*[See Attached]*



# **MADABOLIC FRANCHISE AGREEMENT**

FRANCHISEE: \_\_\_\_\_  
DATE: \_\_\_\_\_

## TABLE OF CONTENTS

1.	DEFINITIONS .....	1
2.	GRANT OF FRANCHISE .....	6
3.	TERRITORY .....	6
4.	TERM AND RENEWAL .....	7
5.	TRAINING AND CONFERENCES .....	8
6.	OTHER FRANCHISOR ASSISTANCE. ....	9
7.	ESTABLISHING YOUR BUSINESS .....	10
8.	MANAGEMENT AND STAFFING .....	12
9.	FRANCHISEE AS ENTITY .....	13
10.	ADVERTISING & MARKETING. ....	13
11.	OPERATING STANDARDS.....	16
12.	FRANCHISE ADVISORY COUNCIL.....	21
13.	FEEES.....	21
14.	BRAND PROTECTION COVENANTS. ....	22
15.	YOUR OTHER RESPONSIBILITIES .....	24
16.	INSPECTION AND AUDIT.....	26
17.	INTELLECTUAL PROPERTY .....	27
18.	INDEMNITY.....	27
19.	TRANSFERS.....	28
20.	TERMINATION .....	30
21.	POST-TERM OBLIGATIONS. ....	31
22.	DISPUTE RESOLUTION.....	33
23.	REPRESENTATIONS .....	34
24.	GENERAL PROVISIONS .....	35

### ATTACHMENTS

ATTACHMENT "A"	Deal Terms
ATTACHMENT "B"	Form of Site Approval Notice
ATTACHMENT "C"	Lease Addendum
ATTACHMENT "D"	Franchise Owner Agreement
ATTACHMENT "E"	ACH Authorization Form
ATTACHMENT "F"	Brand Protection Agreement
ATTACHMENT "G"	Confidentiality Agreement



## MADABOLIC FRANCHISE AGREEMENT

This Madabolic Franchise Agreement (this “Agreement”) is entered into as of \_\_\_\_\_, 202\_\_ (the “Effective Date”) between Madabolic Franchise System, LLC, A Delaware limited liability company (“we” or “us”) and \_\_\_\_\_, a(n) \_\_\_\_\_ (“you”).

**1. DEFINITIONS.** Capitalized terms used in this Agreement have the meanings given to them below:

“Account” means the checking account you designate from which we deduct fees and other amounts owed to us and our affiliates in accordance with §13.5.

“ACH Agreement” means the ACH Authorization Agreement attached as ATTACHMENT "E", which authorizes us to electronically debit your Account for amounts owed to us and our affiliates.

“Acquisition” means either: (a) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise; or (b) us directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise.

“Acquired Assets” means any assets associated with your Madabolic Business that we elect to purchase upon termination or expiration of this Agreement, as further described in §21.2(a).

“Agreement” is defined in the Introductory Paragraph.

“Alternative Channels of Distribution” means any channel of distribution other than fitness classes conducted from a Madabolic facility or retail sales made to members while present at a Madabolic facility, including, but not limited to: (a) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (b) sales through retail stores that do not operate under the Marks, such as fitness, nutrition, exercise equipment, department or sporting goods stores; (c) sales made at wholesale; and (d) fitness classes conducted onsite at a customer’s location, such as personal training conducted in a customer’s home or group fitness classes conducted for employees at the employer’s corporate office.

“Anti-Terrorism Law” means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future federal, state and local Laws, ordinances, regulations, policies, lists, orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

“Appraised Value” means the fair market value of the Acquired Assets as determined by independent appraisers in accordance with §21.2(b).

“Brand Protection Agreement” means the Brand Protection Agreement that must be signed by certain of your personnel, the current form of which is attached as ATTACHMENT "F".

“Business” means the franchised business you operate pursuant to this Agreement.

“Business Data” means, collectively or individually, Member Data and Operational Data.

“Claim” means any action, allegation, assessment, claim, demand, litigation, proceeding or regulatory procedure, investigation or inquiry.

“Competing Business” means a business that meets at least one of the following criteria: (a) any business featuring strength training group fitness classes that is competitive with a Madabolic Facility; (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competing Business does not include any Madabolic Business operated pursuant to a valid franchise or license agreement with us or our affiliate.

“Confidential Information” means and includes: (a) the Know-How; (b) the Business Data; (c) the terms of the Definitive Agreements and all attachments thereto and amendments thereof; (d) the components of

the System; (e) all information within or comprising the Manual; and (f) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you or your Owners, employees or other constituents); (b) you can demonstrate was rightfully possessed by you or an Owner, without obligation of nondisclosure, before we disclosed the information to you or the Owner; (c) is independently developed by you or an Owner without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you or to an Owner without breaching any obligation of confidentiality imposed on such third party.

“Confidentiality Agreement” means the Confidentiality Agreement that must be signed by certain of your employees pursuant to §14.5, the current form of which is attached as ATTACHMENT "G".

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Madabolic Business.

“Definitive Agreements” means, collectively: (a) this Agreement; (b) any other Franchise Agreement between you (or your affiliate) and us (or our affiliate) for a Madabolic Business or any other franchised concept; and (c) all ancillary agreements executed in connection with the foregoing, including Franchise Owner Agreements.

“Dispute” means any Claim, dispute or disagreement between the parties, including any matter pertaining to: (a) the interpretation or enforcement of this Agreement; (b) the offer or sale of the franchise; or (c) the relationship between the parties.

“Effective Date” is defined in the Introductory Paragraph.

“Entity” means a corporation, partnership, limited liability company or other form of association.

“Equity Interest” means a direct or indirect ownership or beneficial interest in the capital stock of, partnership or membership interest in, or other equity, ownership or beneficial interest in an Entity (including voting rights).

“Excluded Claim” means any Claim that, according to §22, is not subject to mandatory mediation.

“Facility” means the premises from which you operate your Madabolic Business.

“Fitness Instructor Training” means our fitness instructor certification training program that all Trainers must successfully complete before teaching classes at a Madabolic Business.

“Force Majeure” means acts or circumstances that are beyond a party’s control, including fire, storm, flood, earthquake, explosion or accident, acts of war or terrorism, rebellion, insurrection, sabotage, epidemic, failures or delays of transportation and strikes, provided that: (a) the non-performing party promptly provides written notice to the other party of the Force Majeure event; (b) the non-performing party is without fault and the delay or failure could not have been prevented by reasonable precautions by the non-performing party; (c) nothing herein shall excuse or permit any delay or failure to pay fees or other amounts owed on the applicable due date; (d) insolvency, lack of required funds or financing, currency fluctuations, currency devaluations, foreign exchange controls or inflation shall never be deemed Force Majeure; and (e) an epidemic or pandemic of a contagious illness or disease, or economic or financial changes caused by an epidemic or pandemic of a contagious illness or disease, shall never be deemed Force Majeure except to the extent a Governmental Authority mandates closure (or prevents the opening) of the Madabolic Business as a result of such epidemic or pandemic.

“Franchise Owner Agreement” means the Franchise Owner Agreement that must be signed by the

Owners and their spouses pursuant to §9, the current form of which is attached as ATTACHMENT "D".

"Franchisee Entity" means the Entity, if applicable, that: (a) signs this Agreement as the franchisee (if this Agreement is signed by an Entity); or (b) assumes this Agreement subsequent to its execution by the original Owners.

"General Manager Training" means our franchise management training program that must be completed by the Managing Owner and any general manager you hire.

"General Release" means our then-current form of Waiver and Release of Claims that you and your Owners must sign pursuant to §4.2 (in connection with a renewal of your franchise rights) or §19.2 (in connection with a Transfer).

"Government Official" means any: (a) officer or employee of a Governmental Authority; (b) commercial or similar entity owned or controlled by a Governmental Authority, including state-owned and state-operated companies or enterprises; (c) public international organization (e.g., United Nations, World Bank); (d) political party or official thereof; or (e) candidate for political office.

"Governmental Authority" means any national, provincial, state, county, local, municipal or other government, or any ministry, department, agency or subdivision thereof, whether administrative or regulatory, or any other body that exercises similar functions, and including any court or taxing authority.

"Gross Sales" means the total revenue generated from the operation of your Business including, without limitation: (a) revenue from the sale of fitness classes, merchandise, retail items or any other goods or services, including sales made from your Facility and sales made from or relating to off-site events; (b) all membership-related fees (e.g., initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees, monthly dues, and revenue from the "presale" of memberships prior to your opening date); (c) the fair market value of any good or services received in a barter transaction; and (d) any other sums you collect that in any way relate to your Business, including, without limitation, advertising revenue, sponsorship fees and business interruption insurance proceeds. Gross Sales includes amounts invoiced or otherwise earned but not collected. Gross Sales excludes: (a) sales or use taxes you pay to a Governmental Authority; (b) revenue you collect from a Member during a Gross Sales reporting period and, in the same reporting period, refund to that Member in a bona fide refund transaction (refunds issued in a subsequent Gross Sales reporting period are deducted from Gross Sales for the reporting period in which the refund is issued); (c) revenue derived from the sale of furniture, fixtures or equipment in the ordinary course of business; (d) discounts and comps that you offer; and (e) tips paid to and retained by trainers or other staff members as a gratuity. The Manual may include policies governing the manner in which membership fees and proceeds from the sale of gift cards are treated for purposes of calculating Gross Sales.

"Improvement" means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a Madabolic Business, including, without limitation, any new or modified exercises, fitness programs or exercise equipment, (b) method of operation of a Madabolic Business, (c) processes, systems or procedures utilized by a Madabolic Business, (d) marketing, advertising or promotional materials, programs or strategies utilized by a Madabolic Business or (e) trademarks, service marks, logos or other intellectual property utilized by a Madabolic Business, whether developed by you, an Owner, an employee or any other Person.

"Indemnified Party" or "Indemnified Parties" means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parents, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

"Intellectual Property" means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

"Interim Manager" means a Person we designate to temporarily manage your Madabolic Business under the circumstances described in §8.5.

"Interim Term" means a month-to-month extension of the Term under the circumstances described in §4.3.

“IP Dispute” means any: (a) apparent infringement of the Intellectual Property; (b) challenge to your use of the Intellectual Property; or (c) claim by any Person, other than us or our affiliate, of any rights in or to the Intellectual Property.

“Know-how” means and includes our (and our affiliates’) trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Madabolic Business including, but not limited to: architectural plans, drawings and specifications for a prototype Madabolic facility; site selection criteria; proprietary training programs, workouts and group fitness classes; membership programs, features and billing procedures; methods and techniques; standards and specifications; policies and procedures; vendor and supplier lists, relationships and information; marketing strategies and promotional programs; merchandising strategies; inventory management systems; customer contracts and forms; recording keeping and reporting procedures; and information comprising the System or included in the Manual.

“Law” means and includes all laws, judgments, decrees, orders, rules, regulations, ordinances, advisory opinions or official legal interpretations of any Governmental Authority.

“Local Marketing Commitment” means the minimum amount of money you must spend each month on local advertising and marketing to promote your Madabolic Business in accordance with §10.3(b).

“Losses and Expenses” means and includes any of the following: compensatory, exemplary and punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to reputation or goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or otherwise incurred by an Indemnified Party.

“Madabolic Business” means any Madabolic Business we authorize to operate under the Marks and use our System, and may include Madabolic Businesses operated by us, our affiliate, you and other franchisees.

“Managing Owner” means the Owner you designate and we approve with primary responsibility for the overall management and supervision of your Madabolic Business in accordance with §8.1.

“Manual” means our confidential Brand Standards Manual for the operation of a Madabolic Business, as further described in §11.2. The Manual may consist of written text as well as videos, tutorials, training modules, recordings and/or other means of communication.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Madabolic Businesses to use, including MADABOLIC® and the associated logo. The Marks also include any distinctive trade dress used to identify a Madabolic Business or the products it sells, including distinctive colors, wallpaper and interior and exterior wall graffiti.

“Member” means a customer of a Madabolic Business. For purposes of clarity, a Member includes a Person who purchases goods or services from a Madabolic Business but does not sign up for a membership.

“Member Data” means and includes any and all data that pertains to a Member, including name, address, contact information, date of birth, purchase history and any information collected in connection with any loyalty program or for any other purpose.

“Operational Data” means and includes all data and information pertaining to the operation of your Business including employee data, expense data, financial accounting data and Gross Sales data.

“Owner” means a Person who either: (a) directly signs this Agreement as the franchisee, either alone or in conjunction with one or more other Persons; or (b) directly or indirectly through one or more intermediaries owns any Equity Interest in the Franchisee Entity (if the franchisee under this Agreement is an Entity).

“PCI-DSS” means the payment card industry data security standard, which is a set of security requirements established by the following major credit card brands from time to time: American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc., which standards are set forth at <https://www.pcisecuritystandards.org> as of the Effective Date.

“Permitted Transfer” means: (a) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer that results in the Managing Owner no longer owning a material ownership interest in the Business or the Equity Interests in the Franchisee Entity, as applicable; and/or (b) a Transfer by the Owners to a newly established Franchisee Entity for which such Owners collectively own and control 100% of the Equity Interests.

“Person” means an individual, Entity, unincorporated organization, joint venture, Governmental Authority, estate (or executor thereof) or trust (or trustee thereof).

“Post-Term Restricted Period” means, with respect to you: a period of two (2) years after the termination, expiration or Transfer of this Agreement; *provided, however*, that if a court of competent jurisdiction determines the two-year Post-Term Restricted Period is too long to be enforceable then Post-Term Restricted Period means: a period of one (1) year after the termination, expiration or Transfer of this Agreement.

“Post-Term Restricted Period” means, with respect to an Owner: a period of two (2) years after the earlier to occur of: (a) the termination, expiration or Transfer of this Agreement; or (b) the Owner’s Transfer of his or her entire ownership interest in the Madabolic Business or Franchisee Entity, as applicable; *provided, however*, that if a court of competent jurisdiction determines the two-year Post-Term Restricted Period is too long to be enforceable then Post-Term Restricted Period means: a period of one (1) year after the earlier to occur of: (a) the termination, expiration or Transfer of this Agreement; or (b) the Owner’s Transfer of his or her entire ownership interest in the Madabolic Business or Franchisee Entity, as applicable.

“Program Participation Rules” means the policies, procedures, fees and other requirements pertaining to any gift card, loyalty, membership or other system-wide program we implement pursuant to §11.13.

“Prohibited Activities” means and includes any of the following: (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, creditor, representative, agent or in any similar capacity) in any Competing Business, other than owning an interest of 5% or less in a publicly traded company that is a Competing Business; (b) disparaging or otherwise making negative comments about us, our affiliate, the System and/or any Madabolic Business; (c) diverting or attempting to divert any business from us, our affiliate or another franchisee; and/or (d) inducing any Person to transfer their business from a Madabolic Business to a competitor.

“Restricted Territory” means: the geographic area within: (a) a 25-mile radius from your Madabolic Business (and including the premises of your Facility); and (b) a 25-mile radius from all other Madabolic Businesses that are operating or under construction as of the Effective Date and remain in operation or under construction during any part of the Post-Term Restricted Period; *provided, however*, that if a court of competent jurisdiction determines the foregoing Restricted Territory is too broad to be enforceable then Restricted Territory means: the geographic area within a 10-mile radius from your Madabolic Business (and including the premises of your Facility).

“Site Approval Notice” means the Site Approval Notice attached as ATTACHMENT "B" that we may issue to you pursuant to §3.1 and §7.1 to identify the approved site for your Madabolic Business and your Territory.

“Site Selection Area” means the geographic area described in Part B of ATTACHMENT "A" and within which you must find a site we approve for your Madabolic Business.

“Successor Agreement” means our then-current form of Madabolic Franchise Agreement you must sign pursuant to §4.2 in order to renew your franchise rights.

“System” means our system developed for the operation of a Madabolic Business, the distinctive characteristics of which include: distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary training programs, workouts and group fitness classes; membership model; advertising and marketing strategies; merchandising strategies; and operating system.

“Technology Systems” means and includes all information and communication technology systems we specify from time to time, including, without limitation, computer systems, point-of-sale systems,

member management systems, music systems, audio visual systems, webcam systems, telecommunications systems, security systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

“Term” means the period of time beginning on the Effective Date and expiring on the earlier to occur of: (a) the 10<sup>th</sup> anniversary of the Effective Date; or (b) the date this Agreement is effectively terminated.

“Territory” means the protected territory for your Madabolic Business, as further described in §3.

“Trainer” means a Person who has successfully completed Fitness Instructor Training and been certified by us to teach classes at your Facility.

“Transfer” means any direct or indirect, voluntary or involuntary, assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of:

- (a) this Agreement (or any interest therein);
- (b) the franchise or intellectual property rights granted by this Agreement (or any interest therein);
- (c) the Business you conduct pursuant to this Agreement (or any interest therein);
- (d) the Madabolic Business’s assets, other than the sale of fixtures or equipment in the ordinary course of business; or
- (e) an Equity Interest in the Franchisee Entity;

including by: merger or consolidation; judicial award, order or decree; issuance of additional Equity Interests in the Franchisee Entity; foreclosure of a security interest by a lender; or operation of Law, will or a trust upon the death of an Owner, including the Laws of intestate succession.

“Travel Expenses” means and includes all travel, meals, lodging, local transportation and other living expenses incurred: (a) by us and our trainers, field support personnel, auditors or other representatives to visit your Madabolic Business; or (b) by you and your personnel to attend training programs or conferences.

“We” or “us” is defined in the Introductory Paragraph.

“You” is defined in the Introductory Paragraph.

2. **GRANT OF FRANCHISE.** We hereby grant you the right, license and obligation to own and operate one (1) Madabolic Business using our Intellectual Property from the site we approve. As a franchisee, you will establish and operate a membership-based strength training fitness business that operates under the name MADABOLIC® and offers and sells approved group fitness classes, beverages, supplements and fitness-related apparel, products, and merchandise. We reserve all rights not expressly granted to you.

### 3. **TERRITORY.**

3.1. **Designation of Territory.** We grant you a territory (your “Territory”) that includes a minimum population of 20,000 individuals between the ages of 20 and 50, as determined by the most recent United States Department of Commerce Census Bureau census data (as of the date that the Territory is determined). We have no obligation to modify your Territory during the Term due to changes in population. If we approve the site for your Madabolic Business prior to execution of this Agreement, we will describe your Territory in Part D of ATTACHMENT "A". Otherwise, we will describe your Territory in the Site Approval Notice we send to you after approving your site.

3.2. **Off-Site Operations.** In accordance with §11.4, you may conduct certain approved “off-site” business activities from sites located within your Territory. You may not conduct business activities or direct advertising or marketing outside your Territory except to the extent permitted by §3.3 and §10.3(d), respectively. You may accept Members who reside outside your Territory provided that you did not solicit them via targeted marketing directed into the territory of another Madabolic Business in violation of §10.3(d).

- 3.3. Extra-Territorial Operations.** You may not conduct any business or promotional activities outside of your Territory except to the extent authorized by, and in accordance with, the Manual. Under current policy, you may conduct business and sell group memberships (a group is defined as five (5) or more Persons) from sites located outside your Territory if: (a) you notify us in writing (and provide all details we require) before conducting the business or engaging in the sales activity; and (b) the site is not located within a territory assigned to another Madabolic Business. If the site is located in an area that we later designate as a territory for another Madabolic Business, you must immediately cease conducting business and selling group memberships from the site and follow our instructions to transition any group membership to the Madabolic Business that owns the territory. If you receive a request to conduct business at an off-site event located in a territory assigned to another Madabolic Business, you must refer the request to the Madabolic Business that owns the territory. Other Madabolic Businesses shall be subject to a similar and reciprocal referral obligation for requests pertaining to off-site events located in your Territory.
- 3.4. Territorial Protections and Limitations.** During the Term we will not develop or operate, or license a third party to develop or operate, a Madabolic Business that is located in the Territory except as otherwise provided in this Section with respect to Acquisitions. At any time during the Term we reserve the right to engage in Acquisitions, even if as a result of an Acquisition one or more competitive businesses of the acquired or acquiring company begin using our Intellectual Property (including our Marks) and are located in the Territory. We reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) within the Territory through Alternative Channels of Distribution.

#### **4. TERM AND RENEWAL.**

- 4.1. Generally.** This Agreement grants you the right to operate your Madabolic Business only during the Term. Provided that you satisfy all conditions for renewal specified below, you may enter into a maximum of two (2) Successor Agreements following the expiration of the Term. The Successor Agreement shall be the current form of franchise agreement we use in granting franchises as of the expiration of the Term or renewal term, as applicable, the terms of which may vary materially and substantially from the terms of this Agreement. Upon renewal, we reserve the right to modify the boundaries of your Territory in accordance with our then-current territory guidelines and criteria. Each renewal term will be five (5) years. The parties may agree to further renewals after expiration of the second (2<sup>nd</sup>) renewal term, but neither party is obligated to do so (unless required by applicable state Law, in which case the same renewal terms and conditions set forth in this Agreement shall apply to subsequent renewals). If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement and your remaining renewal rights, if any.
- 4.2. Renewal Requirements.** In order to enter into a Successor Agreement, you and the Owners (as applicable) must:
- (i) notify us in writing of your desire to enter into a Successor Agreement not less than 270 days nor more than one (1) year before the expiration of the Term or renewal term, as applicable;
  - (ii) not be in default under any Definitive Agreement at the time you send the renewal notice or sign the Successor Agreement;
  - (iii) sign the Successor Agreement and all ancillary documents we require franchisees to sign;
  - (iv) sign a General Release;
  - (v) pay us a renewal fee equal to 25% of our then-current, non-discounted, initial franchise fee;
  - (vi) remodel your Facility and upgrade all furniture, fixtures and equipment to conform to our then-current standards and specifications; and
  - (vii) extend the term of your lease for the duration of the renewal term.

If we elect not to renew or offer you the right to renew, we will send you a written notice of non-renewal at least 180 days prior to the expiration date, which shall set forth the basis for our decision not to renew or offer you the right to renew. Our failure to send you a notice of non-renewal at least 180 days prior to the expiration date shall constitute our offer to renew your franchise in accordance with, and subject to, the renewal terms and conditions set forth above. If you have any objections to our notice of non-renewal, including any dispute as to the basis for our decision not to renew, you must send us a written notice of objection that sets forth the basis for your objections. Your notice of objection must be sent to us no later than 30 days after you receive our notice of non-renewal. Your failure to send us a written notice of objection during such 30-day period shall constitute your agreement to the non-renewal of your franchise.

- 4.3. **Interim Term.** If you do not sign a Successor Agreement but continue to operate your Madabolic Business after the expiration of the Term, we may either treat this Agreement as: (a) expired as of the Term expiration date with you operating in violation of our rights; or (b) continued on a month-to-month basis (the “Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.

## 5. TRAINING AND CONFERENCES

- 5.1. **Initial Training Programs.** Prior to your opening date, your Managing Owner and staff members we designate must complete all initial training programs we require prior to your opening date (although part of General Manager Training takes place after your opening date). The table below summarizes our current initial training programs, which we may change at any time.

Training Program	Description	Required Attendees	Success Completion Required?
Remote Training	16-week (1 hour per week) remotely conducted training covering various operational topics.	Managing Owner	Yes
General Manager Training	Virtual training (via LMS and weekly training calls) and 3 to 4 days of onsite training beginning the day prior to your opening date.	Managing Owner General Manager	Yes
Fitness Instructor Training	2-day fitness instructor certification training program conducted at our corporate headquarters.	Managing Owner General Manager Trainers	Yes for Trainers. No for any Managing Owner or general manager who will not teach classes.

The Manual may include additional details about our initial training programs. Any Person you appoint as a Managing Owner or hire as a general manager or Trainer subsequent to your opening date must attend and successfully complete our then-current initial training program before such Person may manage your Business or teach classes at your Facility, as applicable.

- 5.2. **Certified Instructor Training.** After your Facility has been open at least one (1) year, we may designate your Facility as a certified Madabolic Training Facility. As a condition to certification, your Lead Trainer must successfully complete our “train-the-trainer” training program and satisfy any other qualifications or criteria set forth in the Manual. Once certified, your Lead Trainer would be authorized to provide Fitness Instructor Training to new Trainers you hire after opening. Your Lead Trainer must conduct Fitness Instructor Training in the manner we designate, including utilization of our Learning Management System in the manner we specify.
- 5.3. **Ongoing Training Programs.** All new employees and independent contractors you hire or appoint have 30 days to complete required online education through Getup (our online learning platform).



We may offer periodic refresher or supplemental training courses for your Managing Owner, general managers and Trainers (unless Trainers are trained by your Lead Trainer in accordance with §5.2). We may designate each course as mandatory or optional. If we determine your Business is not being operated in full compliance with this Agreement and the Manual, we may require that your Managing Owner, general managers and/or Trainers attend remedial training relevant to your operational deficiencies. We may, but need not, provide additional assistance or training requested by you at a mutually convenient time.

- 5.4. **Third-Party Training Programs.** From time to time, we may require that your Managing Owner and staff members we designate attend training programs conducted by third parties, including companies that serve as System suppliers and other unaffiliated organizations. Without limiting the generality of the foregoing, we currently require that your Managing Owner, general manager and Trainers successfully complete and achieve certified status from: (a) a nationally accredited personal trainer program (your Managing Owner need not obtain this accreditation unless he or she will also serve as a Trainer); and (b) a CPR and First Aid certification program held in your home state. These certifications must be obtained prior to attending our initial training programs. You must keep a copy of these certifications in the appropriate personnel files.
- 5.5. **Training Locations.** Our training programs may take place at any location we designate. We reserve the right to conduct all (or any portion) of our training programs remotely via webinar, conference call or similar means, including via Microsoft Teams calls and/or Getup, our online learning platform.
- 5.6. **Training Fees and Expenses.** We do not charge you a training fee for the initial training program we conduct prior to your opening date. If we conduct onsite training at your Facility after your opening date, you must: (a) pay us a training fee of \$500 per trainer per day; and (b) reimburse us for all Travel Expenses we incur to send our trainer to your Facility. We may charge you a \$500 training fee to provide our “train-the-trainer” training program for your Lead Trainer. After your Facility is designated as a certified Madabolic Training Facility, you pay us a training fee of up to \$500 for each Trainer that is trained by your Lead Trainer (this fee covers access to LMS). For all other ongoing training we provide, we may charge you a training fee of up to \$300 per trainee per day. You are responsible for all wages and Travel Expenses you and your personnel incur to attend training programs.
- 5.7. **Conferences.** We may hold periodic conferences to discuss business and operational matters relevant to Madabolic Businesses. Attendance is mandatory unless: (a) we designate attendance as optional; or (b) we waive your obligation to attend based on showing of good cause. However, we will not require attendance at more than one (1) annual conference in any two (2) year period. We may charge you a conference registration fee. Our current registration fee is \$1,500 per conference and covers attendance for up to two (2) Persons. If you fail to attend a required conference without a waiver from us, then you must pay us the conference registration fee despite your non-attendance (we will provide you with a copy of any written materials distributed at the conference). You are responsible for all wages and Travel Expenses you and your personnel incur to attend conferences.

## 6. OTHER FRANCHISOR ASSISTANCE.

- 6.1. **Manual.** We provide you with access to our Manual during the Term. The Manual will help you develop and operate your Madabolic Business. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.
- 6.2. **Fitness Equipment Package.** At least 90 days prior to your anticipated opening date, you must purchase our designated “Fitness Equipment Package” from us as part of our centralized purchasing program. Our current Fitness Equipment Package includes the following items: Gym Clock; Cardio, Gymnastics, Plyometric, Strength Training & Other Training Equipment; Rogue Storage Equipment; Beaver Fit Racking System; Rogue Resin Plyo Box; Assault Bikes (only required if your Facility lacks sufficient open area for sprints and comparable cardio activities);

Water Bags; and Boxing/Bag Gloves. The purchase price is estimated to range from \$119,000 to \$133,000, including taxes, shipping and installation. We may change the items included in the Fitness Equipment Package, and the associated cost, at any time. We will arrange for: (a) shipment of the Fitness Equipment Package to your Facility; and (b) installment of the equipment at your Facility. We purchase the items included in the Fitness Equipment Package from third-parties and resells them to you as a convenience. **We hereby disclaim all representations and warranties, whether express or implied, that any items included in the Fitness Equipment Package will be: (a) merchantable; (b) free of defects, whether patent or latent; (c) fit for the purpose for which they are intended; and/or (d) compliant with applicable Laws. You waive all Claims against us relating to the installation or use of the equipment at your Facility.** If any item you receive is defective, we will help coordinate with the manufacturer or distributor to facilitate replacement of the defective item. We reserve the right to require that you purchase some or all of the items included within the Fitness Equipment Package directly from third-party suppliers that we designate.

- 6.3. **General Guidance.** We will periodically review and evaluate your Madabolic Business and reports you submit to us and provide our guidance and recommendations on ways to improve the operation of your Madabolic Business. We will be available to render advice, discuss problems and offer general guidance to you during normal business hours by phone, email or other means of communication.
- 6.4. **Field Visits.** We have the right, but not the obligation, to conduct periodic field visits for purposes of providing onsite consultation, assistance and guidance pertaining to the operation and management of your Madabolic Business. We will provide a report detailing any problems or concerns observed during the field visit together with our instructions to address or resolve such problems or concerns. You must implement all required corrective measures in the time and manner we specify.
- 6.5. **Marketing Assistance.** As further described in §10.1 and §10.2, we will administer the brand and system development fund and provide other marketing assistance during the Term.
- 6.6. **Website.** We currently maintain a corporate website for our brand. We will also develop and host a local webpage for your Madabolic Business that will be linked to our corporate website. Your webpage will include such information about your Madabolic Business that we deem appropriate. We must approve all content on your webpage but will consider information you suggest in good faith. We will own the website (including your webpage) and domain name at all times. We may change or discontinue the website and/or your local webpage at any time.
- 6.7. **Purchase Agreements.** We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for franchisees. We will arrange for you to be able to purchase the goods or services directly from the supplier at the discounted prices we negotiate (subject to any rebates the supplier pays to us). We may also purchase goods from suppliers in bulk and resell them to you at our cost plus shipping fees and a reasonable markup.
- 6.8. **New Developments.** We may, but need not, create new retail products, merchandise, fitness programs, exercises, exercise equipment or other goods or services that you may offer, utilize or sell. You must comply with any minimum inventory stocking requirements in the Manual.

## 7. ESTABLISHING YOUR BUSINESS

- 7.1. **Site Selection.** You must obtain our approval of the site for your Facility within 120 days after the Effective Date. The premises must be located within the Site Selection Area and conform to our minimum site selection criteria. You must send us a complete site report that includes all documents, information, photos and video we require. We may accept or reject each site you propose in our commercially reasonable judgment. We will use best efforts to issue our approval or disapproval within 30 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our approval within the 30-day period. If we approve the site for

your Facility prior to execution of this Agreement, we will list the address of your approved site in Part C of ATTACHMENT "A". Otherwise, we list the address of your approved site in a Site Approval Notice we will send to you within 30 days after approving your site. Within five (5) business days after we send you the Site Approval Notice, you must sign and date the franchisee acknowledgment section and send us a copy for our records. Our approval of the site (and designation of your Territory) shall be deemed immediately effective and binding on you at the time we issue the Site Approval Notice, regardless of whether you send us the signed acknowledgment. Our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a Madabolic Business. It indicates only that we believe the site meets our minimum criteria.

- 7.2. **Lease.** If you lease the premises for your Madabolic Business, you must use best efforts to ensure your landlord signs the Lease Addendum attached to this Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to this Agreement we may either: (a) waive the Lease Addendum requirement (or the provisions disapproved by the landlord); or (b) require you to find a new site for your Madabolic Business. You must hire a real estate attorney to review and negotiate your lease. You and the landlord must sign the lease and Lease Addendum within 150 days after the Effective Date. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records.
- 7.3. **Construction.** The Manual includes generic prototype plans for a Madabolic facility as well as our standards and specifications for the design, layout, equipping and trade dress for a Madabolic facility. You must hire a licensed and bonded architect to prepare the initial design plans for the construction of your Facility and leasehold improvements. We must approve the initial design plans to ensure they are consistent with our system standards. Once approved, your architect must prepare detailed construction plans that: (a) are consistent with the approved design plans; (b) satisfy all required standards and specifications in the Manual; and (c) comply with all Laws (including the Americans with Disabilities Act), building codes, permits and lease requirements and restrictions applicable to the premises. You must submit the final construction plans to us for approval. The limited purpose of our review is to verify the construction plans are consistent with our system standards. Once approved, you must, at your sole expense, construct and equip the premises according to the approved construction plans and the specifications in the Manual. You must also purchase (or lease) and install all equipment, fixtures, signs and other items we require. At all times during the construction process, you must maintain the minimum general liability and property damage insurance required by the Manual.
- 7.4. **Opening.** You must open your Madabolic Business to the public within the later to occur of: (a) 180 days after the Effective Date; or (b) 180 days after you sign the lease for your Facility. If you fail to open by this deadline, we may choose between terminating this Agreement or extending your required opening date (we will not grant you an extension unless you made diligent and continuing efforts to open in a timely manner). You may not open your Madabolic Business prior to receipt of our written authorization to open. We will not issue our authorization to open before:
- (i) the Managing Owner successfully completes our initial training program;
  - (ii) you obtain all required licenses, permits and approvals from Governmental Authorities;
  - (iii) you purchase all required insurance policies and provide evidence of coverage;
  - (iv) we review and approve the construction, build-out and layout of your Madabolic Business;
  - (v) you sell a minimum of 100 memberships or 300 free week offers for your Business;
  - (vi) you contact with a professional cleaning company we designate or approve;
  - (vii) you fully stock your Facility with all inventory and retail items we require;
  - (viii) you fulfill all of your other preopening obligations under this Agreement and the Manual.

You must send us a written notice identifying your proposed opening date at least 30 days before opening. We may conduct a preopening inspection of your Madabolic Business. You must make all changes and modifications we require before you may open.

- 7.5. **Relocation.** You may relocate your Madabolic Business with our prior approval, which we will not unreasonably withhold. If we allow you to relocate, you must: (a) locate your new Madabolic Business within the Site Selection Area (but outside any territory granted to us, our affiliate or any other franchisee); (b) comply with §7.1 through §7.4 with respect to your new Madabolic Business (excluding the 180-day opening period); (c) comply with the de-identification obligations set forth §21.1(ix) with respect to your former Facility; (d) pay us a \$500 relocation fee at the time we approve your request to relocate; and (e) open your Madabolic Business at the new site and resume operations within 30 days after closing your Madabolic Business at the former site; *provided, however,* that if you relocate because your Facility is destroyed, condemned or otherwise rendered unusable due to the physical condition of the premises, then you have 270 after closing to reopen at the new site. We reserve the right to require you to conduct another grand opening marketing campaign in accordance with §10.3(a) to promote the opening of your Madabolic Business at the new site.

## 8. MANAGEMENT AND STAFFING.

- 8.1. **Owner Participation.** You must designate an Owner who will have overall responsibility for the management and operation of your Madabolic Business (the “Managing Owner”). The Managing Owner must: (a) be approved by us; (b) successfully complete all training programs we require; and (c) dedicate full-time efforts to the Business (unless you hire a general manager). Any new Managing Owner you appoint must successfully complete our then-current initial training program before assuming responsibility for the supervision, management or operation of your Business.
- 8.2. **General Manager.** You may hire a general manager to assist the Managing Owner with the onsite management and supervision of the Madabolic Business. Any Person you hire as a general manager must: (a) successfully complete all training programs we require; and (b) sign a Brand Protection Agreement. Either the Managing Owner or a general manager must be present at your Madabolic Business to provide onsite management and supervision for a reasonable number of hours each week. The Managing Owner must supervise the general manager to ensure the Madabolic Business is operated in accordance with this Agreement and the Manual.
- 8.3. **Trainers.** No Person other than a certified Trainer may teach classes or otherwise provide fitness training at your Facility. In order to be certified, the Person must successfully complete Fitness Instructor Training. You are responsible for conducting background checks on all of your Trainers (and other employees) to ensure they do not present a safety risk to your Members. You must appoint one of your Trainers to serve as your “lead” Trainer. You must obtain our approval of the Person you appoint as your Lead Trainer at least six (6) weeks prior to your opening date. The Lead Trainer will help recruit, hire and teach new Trainers (aside from training camp), conduct periodic Trainer evaluation and provide feedback on performance, and prepare the weekly training schedule. At all times after your opening date you must have a minimum of four (4) Trainers.
- 8.4. **Employees.** You must determine appropriate staffing levels for the Madabolic Business to ensure full compliance with this Agreement and our system standards. You may hire, train and supervise employees to assist you with the proper operation of the Madabolic Business. You must pay all wages, commissions, fringe benefits, worker’s compensation premiums and payroll taxes (and other withholdings required by Law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business Entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, time cards, and similar items. We also do not control the hiring or firing of your employees. You have sole

responsibility and authority for all employment-related decisions, including employee selection and promotion, hours worked, rates of pay, benefits, work assignments, training and working conditions. We do not provide guidance or advice on these matters. You must require that your employees sign the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer. You must also post a conspicuous notice for employees in the back-of-house area explaining your franchise relationship with us and that you (and not we) are the employee's sole employer. We may prescribe the form and content of this notice.

**8.5. Interim Manager.** We have the right, but not the obligation, to designate a Person of our choosing (an "Interim Manager") to manage your Madabolic Business if either: (a) you fail to appoint an approved replacement Managing Owner, who has successfully completed all training we require, within 30 days after your Managing Owner ceases to perform the responsibilities of a Managing Owner for any reason; or (b) you fail to cure a material breach before the expiration of the cure period. The Interim Manager will cease to manage your Madabolic Business at such time that you appoint an approved replacement Managing Owner who has completed training or you cure the material breach, as applicable. If we appoint an Interim Manager, you agree to: (a) pay us a management fee at the rate we establish (not to exceed \$200 per day) during the period of time that the Interim Manager manages your Madabolic Business; and (b) reimburse us for all Travel Expenses incurred by the Interim Manager. The Interim Manager has no liability to you except for gross negligence or willful misconduct. We have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

**9. FRANCHISEE AS ENTITY.** You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of your Owners. Upon request, you must send us a resolution of the Franchisee Entity authorizing the execution of this Agreement, a copy of the Franchisee Entity's organizational documents and a current Certificate of Good Standing. Each Owner of the Franchisee Entity, and the spouse of each Owner who is a natural Person, must sign a Franchise Owner Agreement.

**10. ADVERTISING & MARKETING.**

**10.1. Brand and System Development Fund.** We administer a brand and system development fund to promote public awareness of our brand and improve our System. On each royalty payment due date, you must pay us a brand fund fee in the amount we designate from time to time (currently 1.5% of Gross Sales, but not to exceed 3% of Gross Sales). We will notify you at least 90 days in advance of any increase to the brand fund fee. We deposit all brand fund fees and noncompliance fees we collect into the fund. We may use the fund to pay for any of the following in our sole discretion:

- (i) developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs;
- (ii) conducting and administering promotions, contests or giveaways;
- (iii) improving public awareness of the Marks;
- (iv) public and consumer relations and publicity;
- (v) brand development;
- (vi) sponsorships;
- (vii) charitable and non-profit donations and events;
- (viii) research and development of technology, products and services;
- (ix) website development and search engine optimization;
- (x) development and maintenance of an ecommerce platform;

- (xi) development and implementation of quality control programs, including the use of mystery shoppers or Member satisfaction surveys;
- (xii) conducting market research;
- (xiii) changes and improvements to the System;
- (xiv) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts;
- (xv) collecting and accounting for contributions to the fund;
- (xvi) preparing and distributing financial accountings of the fund;
- (xvii) any other programs or activities we deem appropriate to promote or improve the System; and
- (xviii) direct or indirect labor, administrative, overhead and other expenses incurred by us and/or our affiliates relating to any of these activities, including salary, benefits and other compensation of any of our (and any of our affiliate's) officers, employees or independent contractors based on time spent working on any brand fund matters described above.

We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to marketing or advertising activities. Any surplus in the fund may be invested and we may lend money to the fund if there is a deficit. The fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the fund. We will prepare, and make available to you upon request, an annual statement of fund operations, including deposits and disbursements. In terms of marketing activities paid for by the fund, we do not ensure that: (a) expenditures in (or affecting) a given geographic area are proportionate or equivalent to the brand fund fees paid by franchisees in that geographic area; or (b) franchisees benefit directly or in proportion to their brand fund fees. We may suspend or discontinue the fund at any time in our sole discretion upon 30 days' prior notice.

**10.2. Marketing Assistance From Us.** We will provide our recommended marketing plan for your Business, which may be included in the Manual. We will also assist you in developing a grand opening marketing plan to promote the opening of your Business, including digital marketing, local advertising and grassroots marketing. We may create and make available to you advertising and other marketing materials for your purchase. We may: (a) use the brand fund to pay for the creation and distribution of these materials, in which case there will be no additional charge; (b) provide online access to these materials, in which case you must print the materials at your expense; and/or (c) contract with third-party suppliers to create and sell these materials to you. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis.

**10.3. Your Marketing Activities.**

- (a) Grand Opening Marketing. You must pay us a \$17,000 grand opening marketing fee at the time you sign the lease for your Facility. We will use these funds to implement your grand opening marketing campaign in accordance with the grand opening marketing plan we assist you in developing. We spend these funds during the grand opening period, which begins 60 to 90 days before your opening date and ends 30 days after your opening date. We will refund or credit back to you any portion of the grand opening marketing fee that we do not spend. Instead of paying the grand opening marketing fee to us, we may, at our option, require you to: (i) pay these funds to a third-party marketing company that we designate; or (ii) spend these funds yourself on approved grand opening marketing and promotional activities in accordance with your grand opening marketing plan.
- (b) Ongoing Marketing. Commencing with your opening date, you must spend a monthly amount equal to or greater than your Local Marketing Commitment on local advertising to promote your Madabolic Business. Your "Local Marketing Commitment" is: (a) \$2,000 per

month for any month that your Business has fewer than 200 paying Members, measured as of the first (1<sup>st</sup>) day of the month; or (b) \$1,000 per month for any month that your Business has at least 200 paying Members, measured of the first (1<sup>st</sup>) day of the month. We measure your compliance with this requirement on a rolling six-month basis, meaning as long as your average monthly expenditure on local advertising over the six-month period equals or exceeds the Local Marketing Commitment, you are deemed in compliance even if your expenditure in any given month is less than the Local Marketing Commitment. The grand opening marketing fee and brand fund fees are in addition to, and not credited towards, your Local Marketing Commitment. You must participate at your own expense in all advertising, promotional and marketing programs we require, including any advertising cooperative we establish pursuant to §10.4.

- (c) Standards for Advertising. All advertisements and promotions you create or use must be completely factual, conform to the highest standards of ethical advertising and comply with all Laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others. You must comply with any minimum advertised pricing policy we establish from time to time.
- (d) Extraterritorial Advertising. You may advertise and market outside your Territory as long as you: (i) comply with all policies and procedures in the Manual governing extra-territorial marketing; and (ii) do not engage in targeted marketing directed into any territory or development territory assigned to us, our affiliate or another franchisee (unless the marketing is conducted as part of an advertising cooperative that includes the affected territory). Marketing that is distributed, circulated or received both within your Territory and within another territory is not deemed to be “targeted marketing” if: (i) you use reasonable efforts to limit the circulation or distribution of the advertising to areas within your Territory; and (ii) the majority of the recipients of the advertising are located within your Territory and there is only incidental circulation or distribution within a territory assigned to us, our affiliate or another franchisee. The meaning of “targeted marketing” that is “directed into a territory” may be further defined in the Manual, but examples include direct mail sent to addresses within a given territory, digital advertising sent to devices with IP addresses registered within a given territory and conducting promotional events within a given territory.
- (e) Approval of Advertising. Prior to use, we must approve all advertising and marketing materials and programs you intend to use, including: (i) all advertising and marketing materials we did not prepare or previously approve; and (ii) any materials we prepare or approve and you modify. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved or that we approve and later disapprove. We have 30 days to review and approve or disapprove advertising and marketing materials and programs you submit. Our failure to issue our approval within the 30-day period constitutes our disapproval. Any advertising you propose and we approve will be deemed an “Improvement” for purposes of §17.5.
- (f) Social Media. You may promote your Madabolic Business using social media provided that:
  - (i) you only utilize social media platforms we approve;
  - (ii) you strictly comply with our social media policy, as revised from time to time;
  - (iii) you immediately remove any post we disapprove;
  - (iv) you contract with and exclusively utilize any social media company we designate;
  - (v) you provide us with full administrative rights to your social media accounts; and
  - (vi) we retain ownership of all social media accounts relating to your Madabolic Business.

- (g) Internet and Websites. Without our prior approval, which we may withhold in our sole discretion, you may not: (i) develop, host or otherwise maintain a website (other than the webpage we provide) or other online or digital presence in connection with your Madabolic Business, including any website bearing our Marks; (ii) conduct digital or online advertising or marketing; or (iii) engage in ecommerce.

**10.4. Advertising Cooperative.** We may, but need not, establish regional advertising cooperatives for purposes of creating and/or purchasing advertising programs for the benefit of all Madabolic Businesses located in a particular region. We may: (a) determine the boundaries of the cooperative; (b) specify the manner in which the cooperative is organized and governed; (c) require the cooperative to be administered in accordance with written bylaws, organizational documents or other governing documents that we approve; and (d) require you to participate in the cooperative according to its rules and procedures and abide by its decisions. You must pay the cooperative advertising fee, which will be due on each royalty payment due date or such other date specified by the cooperative. We may set the minimum cooperative advertising fee or we may allow the cooperative to set the cooperative advertising fee based on majority vote of its members. The cooperative advertising fee will not exceed \$1,000 per month unless a higher amount is approved by majority vote of all members of the cooperative. We may either: (a) collect cooperative advertising fees and remit them to the cooperative; or (b) require you to pay these fees directly to the cooperative. All cooperative advertising fees you pay are credited towards your Local Marketing Commitment. We reserve the right to form, change, merge or dissolve advertising cooperatives in our discretion.

## **11. OPERATING STANDARDS.**

**11.1. Generally.** You must operate your Madabolic Business in full compliance with this Agreement, the Manual and our standards in order to maintain the goodwill associated with the Marks.

**11.2. Brand Standards Manual.** You must develop and operate your Madabolic Business in strict compliance with the Manual. The Manual may contain, among other things:

- (i) architectural plans and specifications for the design, dimensions, layout, equipping and trade dress for a prototype Madabolic facility;
- (ii) a list of (a) goods and services (or specifications for goods and services) you must purchase to develop and operate your Madabolic Business and (b) designated and approved suppliers;
- (iii) a description of the authorized goods and services you may sell, including memberships, fitness classes, training programs, merchandise and supplements;
- (iv) specifications, techniques, methods, operating procedures and quality standards; and
- (v) policies and procedures pertaining to: (a) reporting; (b) insurance; (c) marketing and advertising; (d) gift card, loyalty and membership programs; (e) data ownership, protection, sharing and use; and (f) any other matters we deem appropriate.

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by Madabolic Businesses. We can modify the Manual at any time. Modifications are binding at the time we notify you of the change, subject to any “grace period” we provide to implement the change. All mandatory provisions in the Manual (whether included now or in the future) are binding on you.

**11.3. Authorized Goods and Services.**

- (a) Generally. You must offer all goods and services we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services without our prior approval. We may change authorized goods and services at any time and you must



comply with our instructions regarding same. Any such change shall not constitute a termination of this Agreement.

- (b) **Classes, Exercises and Training Programs.** You may only offer the specific classes, exercises and training programs that we designate. You may not alter or deviate from our required classes, exercises or training programs without our prior approval. You may not purchase or utilize any exercise equipment, training equipment, or exercise supplies that we have not approved.
- (c) **Memberships.** You must offer only the memberships (and associated options) that we designate. Your memberships must include all of the features and benefits, and only the features and benefits, that we prescribe. You must comply with all policies and procedures in the Manual regarding the offer and sale of group memberships (a group is defined as five (5) or more Persons).
- (d) **Retail Items.** You must carry the full product line of retail items we designate and comply with all merchandising policies, product mix, minimum stocking requirements and related policies described in the Manual, including any minimum quarterly stocking requirements.

**11.4. Off-Site Activities.** You may conduct workouts at off-site locations within your Territory using exercise equipment we designate or approve. You may also conduct business at off-site events within your Territory to promote your Madabolic Business and sell memberships (for example, setting up booths or providing sample workouts at fitness expos, health fairs, promotional events, charity events, etc.). The Manual may impose certain requirements or restrictions regarding the off-site workouts and business activities you may conduct.

**11.5. Sales Restrictions.** You may only sell to retail customers while they are present at the Madabolic Business. Unless you receive our prior approval, you may not: (a) offer or sell goods or services from any location other than your Madabolic Business's premises (except for off-site events authorized by §11.4; (b) produce, sell or provide goods or services through any other channel of distribution, including through an ecommerce site; (c) sell goods or services to any Person for purposes of resale; or (d) use your Madabolic Business, or permit your Madabolic Business to be used, for any purpose other than offering the goods and services we authorize.

**11.6. Music.** You may only play the music at your Facility that we designate or otherwise approve. We may require that you purchase your music through a designated music vendor. We may purchase your music licensing fee from ASCAP/BMI and require you to reimburse for all such licensing and other fees that we pay on behalf of your Facility.

**11.7. Pricing.** We will provide you with our suggested retail pricing. You may deviate from our suggested retail pricing at your discretion; *provided, however*, that to the extent permitted by applicable Law we may (a) set maximum or minimum prices on the goods and services you sell, including membership fees and/or (b) establish the membership pricing plans and initial offers you must implement.

**11.8. Customer Payments.** You must, at your expense, lease or purchase the necessary equipment and/or software and have arrangements in place with Visa, MasterCard, American Express and all other credit card issuers we designate, in order for you to be able to accept such methods of payment from Members. You must accept debit cards, credit cards, stored value cards, and other non-cash systems (including, for example, APPLE PAY and/or GOOGLE WALLET) that we specify. You must acquire and install all necessary hardware and/or software used in connection with these non-cash systems.

**11.9. Suppliers and Purchasing.** You must purchase or lease all products, supplies, equipment, services and other items specified in the Manual. The Manual may require that you purchase certain goods and services only from suppliers we designate or approve. These suppliers may include (or be limited exclusively to) us or our affiliate. Our right to specify the suppliers you use is necessary so

we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and operation of Madabolic Businesses, protect our trade secrets, negotiate bulk purchase discounts, and protect the reputation and goodwill associated with the System and the Marks. We have no liability to you for the acts, errors or omissions of, or any defective goods or services supplied by, any third-party supplier we designate or approve, provided that we exercise our discretion in good faith in designating or approving such supplier. If we receive rebates or other consideration from suppliers based on your purchases we have no obligation to pass them through to you or use them for any particular purpose. If you wish for us to approve a supplier, you must send us a request for approval specifying the supplier's name and qualifications and provide all additional information we request. We will approve or reject your request within 30 days after we receive your request and all information and samples we require. We are deemed to have rejected your request if we fail to issue our approval within the 30-day period. You must pay us a testing fee to help cover costs we incur to evaluate products and suppliers you propose. The testing fee is \$150 (per test) for equipment and \$50 (per test) for all other products, services and suppliers.

#### **11.10. Technology Systems.**

- (a) Generally. You must acquire and utilize all Technology Systems we require from time to time. Technology Systems may relate to matters such as purchasing, pricing, accounting, order entry, inventory control, security, information storage, retrieval and transmission, Member information, Member management, customer loyalty, marketing, communications, copying, printing and scanning, or any other business purpose we deem appropriate. We may require that you acquire new or substitute Technology Systems and/or replace, upgrade or update existing Technology Systems at your expense upon reasonable prior notice. You are solely responsible for: (i) the acquisition, operation, maintenance, updating and upgrading of your Technology Systems; (ii) the manner in which your Technology Systems integrate and interface with our computer system and those of third parties; and (iii) any consequences resulting from improper use or operation, or failure to properly maintain, update or upgrade, Technology Systems.
- (b) Use and Access. You must utilize your Technology Systems in accordance with the Manual and comply with all associated data entry policies. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to provide us with independent and unlimited access to data collected through your Technology Systems, including Gross Sales data for purposes of calculating fees owed. Upon request, including upon termination or expiration of this Agreement, you must provide us with the user IDs and passwords for your Technology Systems.
- (c) Disruptions. You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Upon request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.
- (d) Email Accounts. As part of what you receive for the technology fee, we provide you with Madabolic email addresses for use with your Business. You must exclusively use the email addresses we provide for all communications with us, Members, suppliers and other Persons relating to your Business. You may not use them for any purpose unrelated to your Business. We own the email addresses and accounts but allow you to use them during the Term. We have the independent right to view your email accounts and emails at any time.
- (e) Fees and Costs. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from third-party

suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs, you agree to: (i) pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon request, enter into a license agreement with us (or our affiliate) in a form we prescribe governing your use of the proprietary software, technology or other component of the Technology Systems. We may enter into master agreements with third-party suppliers relating to any components of the Technology Systems and charge you for all amounts we pay to these suppliers based on your use of their software, technology, equipment, or services. The “technology fee” includes all amounts you pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based on changes to the Technology Systems or prices charged by third-party suppliers with whom we enter into master agreements. We may include within the technology fee a commercially reasonable administrative fee to compensate us for the time, money and resources we invest in administering the technology platform and associated components, negotiating and managing contracts with third-party licensors, and collecting and remitting technology fees owed to third-party licensors on behalf of franchisees under master license arrangements. The technology fee does not include any amounts you pay directly to third-party suppliers. The technology fee is due 10 days after invoicing or as we otherwise specify. The Manual will list our current technology fee as well as the software, technology and other goods and services we provide in exchange for the technology fee.

**11.11. Remodeling and Renovations.** You must remodel, renovate and make all improvements to your Madabolic Business that we reasonably require from time to time to conform to our then-current standards and specifications. We will not require that you remodel your Facility more than once during any five (5) year period except as a condition to a Transfer or renewal of your franchise. There is no limitation on the cost of any remodeling we may require. You may not remodel or significantly alter your premises without our prior approval. We will not approve any proposed remodeling or alteration that is inconsistent with our then-current standards and specifications.

**11.12. Facility Maintenance and Cleaning.** You must maintain your Facility in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to conform to our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your expense: (a) thorough cleaning, repainting, redecorating of the interior and exterior of the Madabolic Business’s premises at the intervals we prescribe (or at such earlier times that such actions are required or advisable); and (b) interior and exterior repair of the Madabolic Business’s premises as needed. You must comply with any maintenance, cleaning or facility upkeep schedule we prescribe. Maintaining a clean and sanitary environment is an essential component of our brand standards. Accordingly, you must contract with a professional cleaning company to thoroughly clean your Facility on a daily basis. The cleaning company must satisfy our minimum standards and criteria and be approved by us. We may require that you use a cleaning company we designate.

**11.13. Equipment Maintenance and Changes.** You must maintain your equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment. Our right to require significant equipment changes is critical to our ability to administer and change the System and you must comply with these changes within the time period we reasonably specify.

**11.14. System Programs.**

- (a) Generally. We may periodically develop and implement membership programs, loyalty programs, gift card programs and other system-wide programs. You must fully participate in all programs we designate as mandatory. In order to participate you must: (i) comply with all

policies and procedures we establish for participation in the program; (ii) purchase (or license) and utilize all equipment, software, mobile applications (Apps), technology and others items we designate as being necessary for participation in the program, and pay all associated fees and costs; and (iii) pay us, our affiliate, or a third party we designate, all program fees and other amounts we specify as being necessary for participation in the program (collectively, “Program Participation Rules”). Program Participation Rules may be set forth in the Manual. We may change Program Participation Rules at any time and you must comply with these changes. We may develop and implement new or successor programs and/or modify or terminate existing programs at any time in our discretion.

- (b) Membership Program. We may require that all Madabolic Businesses operate under a membership model, in which case your Madabolic Business must honor memberships and the associated benefits and privileges even if the member purchased their membership from another Madabolic Business. We have the right to: (i) determine how membership fees are divided or otherwise accounted for; (ii) require that all membership fees be paid to us or deposited into a trust account we control for subsequent disbursement to the Madabolic Business(es) visited by the member; (iii) adopt policies regarding cooperation between franchisees relating to members who utilize the services of, or enjoy membership privileges at, multiple Madabolic Businesses, including policies for the transfer of memberships between Madabolic Facilities; and (iv) designate the use of new Technology Systems to monitor sales and allocate payments to the Madabolic Business(s) visited by the member, either in whole or on a percentage basis. We may require that you utilize the form of membership agreement we specify. You must hire an attorney, licensed in your state, to review the membership agreement and advise you of any changes necessary to comply with any local Laws affecting the form of membership agreement you use. You must obtain our approval of any such changes prior to implementation.
- (c) Loyalty Program. You must fully participate and implement all required customer loyalty, rewards and other affinity programs designed to increase customer loyalty, generate new Members or improve overall demand for Madabolic Businesses.
- (d) Gift Card Program. You must participate in any gift card program we establish and honor all gift cards, even if purchased from us or another Madabolic Business. You may not sell gift cards we have not approved. We have the right to: (i) determine how gift card proceeds are divided or otherwise accounted for; (ii) require that gift card proceeds be paid to us or deposited into a trust account we control for subsequent disbursement to the Madabolic Business(s) where the gift card is redeemed; and (iii) retain proceeds from unredeemed gift cards.

**11.15. Package Sales.** If we allow Madabolic Businesses to sell class “packages” that may be redeemed on multiple visits, we may adopt policies governing cooperation between franchisees relating to Members who purchase a package at one Madabolic Business and attend classes at another Madabolic Business. We have the right to: (a) determine how the sales proceeds are divided or otherwise accounted for; (b) require that sales proceeds be paid to us or deposited into a trust account we control for subsequent disbursement to the Madabolic Business(s) where services are redeemed; and (c) retain proceeds from unredeemed services. You must comply with all policies and procedures we specify from time to time. You may not sell class packages unless authorized or required by us.

**11.16. Hours of Operation and Class Frequency.** Your Madabolic Business must be open for business during the minimum days and hours of operation set forth in the Manual, subject to any conflicting requirements in your lease or imposed by Law. You must establish specific days and hours of operation and submit them to us for approval. You must offer a minimum of 23 classes per week commencing with your opening date, subject to our instruction or authorization to reduce the number of classes offered. You must notify us of your class schedule. You may not change your class schedule without giving us prior notice of the change.

**11.17. Standards of Service and Professionalism.** You and your staff must provide courteous and friendly service to all Members and ensure all interactions with Members are conducted in a professional, positive and encouraging manner. If you receive a complaint from a Member (or prospective Member), you must follow the complaint resolution process we specify to protect the goodwill associated with the Marks. You must also treat your employees and our staff with honesty and respect. You understand that your breach of this Section may significantly damage the goodwill associated with our Marks and our System.

**11.18. Quality Assurance Programs.** For quality control purposes we may: (a) periodically inspect your Madabolic Business in accordance with §6.4 and §16.1; and/or (b) engage the services of a “mystery shopper” or quality assurance firm to inspect your Madabolic Business. Inspections may address a variety of issues, including: customer service; utilization of approved training programs, workouts, exercises and equipment; sanitation; and inventory rotation. You must fully cooperate with all inspections. If we engage a mystery shopper or quality assurance firm, we may require that you directly pay the mystery shopper or firm for the cost of the inspection. Alternatively, we may pay for the cost of the inspection, in which case you must reimburse us. We may implement a scoring system pursuant to which each Madabolic Business receives a “grade” or “score” based on the inspection results. Your failure to achieve a passing grade or score constitutes a default under this Agreement. You must implement all corrective measures we require within the time period we specify to rectify any noncompliance issues revealed by an inspection.

**11.19. Failure to Comply with Standards.** You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a breach of our standards or operating procedures (including failure to submit required reports in a timely manner) and you fail to correct the noncompliance within the period of time we prescribe, then, in addition to any other remedies available to us under this Agreement, we may impose a noncompliance fee of \$500 per occurrence. We may impose an additional \$500 fee every 48 hours the same noncompliance issue remains uncured after we impose the initial fee. Any noncompliance fees we collect are paid in consideration of us refraining from exercising our contractual right to terminate this Agreement. If we take steps to cure a default committed by you after the expiration of any applicable cure period, including, without limitation, obtaining required insurance coverage on your behalf or paying amounts you owe to approved or designated suppliers, then you must reimburse us for all costs and expenses we directly or indirectly incur in connection with our efforts to cure the default. Our acceptance of noncompliance fees and default expense reimbursements shall not be construed as a waiver of any of our rights or remedies under this Agreement and we retain the right to terminate this Agreement in accordance with §20 should the default continue after we collect these amounts.

**12. FRANCHISE ADVISORY COUNCIL.** We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We consider all suggestions in good faith but are not bound by them. The council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of council representatives to communicate with us on matters raised by the council. You would have the right to be a council member as long as you comply with this Agreement and do not act in a disruptive, abusive or counter-productive manner. As a member, you would be entitled to all voting rights and privileges granted to other council members. Each member would have one vote on all matters on which members are authorized to vote.

**13. FEES**

**13.1. Initial Franchise Fee.** You agree to pay us a \$50,000 initial franchise fee in one lump sum at the time you sign this Agreement. The initial franchise fee is fully earned by us and nonrefundable once this Agreement is signed.

**13.2. Royalty Fee.** On the 10<sup>th</sup> day of each month, you must pay us a royalty fee equal to the greater of: (a) 6% of Gross Sales generated during the immediately preceding month; or (b) the minimum

royalty fee. The “minimum royalty fee” is \$1,500 per month and begins the 13<sup>th</sup> month after the Effective Date of this Agreement, regardless of whether you have opened your Business. You are not required to pay any minimum royalty fee prior to the 13<sup>th</sup> month after the Effective Date. Your percentage-based royalty fee and brand fund fee commence immediately upon the earlier to occur of (a) the date you collect your first membership fee or (b) the date your Business opens to the public.

- 13.3. Other Fees and Payments.** You must pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in §13. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based on goods or services you sell or goods or services we furnish to you, excluding income taxes imposed on us based on fees you pay us under this Agreement.
- 13.4. Due Date & Late Fee.** Payments are due 10 days after invoicing unless otherwise specified. If any sum due under this Agreement has not been received by us when due or there are insufficient funds in your Account to cover the sum when due, then in addition to this sum you must pay us \$25 plus default interest on the amount past due at a rate equal to the lesser of 18% per annum (pro-rated on a daily basis) or the highest rate permitted by applicable Law. We will not impose a late fee for any amount paid pursuant to §13.5 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payment when due; *provided, however*, that if we are unable to determine the amount due because of your failure to record sales or submit Gross Sales reports in a timely manner, we may assess a late fee on the entire amount that was due. This §13.4 shall not constitute our agreement to accept late payments or extend credit to you.
- 13.5. Method of Payment.** No later than 15 days after the Effective Date, you must send us a completed and executed ACH Agreement authorizing us to electronically debit your designated Account for all amounts owed to us and our affiliates on the applicable due date, excluding any amounts due within 15 days after the Effective Date. You must sign all other documents required by us or your bank to enable us to debit your Account for amounts owed. You must deposit all Gross Sales into the Account and ensure sufficient funds are available for withdrawal before each payment due date. If there are insufficient funds in your Account, any excess amounts you owe will be payable upon demand, together with any late fee imposed pursuant to §13.4. We may also impose a \$50 NSF fee for each instance where either: (a) there are insufficient funds in your Account to cover amounts owed when due; or (b) a check you issue to us is returned due to insufficient funds.
- 13.6. CPI Adjustments.** We reserve the right to periodically adjust all fees (including minimum fees) expressed as a fixed dollar amount based on changes to the Consumer Price Index in the United States (CPI). We may periodically review and increase these fees based on CPI changes, but only if the then-current CPI (“Current CPI”) is more than 5% higher than the corresponding CPI in effect on: (a) the Effective Date of this Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments) (“Baseline CPI”). The adjusted fee shall be calculated by multiplying the current fee by a fraction: (a) the numerator of which is an amount calculated as the product of (i) 100 and (ii) the difference of Current CPI minus Baseline CPI; and (b) the denominator of which is Baseline CPI. We may utilize any CPI index series published by the U.S. Department of Labor or any comparable Governmental Authority that we deem appropriate. We currently use the following index: All Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average (1982-84 = 100), “All Items”. We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We may implement no more than one (1) fee adjustment during any five (5) year period. If we decline to exercise our right to increase the fees in a given five (5) year period despite a 5% or greater CPI increase, that potential fee increase will accumulate and may be carried forward and applied in connection with a subsequent fee adjustment.

#### **14. BRAND PROTECTION COVENANTS.**

- 14.1. Reason for Covenants.** The Intellectual Property, training and assistance we provide would not be

acquired except through implementation of this Agreement. You agree that competition by you, the Owners or Persons associated with you or the Owners (including family members) could seriously jeopardize our franchise system because you and the Owners received an advantage through knowledge of our day-to-day operations and Know-how. You and the Owners agree to comply with the covenants in §14 to protect the Intellectual Property and our franchise system.

- 14.2. Intellectual Property and Confidential Information.** You and the Owners agree to: (a) refrain from using any Intellectual Property or Confidential Information in any business or for any purpose other than the operation of your Madabolic Business pursuant to this Agreement; (b) maintain the confidentiality of all Confidential Information at all times; (c) refrain from making unauthorized copies of documents containing Confidential Information; (d) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (e) stop using the Intellectual Property and Confidential Information immediately upon the expiration, termination or Transfer of this Agreement (and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement must stop using the Intellectual Property and Confidential Information immediately at the time he or she ceases to be an Owner).
- 14.3. Unfair Competition.** You and the Owners may not engage in any Prohibited Activities during the Term or Post-Term Restricted Period. Notwithstanding the foregoing, you and the Owners may have an interest in a Competing Business during the Post-Term Restricted Period as long as the Competing Business is not located within, and does not provide competitive goods or services to customers who are located within, the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competing Business permitted by this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.
- 14.4. Family Members.** Because (a) an Owner could circumvent the intent of §14 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild) and (b) it would be difficult for us to prove whether the Owner disclosed Confidential Information to the family member, each Owner agrees that he or she will be presumed to have violated the terms of §14 if any member of his or her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses or discloses Confidential Information. However, the Owner may rebut this presumption with evidence conclusively showing he or she did not disclose Confidential Information to the family member.
- 14.5. Employees.** You must ensure all employees, officers, directors, partners, members, independent contractors and other Persons associated with you or your Madabolic Business sign and send us a Confidentiality Agreement before they are given access to any Confidential Information. Any Person who signs a Brand Protection Agreement need not sign a Confidentiality Agreement. You must: (a) use best efforts to ensure these individuals comply with the Brand Protection Agreements and Confidentiality Agreements, as applicable; (b) immediately notify us of any breach that comes to your attention; and (c) reimburse us for all expenses we incur to enforce a Brand Protection Agreement or Confidentiality Agreement, including attorneys' fees and court costs.
- 14.6. Covenants Reasonable.** You and the Owners agree that: (a) the covenants in §14 are reasonable both in duration and geographic scope; (b) our use and enforcement of similar covenants with respect to other franchisees benefits you and the Owners by preventing others from unfairly competing with your Madabolic Business; and (c) you and the Owners have sufficient resources, business experience and opportunities to earn an adequate living while complying with the covenants in §14.
- 14.7. Breach of Covenants.** You and the Owners agree that: (a) any failure to comply with §14 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at Law; and (b) we are entitled to injunctive relief if you or an Owner breaches §14, together with any other relief available at equity or Law. We will notify you if we intend to

seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at Law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

## 15. YOUR OTHER RESPONSIBILITIES

**15.1. Insurance.** For your protection and ours, you agree to maintain the following insurance policies:

- (i) “all risk” property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Madabolic Business, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost;
- (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Madabolic Business, containing minimum liability protection of \$1,000,000 combined single limit per occurrence and \$2,000,000 in the aggregate;
- (iii) professional liability insurance, containing minimum liability protection of \$1,000,000;
- (iv) business interruption insurance providing coverage for 100% of all expenses and financial obligations for a minimum period of six (6) months, including fees owed to us, which shall be deemed to include average monthly royalty fees and brand fund fees imposed during the 12-month period preceding the event triggering coverage under the insurance policy;
- (v) worker’s compensation insurance and employer’s liability insurance as required by Law;
- (vi) any insurance required under your lease or by Law; and
- (vii) any other insurance we specify in the Manual from time to time.

We also recommend, but do not currently require, that you obtain the following insurance policies:

- (i) theft and dishonesty insurance containing minimum liability protection of \$10,000 combined single limit per occurrence;
- (ii) products liability insurance containing minimum liability protection of \$1,000,000 combined single limit per occurrence and \$2,000,000 in the aggregate;
- (iii) automobile liability and property damage insurance covering all loss, liability, claim or expense of any kind whatsoever resulting from the use, operation, or maintenance of any automobiles or motor vehicles, owned, leased or used by you or your officers, directors, employees, partners or agents in the operation of your Madabolic Business, containing minimum liability protection of \$500,000 combined single limit per occurrence;

You must provide us with proof of coverage: (a) prior to opening; (b) within 10 days after the renewal of a policy; and (c) at any other time on demand. You must obtain these policies from licensed insurance carriers rated A or better by Alfred M. Best & Company, Inc. Each policy must be endorsed to: (a) name us and our members, officers, directors, and employees as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive at least 30 days’ prior written notice of the termination, expiration, cancellation or modification of the policy. If any policy fails to meet these criteria, we may disapprove the policy and you must immediately secure a new policy meeting our criteria. Upon 10 days’ notice, we may increase the minimum liability coverage amount of any policy and/or require different or additional types of insurance, including excess liability (umbrella) insurance, due to inflation, special risks, changes in Law or standards of liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain a required policy, we may, at our option,



obtain the policy on your behalf. If we do so, you must promptly sign any application or other form required to obtain the policy and reimburse us for all premiums and other costs we incur.

**15.2. Books and Records.** You must prepare complete and accurate books, records, accounts and tax returns pertaining to your Business and keep copies for at least five (5) years after their preparation. You must maintain, and send to us upon request, a written list of all of your Members. You must send us copies of your books and records within seven (7) days of our request. You must provide us with independent access to your QuickBooks Online account (or any other accounting program that you use) with permission to read all reports.

**15.3. Reports.**

- (a) Generally. You must prepare all reports we require including, without limitation, the reports described below. Reports must be prepared in the form and manner we specify. You must send us a copy of any report we require upon request. We also have the right to independently access your Technology Systems to retrieve and compile Business Data and generate any reports we deem appropriate, including Gross Sales reports.
- (b) Report of Initial Investment Costs. To assist us in updating our Franchise Disclosure Document, you must complete and send us a report, in the form we designate, listing all expenses you incur in connection with the development and opening of your Madabolic Business. You must send us the completed report within 60 days after the opening date of your Madabolic Business.
- (c) Gross Sales Reports. No later than each royalty payment due date, you must prepare and send us a monthly statement of your Gross Sales for the prior month. If you miscalculate Gross Sales, you must notify us of the error no later than the end of the next Gross Sales reporting period. Otherwise, you will not be entitled to any refund or credit of any fees paid to us based on previously reported Gross Sales. We may waive your obligation to provide monthly Gross Sales reports at any time that we can independently generate the reports through your point-of-sale system.
- (d) Advertising Expenditure Reports. No later than the 20<sup>th</sup> day of each month, you must prepare and send us a monthly report detailing your expenditures incurred during the prior month on local advertising required by §10.3(b). All advertising expenditure reports must include copies of receipts for the reported expenditures.

**15.4. Financial Statements.** No later than the 20<sup>th</sup> day of each month, you must prepare and send us a monthly balance sheet and profit and loss statement for your Business for the prior month. Within 90 days after the end of each calendar year, you must prepare and send us a balance sheet (as of the end of the calendar year) and profit and loss statement for the prior calendar year. Financial statements must be: (a) verified and signed by you certifying to us that the information is true, complete, and accurate; (b) prepared on an accrual basis in compliance with Generally Accepted Accounting Principles; and (c) submitted in any format we reasonably require. We may require that your financial statements be reviewed or audited by a certified public accountant if you submit materially inaccurate financial statements on a prior occasion. You must send us a copy of any financial statement required by this Section upon request. You hereby authorize us to disclose Operational Data to prospective franchisees, Governmental Authorities and other Persons for any reasonable business purpose, provided the disclosure is not prohibited by applicable Law.

**15.5. Legal Compliance.** You must: (a) secure and maintain all required licenses, permits and regulatory approvals; (b) operate your Business in compliance with all applicable Laws; (c) notify us in writing within two (2) business days after you become aware of any Claim, or any order, demand or disciplinary action issued by a Governmental Authority, that may adversely affect the operation of your Business; and (d) immediately send us a copy of any inspection report or other communication from a Governmental Authority alleging violation of a health or safety Law.

**15.6. Ownership and Protection of Data.** We are the exclusive owner of: (a) all Business Data collected by you, us or any other Person; and (b) Member accounts, contracts and relationships. We hereby grant you a license to utilize the Business Data and Member accounts solely for purposes of operating your Madabolic Business in compliance with this Agreement. You must protect all Member Data with a level of control proportionate to the sensitivity of data. You must adhere to applicable privacy Laws with respect to data which, if compromised, could have a negative impact on our image or consumer confidence. You must comply with all applicable data protection Laws and our data processing and data privacy policies in the Manual (if any). Upon our request, you must sign any data processing or data privacy agreement required by us or by Law. You further agree to: (a) obtain, maintain and adhere to all applicable compliance standards established by PCI-DSS; (b) establish appropriate administrative, technical and physical controls consistent with Law and PCI-DSS to preserve the security and confidentiality of any credit card information, in any form whatsoever, that you store, process, transmit or come in contact with; (c) promptly notify us if you suspect there is, or has been, a security breach or potential compromise of any such credit card information; (d) provide us with updates regarding the status of PCI-DSS, which update may be through a completed PCI AOC (Attestation of Compliance), PCI-DSS SAQ (Self-Assessment Questionnaire) or other method mutually agreed; and (e) promptly notify us of any noncompliance with PCI-DSS requirements to discuss your remediation efforts and timeline.

## **16. INSPECTION AND AUDIT**

**16.1. Inspections.** For quality control purposes and to ensure compliance with this Agreement, we (or our representative) may enter your Facility, evaluate your operations and inspect your books, records, accounts and tax returns. We will determine the scope of the inspection, which may include, among other things:

- (i) evaluating the physical condition of your Facility for cleanliness, sanitation and state of repair;
- (ii) examining and copying your books, records, accounts and tax returns;
- (iii) inspecting and testing your equipment;
- (iv) watching or participating in group fitness classes conducted at your Facility;
- (v) monitoring and speaking with your staff; and
- (vi) contacting your landlord and Members.

We may conduct inspections at any time without prior notice. During the inspection, we (or our representative) will use reasonable efforts to minimize any interference with the operation of your Madabolic Business. You and your employees must cooperate and not interfere with the inspection. You consent to us accessing your Technology Systems and retrieving any Business Data we deem appropriate. You must reimburse us for all Travel Expenses and other costs we incur to conduct an inspection to determine if you remedied a: (a) health or safety issue identified by a Governmental Authority; or (b) breach of system standards we bring to your attention. We bear the cost of all other inspections.

**16.2. Audit.** We may audit your books and records at any time. You must fully cooperate with us and any Person we hire to conduct the audit. If an audit reveals an understatement of Gross Sales, you must immediately pay us all additional fees you owe together with any late fee imposed pursuant to §13.4. You must reimburse us for the cost of any audit (including reasonable accounting and attorneys' fees and Travel Expenses incurred by us or the auditor) that: (a) is required due to your failure to provide information we request, preserve records or file reports as required by this Agreement; or (b) reveals an understatement of Gross Sales by at least 3%. We bear the cost of all other audits. We shall not be deemed to have waived our right to terminate this Agreement by accepting reimbursement of our audit costs.

## 17. INTELLECTUAL PROPERTY

- 17.1. Ownership and Use.** You acknowledge that: (a) we are (or our affiliate is) the exclusive owner of the Intellectual Property and the associated goodwill; (b) your right to use the Intellectual Property is derived solely from this Agreement; and (c) your right to use the Intellectual Property is limited to a license to operate your Madabolic Business during the Term pursuant to, and only in compliance with, this Agreement and the Manual. You may not use the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You must comply with all provisions in the Manual governing use of the Intellectual Property. You will not acquire any goodwill, title or interest in or to the Intellectual Property.
- 17.2. Changes to Intellectual Property.** We may change the Intellectual Property at any time in our sole discretion, including by changing the Copyrighted Materials, Know-how, Marks and/or System. You must, at your expense, implement all Intellectual Property changes we require in accordance with our instructions. We are not liable for any expenses, losses or damages you incur (including the loss of any goodwill associated with a Mark) as a result of any change to the Intellectual Property.
- 17.3. Use of Marks.** You agree to: (a) use the Marks as the sole identification of your Madabolic Business; *provided, however,* that you must identify yourself as the independent owner of your Madabolic Business in the manner we prescribe; (b) prominently display the Marks in the manner we prescribe on or in connection with any advertising, promotional materials, displays, receipts, stationery and forms we designate to give notice of trademark and service mark registrations and copyrights; and (c) obtain any fictitious or assumed name registrations required by applicable Law. You may not: (a) use the Marks in any modified form or as part of a corporate or trade name or with any prefix, suffix, or other modifying words, designs or symbols (other than logos we license to you); (b) use the Marks when signing a contract, lease, check or other agreement or in any other manner that may cause confusion or imply we are liable for your obligations; (c) register or attempt to register any Marks, or any other trademarks confusingly similar to the Marks, with any Governmental Authority; or (d) challenge or contest the validity or ownership of our Marks.
- 17.4. Use of Know-how.** We disclose our proprietary Know-how to you during training programs, in the Manual and through other guidance furnished during the Term. You do not acquire any interest in the Know-how other than the right to utilize it, during the Term, solely for purposes of developing and operating your Madabolic Business in compliance with this Agreement and the Manual.
- 17.5. Improvements.** If you, an Owner or your employee conceives of or develops an Improvement, you must send us a written notice describing the Improvement. You must obtain our approval prior to using any such Improvement. Any Improvement we approve may be used by us and any third parties we authorize to operate a Madabolic Business, without any obligation to pay royalties or other fees to you or any other Person. You or your Owner or employee, as applicable, must assign to us or our designee, without charge, all rights to the Improvement, including the right to grant sublicenses. In return, we will authorize you to use Improvements developed by other Persons that we approve for use in connection with the operation of a Madabolic Business.
- 17.6. IP Disputes.** You must immediately notify us of any IP Dispute. You may not communicate with any Person other than us and our counsel in connection with any IP Dispute. We have sole discretion in deciding what action, if any, to take in response to the IP Dispute. We may exclusively control any litigation or other proceeding relating to the IP Dispute. You must execute all documents, render all assistance, and perform all acts that are, in our counsel's opinion, necessary or advisable to protect or maintain our interest in the litigation or proceeding and/or protect the Intellectual Property.

- 18. INDEMNITY.** You agree to indemnify the Indemnified Parties and hold them harmless for, from and

against any and all Losses and Expenses they incur as a result of or in connection with:

- (i) the marketing, use or operation of your Madabolic Business;
- (ii) the breach of a Definitive Agreement committed by you or your Owners or affiliates;
- (iii) the breach of an agreement with a third party committed by you or your Owners or affiliates;
- (iv) any Claim relating to taxes or penalties a Governmental Authority assesses against us as a direct result of your failure to pay or perform functions required of you under this Agreement;
- (v) libel, slander or disparaging comments made by you or your Owners, officers, employees or independent contractors regarding the System, a Madabolic Business or an Indemnified Party;
- (vi) any labor, employment or similar type of Claim pertaining to your employees (including Claims alleging we are a joint employer of your employees) or our relationship with you or your Owners (including Claims alleging we are an employer of you and/or any of your Owners); or
- (vii) any actions, investigations, rulings or proceedings conducted by any Governmental Authority (including the United States Department of Labor, Equal Employment Opportunity Commission or National Labor Relations Board) relating to your employees.

You and your Owners must immediately notify us of any Claim or proceeding described above. The Indemnified Parties shall have the right, in their sole discretion, to: (a) retain counsel of their choosing to represent them with respect to any Claim; and (b) control the response thereto and the defense thereof, including the right to enter into an agreement to settle the Claim. You may participate in such defense at your expense. You must fully cooperate and assist the Indemnified Parties with the defense of the Claim. You must reimburse the Indemnified Parties for all of their costs and expenses in defending the Claim, including, without limitation, Travel Expenses incurred by attorneys or expert witnesses to attend mediation, arbitration or legal or administrative proceedings or hearings relating to the matter.

## 19. TRANSFERS

**19.1. By Us.** This Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for any obligations incurred by us prior to the effective date of the assignment. We may also delegate our obligations under this Agreement to one or more Persons without assigning the Agreement.

**19.2. By You.** The rights and duties created by this Agreement are personal to you and the Owners. We are granting you franchise rights in reliance upon the character, skill, attitude, business ability and financial resources of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in a Transfer (other than a Permitted Transfer) without our prior approval. Any Transfer (other than a Permitted Transfer) without our approval is void and constitutes a breach of this Agreement. We will not unreasonably withhold approval if all of the following conditions are satisfied:

- (i) we believe the proposed transferee has sufficient business experience, aptitude and financial resources to own and operate a Madabolic Business and meets our minimum criteria for franchisees;
- (ii) you and your affiliates and Owners are in full compliance with all Definitive Agreements;
- (iii) the transferee's owners successfully complete, or make arrangements to attend, the initial training program and the transferee pays us any applicable training fee;
- (iv) your landlord consents to the assignment of your lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Site Selection Area;
- (v) the transferee and its owners obtain all licenses and permits required by applicable Law to

own and operate the Madabolic Business;

- (vi) the transferee: (a) agrees to discharge and guarantee your obligations under this Agreement and any other agreement relating to the Business (including Member contracts and supplier contracts); and (b) signs any agreement we require to confirm the foregoing;
- (vii) the transferee and its owners sign our then-current form of franchise agreement (unless we instruct you to assign this Agreement to the transferee) except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; and (b) the transferee need not pay a separate initial franchise fee;
- (viii) the transferee agrees to remodel the Facility and upgrade all furniture, fixtures and equipment to conform to our then-current standards and specifications (these changes must be completed within 12 months after the Transfer or such shorter period of time we specify);
- (ix) you or the transferee pay us a \$10,000 transfer fee to defray expenses we incur related to the Transfer (if the transferee is found by a broker we engage, you must also reimburse us for all commissions we pay the broker, which amount shall be in addition to the transfer fee);
- (x) you and your Owners sign a General Release;
- (xi) you agree to subordinate the transferee's financial obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement (we may require you to enter into a written subordination agreement);
- (xii) we choose not to exercise our right of first refusal described in §19.5; and
- (xiii) you or the transferring Owner, as applicable, and the transferee satisfy all other conditions we reasonably require as a condition to approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any Claims we have against the transferor or our right to demand the transferee comply with all terms of the franchise agreement.

**19.3. Permitted Transfers.** You may engage in a Permitted Transfer without our prior approval, but you must: (a) give us at least 10 days' prior written notice; and (b) upon our request, cause any Entity that was the Franchisee Entity immediately prior to the Permitted Transfer to sign a corporate guarantee in the format we require to secure performance of the new Franchisee Entity's financial obligations under all Definitive Agreements. You and the Owners (and the transferee) must sign all documents we reasonably request to effectuate and document the Permitted Transfer.

**19.4. Owner Death or Disability.** Within 180 days after the death or permanent disability of an Owner, the Owner's ownership interest must be assigned to another Owner or to a third party we approve. Any assignment to a third party will be subject to all terms and conditions of §19.2 unless the assignment qualifies as a Permitted Transfer. An Owner is deemed to have a "permanent disability" only if he/she has a medical or mental problem preventing him/her from substantially complying with his/her obligations under this Agreement or operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.

**19.5. Our Right of First Refusal.** If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain and send us a bona-fide offer executed by the purchaser after completion of due diligence. We have 30 days after receiving the offer to decide whether to purchase the interest for the same price and upon the same terms contained in the offer, except we may substitute cash for any non-cash form of payment proposed in the offer. If we notify you within the 30-day period that we intend to purchase the interest, you or the Owner, as applicable, must sell the interest to us. We will have an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you (as the seller of the assets) or the Owner (as the seller of the ownership interest) or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of

first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to the terms of the offer, subject to the requirements of §19.2, including our approval of the transferee. However, if the sale is not completed within 120 days after delivery of the offer to us, or there is a material change to the terms of sale, we will again have the right of first refusal specified in this Section. Our right of first refusal shall not apply to a Permitted Transfer.

## 20. TERMINATION

- 20.1. By You.** You may terminate this Agreement if we commit a material breach and fail to cure within 90 days after receipt of a default notice specifying the nature of the breach. If you terminate pursuant to §20.1, you must still comply with your post-term obligations described in §21 (other than payment of liquidated damages) and all other obligations that survive the termination of this Agreement.
- 20.2. By Us.** We may terminate this Agreement, effective upon delivery of a written notice of termination to you, for any of the following reasons, all of which constitute material events of default and “good cause” for termination, and without opportunity to cure except for any cure period expressly set forth below:
- (i) if you become insolvent by reason of your inability to pay your debts as they become due;
  - (ii) if you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any Law, or you are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
  - (iii) if your Madabolic Business, or a substantial portion of the assets associated with your Madabolic Business, are seized, taken over or foreclosed by a Government Official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor;
  - (iv) if a final judgment against you remains unsatisfied for 30 days unless a supersedes or other appeal bond has been filed;
  - (v) if a levy of execution has been made upon the license granted by this Agreement or any property used in your Business and is not discharged within five (5) days of the levy;
  - (vi) if the Managing Owner fails to satisfactorily complete initial training as required by §5.1;
  - (vii) if you fail to obtain our approval of your site within the time period required by §7.1;
  - (viii) if you fail to secure a fully executed lease and Lease Addendum within the time period required by §7.2;
  - (ix) if you fail to open your Madabolic Business within the time period required by §7.4;
  - (x) if you abandon or fail to operate your Madabolic Business for three (3) consecutive business days, unless the failure is due to Force Majeure (in which case §24.6 governs) or another reason we approve;
  - (xi) if a Governmental Authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Madabolic Business even if you or the Owner have appeal rights;
  - (xii) if you or an Owner (a) is convicted of or pleads no contest to a felony or other material crime, (b) is subject to a material administrative disciplinary action or (c) fails to comply with a material Law applicable to your Madabolic Business;
  - (xiii) if you or an Owner commits an act that can reasonably be expected to materially and adversely affect the reputation of the System or the goodwill associated with the Marks;

- (xiv) if you manage or operate your Madabolic Business in a manner that presents a health or safety hazard to your Members, employees or the public;
- (xv) if you or an Owner makes any material misrepresentation to us, whether occurring before or after being granted the franchise;
- (xvi) if you fail to pay any amount owed to us, our affiliate or an approved or designated supplier within 10 days after demand for payment;
- (xvii) if you underreport Gross Sales by at least 3% on two (2) or more occasions;
- (xviii) if you make an unauthorized Transfer;
- (xix) if you use the Intellectual Property in an unauthorized manner;
- (xx) if you breach any brand protection covenants described in §14;
- (xxi) if you or an Owner breaches any representations in §23.4;
- (xxii) if an Owner or the spouse of an Owner breaches a Franchise Owner Agreement;
- (xxiii) if the lease for your premises is terminated due to your default;
- (xxiv) if we send you three (3) or more valid default notices within any 12-month period, regardless of whether you cure the defaults;
- (xxv) if we or our affiliate terminates a Definitive Agreement due to a default by you or your affiliate; or
- (xxvi) if you or an Owner breaches any other provision of this Agreement (including any mandatory provision in the Manual) and fails to cure the breach within 30 days after receipt of a default notice from us.

If we send you a default notice pursuant to §20.2 we may cease to perform our obligations under this Agreement until you cure the breach.

**20.3. Mutual Agreement to Terminate.** You and we may mutually agree in writing to terminate this Agreement, in which case you and we are deemed to have waived any required notice period.

## **21. POST-TERM OBLIGATIONS.**

**21.1. Obligations of You and the Owners.** After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

- (i) immediately cease use of the Intellectual Property;
- (ii) pay us all amounts you owe including, if applicable, liquidated damages pursuant to §21.3;
- (iii) comply with all covenants in §14 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;
- (iv) comply with our instructions to return or destroy all copies of the Manual and Copyrighted Materials and all signs, brochures, window vinyl, advertising and promotional materials, forms and other materials bearing the Marks or containing Confidential Information;
- (v) comply with our data retention policies pertaining to the Business Data;
- (vi) cancel all fictitious or assumed name registrations relating to your use of the Marks;
- (vii) provide us with a list of your current, former and prospective Members;
- (viii) transfer all Member data, accounts, contracts and relationships to us or our designee (you may not use any Member data, accounts, contracts or relationships for any purpose after the

expiration or termination of this Agreement);

- (ix) alter the interior and exterior of the premises to the extent necessary, or to the extent we require, to prevent any further resemblance to or connection with a Madabolic Business or our System, including, without limitation, repainting the exterior and interior with new colors and removing trade dress, fixtures and décor items associated with a Madabolic Business as well as exterior and interior signage (including window decals);
- (x) notify all telephone, listing and domain name registration companies of the termination or expiration of your right to use: (a) any telephone numbers and/or domain names associated with your Madabolic Business; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the foregoing companies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct these companies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and
- (xi) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

Subsections (iv), (viii), (ix) and (x) above shall not apply if you Transfer your Madabolic Business to an approved transferee or we exercise our right to purchase your Madabolic Business.

## **21.2. Purchase Option.**

- (a) Generally. Upon the termination or expiration of this Agreement we have the option to purchase your Madabolic Business and/or its assets. If we choose to exercise our purchase option, we will notify you of the assets we wish to purchase (the “Acquired Assets”) within 20 days after the termination or expiration date. If we exercise our purchase option, we may require that you assign your lease to us at no additional charge. The purchase price for the Acquired Assets will be: (i) the purchase price established by the parties (if mutually agreed upon); or (ii) the Appraised Value established in accordance with §21.2(b) below. We may, at our option, assign our purchase option to a designee of our choosing.
- (b) Appraisal Process. If the parties cannot agree on the purchase price, the purchase price shall be the Appraised Value established in accordance with this Section. “Appraised Value” means the fair market value of the Acquired Assets as of the date this Agreement is terminated or expires, as applicable; *provided, however*, that fair market value shall not include any value for goodwill and/or the franchise rights granted by this Agreement. The parties shall attempt to mutually agree upon a single independent appraiser. If they fail to do so, either party may demand the appointment of three (3) appraisers in accordance with the following: (i) no later than 15 days after the party demands the appointment of three (3) appraisers, each party shall appoint one (1) appraiser and notify the other party of appointed appraiser’s name and contact information; and (ii) no later than 30 days after the party demands the appointment of three (3) appraisers, the two (2) appraisers appointed by the parties will jointly appoint a third (3<sup>rd</sup>) appraiser. If either party fails to appoint an appraiser within the 15-day period, then the appraiser appointed by the other party shall be deemed the single appraiser approved by the parties. You must promptly provide any documents or information requested by the appraisers. If a single appraiser is appointed, the purchase price shall be the Appraised Value established by the appraiser. If three (3) appraisers are appointed, the purchase price shall be: (i) the Appraised Value agreed upon by at least two (2) of the appraisers; or (ii) the average of the two (2) Appraised Values that are closest to each other if none of the appraisers agreed upon the Appraised Value. Each party shall promptly pay 50% of the cost of the appraisal.
- (c) Closing. The parties shall memorialize the acquisition by executing an Asset Purchase Agreement, in a form reasonably prescribed by us. You agree to provide us with all customary representations and warranties given by you, as the seller of the Acquired Assets.



At closing: (i) you must transfer good and clean title to the Acquired Assets, subject to any exceptions set forth in the Asset Purchase Agreement; and (ii) we must pay you the purchase price. We may deduct from the purchase price: (a) any amounts you owe to us or to our affiliates under any Definitive Agreements including, if applicable, liquidated damages imposed under this Agreement; and (b) the amount of any liabilities we assume on your behalf, including future rent.

**21.3. Liquidated Damages.** You must pay us liquidated damages if either: (a) we terminate this Agreement due to your default; or (b) you terminate this Agreement without cause or in any manner other than as permitted by §20.1 or §20.3. Liquidated damages shall be calculated as the product of Average Monthly Fees multiplied by the lesser of (a) 24 or (b) the total number of full months remaining under the Term as of the termination effective date. Average Monthly Fees is determined as the combined average monthly royalty fee and brand fund fee (without regard to any fee waivers or other reductions, and regardless of collection) imposed by this Agreement during the 12-month period preceding the termination date (or during the period of time you operated the Business if less than 12 months). Liquidated damages are due 30 days after we send you an invoice detailing our calculation of liquidated damages. Liquidated damages are in addition to and not in lieu of: (a) any fees or other amounts incurred by you prior to the termination of this Agreement, all of which must be paid by you in accordance with the terms of this Agreement; or (b) any damages we or our affiliate incur as a result of your breach of this Agreement; *provided, however*, that we may not pursue a claim against you for recovery of lost future profits if you pay us all liquidated damages owed when due. The parties agree the amount of liquidated damages set forth in this Section is in proportion to, and is necessary to protect, our legitimate interests, including: (a) encouraging our franchisees to commit to the 10-year franchise relationship in which both parties have already invested time and expense to develop; (b) the time and expense we will incur to recruit a new franchisee to acquire franchise rights to the Territory; (c) the time and expense we will incur to ensure your timely and orderly departure from our franchise network; (d) protecting the reputation and goodwill associated with our Marks; and (e) partially compensating us for our financial loss caused by your breach and the early termination of this Agreement. If this liquidated damages clause is determined to be unenforceable under applicable Law, then we will be limited to pursuing actual damages we incur as a result of your default or improper termination.

## **22. DISPUTE RESOLUTION.**

**22.1. Negotiation and Mediation.** Except as otherwise provided below with respect to Excluded Claims, the parties shall attempt in good faith to resolve any Dispute through informal discussions and negotiations. If these efforts are unsuccessful, the parties agree to submit the Dispute to mediation before a mutually-agreeable mediator prior to litigation. All negotiations and mediation proceedings (including all discovery conducted therein and statements and settlement offers made by either party or the mediator in connection with the mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. Any Dispute involving claims alleging a breach of §14 and/or §17 (referred to as “Excluded Claims”) will not be subject to mediation unless otherwise agreed to by both parties.

**22.2. Litigation.** If either (a) a Dispute is not successfully resolved by mediation within 60 days after either party makes a demand for mediation or (b) the Dispute involves an Excluded Claim, then either party may file a lawsuit in any state or federal court of general jurisdiction in accordance with the choice of venue provision set forth below. The parties hereby express their clear and unequivocal intent that a court, rather than a mediator, shall have exclusive jurisdiction to decide the threshold issue of whether a Dispute involves an alleged Excluded Claim (i.e., whether there are any claims alleging a breach of §14 and/or §17).

- 22.3. **Venue.** All mediation and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, Mecklenburg County, North Carolina). The parties irrevocably waive any objection to such venue and, with respect to litigation proceedings, submit to the jurisdiction of such courts.
- 22.4. **Attorney's Fees and Costs.** If either party must enforce this Agreement in a judicial proceeding, the substantially prevailing party is entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you or an Owner breaches any term of a Definitive Agreement, you must reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to commencement of formal dispute resolution proceedings.
- 22.5. **Waivers.** UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF §14 OR §17) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (a) TRIAL BY JURY; AND (b) THE RIGHT TO LITIGATE ON A CLASS ACTION BASIS IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY A PARTY.

### 23. REPRESENTATIONS.

- 23.1. **Corporate Representations.** You and the Owners jointly and severally represent and warrant to us that the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not: (a) conflict with, breach or constitute a default under any other agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate's) assets may be bound; (b) violate any order, writ, injunction, decree, judgment or ruling of any Governmental Authority; or (c) violate any applicable Law. If the franchisee is an Entity, you and the Owners also jointly and severally represent and warrant to us that: (a) the Franchisee Entity is duly organized, validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and perform each of its obligations hereunder; and (b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement shall constitute the legal, valid and binding obligation of the Franchisee Entity and shall be enforceable against the Franchisee Entity in accordance with its terms.
- 23.2. **Franchise Compliance Representations.** You and the Owners jointly and severally represent and warrant to us that you received: (a) an exact copy of this Agreement and its attachments, with all material terms filled in, at least seven (7) calendar days before you signed this Agreement; and (b) our Franchise Disclosure Document at the earlier of (i) 14 calendar days before you signed a binding agreement or paid any money to us or our affiliates in connection with this franchise or (ii) such earlier time in the sales process that you requested a copy.
- 23.3. **General Representations.** You and the Owners jointly and severally represent and warrant to us that you and the Owners are aware that: (a) other franchisees may operate under different forms of agreement and our obligations and rights with respect to franchisees differs materially in certain circumstances; and (b) we may negotiate terms or offer concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions.
- 23.4. **Anti-Terrorism Compliance.** You and the Owners jointly and severally represent and warrant to us that, to the best of your and their knowledge: (a) no property or interest owned by you or any Owner is subject to being "blocked" under any Anti-Terrorism Law; (b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of any Equity Interest in you) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name (or alias, pseudonym or

nickname) or address on any Terrorist List, including on the list of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at [www.home.treasury.gov](http://www.home.treasury.gov)); and (c) you and the Owners are in compliance with, and shall continue to comply with, the Anti-Terrorism Law and all other Laws (either currently in effect or enacted in the future) prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government that are in effect within the United States of America. The foregoing representations and warranties are ‘continuing’ representations and warranties for the duration of the franchise relationship. Accordingly, you agree to notify us immediately in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

## 24. GENERAL PROVISIONS

- 24.1. Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship are governed by the Laws of the State of North Carolina without reference to its principles of conflicts of law, but any Law of the State of North Carolina that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.
- 24.2. Relationship of the Parties.** Nothing in this Agreement creates a fiduciary relationship between the parties or is intended to make either party a general or special agent, legal representative, joint venture, partner, employee or servant of the other for any purpose. Throughout the Term you must, in all dealings with third parties, conspicuously identify yourself as a franchisee and the independent owner of your Madabolic Business. We may require that you display a written notice of independent ownership, in the form we prescribe, at any location within your Facility that we specify. You must also include a written indication of independent ownership on all agreements, forms, letterhead, advertising materials, business cards and other materials that we specify. Neither party may: (a) make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other; or (b) represent that our relationship is other than franchisor and franchisee. In addition, neither party will be obligated by any agreements or representations made by the other that are not expressly authorized by this Agreement.
- 24.3. Severability and Substitution.** Each section of this Agreement (and each portion thereof) shall be severable. If applicable Law imposes mandatory non-waivable terms that conflict with a provision of this Agreement, the terms required by such Law shall govern to the extent of the inconsistency. If a court concludes that any promise or covenant in this Agreement is unreasonable or unenforceable: (a) the court may modify such promise or covenant to the minimum extent necessary to make it enforceable; or (b) we may unilaterally modify such promise or covenant to the minimum extent necessary to make it enforceable.
- 24.4. Waivers.** Each party may waive any obligation imposed on the other party in writing. Neither party shall be deemed to have waived or impaired any of its contractual rights under this Agreement, including the right to require strict compliance with all terms of this Agreement or terminate this Agreement due to the other party’s failure to comply with such terms, by virtue of: (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect by either party to exercise any right under this Agreement or require the other party to strictly comply with its obligations under this Agreement; (c) our waiver, failure or refusal to exercise any of our rights with respect to other franchisees; or (d) our acceptance of payments from you after your breach.
- 24.5. Approvals.** Whenever this Agreement requires our approval, you must make a timely written request for approval. Our approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request.

- 24.6. Force Majeure.** Neither party shall be liable for loss or damage or deemed to be in breach of this Agreement if such party's failure to perform its obligations results from an event of Force Majeure; *provided, however,* that an event of Force Majeure shall not excuse or permit any failure to perform for more than 180 days. If the period of non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement by giving written notice of termination to the other party.
- 24.7. Binding Effect.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any Person not a party to this Agreement; *provided, however,* that the additional insureds listed in §15.1 and the Indemnified Parties are intended third-party beneficiaries under this Agreement with respect to §15.1 and §18, respectively.
- 24.8. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY §11.2 AND §24.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. In addition, our issuance of the Site Approval Notice attached hereto as ATTACHMENT "B" shall be deemed to amend this Agreement to identify the approved site and Territory for your Madabolic Business, regardless of whether you countersign and/or return the Site Approval Notice. Any email or other informal electronic communication shall not be deemed to modify this Agreement unless it is signed by both parties and specifically states it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) 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.
- 24.9. Good Faith Covenant.** If applicable Law implies into this Agreement a covenant of good faith and fair dealing, the covenant shall not imply any rights or obligations inconsistent with the express terms hereof. This Agreement, and the relationship of the parties inherent in this Agreement, grants us discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests. We will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees, but without considering the individual interests of you or any other franchisee.
- 24.10. Rights of Parties are Cumulative.** The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by Law.
- 24.11. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement, or the Transfer of an ownership interest in the Madabolic Business or Franchisee Entity, shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, §13, §14, §16, §18, §21, §22 and §24.
- 24.12. Construction.** The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections

contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more Persons, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

**24.13. Time of Essence.** Time is of the essence in this Agreement and every term thereof.

**24.14. Notice.** All notices given under this Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first class mail, to the following addresses (which may be changed upon 10 business days’ prior written notice):

YOU:	As set forth in Part A of <u>ATTACHMENT "A"</u>
US:	Madabolic Franchise System, LLC 2610 South Blvd. Charlotte, North Carolina 28209 Attention: President Email: Operations@MADabolic.com

Notice shall be considered given on: (a) the date delivered by hand or sent by email or comparable electronic system (including any notice that is also sent by mail); or (b) three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

**24.15. Counterparts.** This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

[Signature Page Follows]

The parties below have executed this Agreement effective as of the Effective Date first above written.

**FRANCHISOR:**

Madabolic Franchise System, LLC, A Delaware limited liability company

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

**YOU (If you are an Entity):**

\_\_\_\_\_,  
a(n) \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**YOU (If you are not an Entity):**

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

**ATTACHMENT "A"**  
**TO FRANCHISE AGREEMENT**  
**DEAL TERMS**

**A. Franchisee Details**

Name of Franchisee: [ \_\_\_\_\_ ]

Is the franchisee one or more natural Persons signing in their individual capacity? **Yes:** \_\_\_\_ **No:** \_\_\_\_

Type of Entity and State of Formation\* (if applicable): [ \_\_\_\_\_ ]

*\* If the franchisee is a business Entity, each Person holding a direct or indirect Equity Interest in the Franchisee Entity, and spouse of each such Person who is a natural Person, must sign the Franchise Owner Agreement concurrently with the execution of this Agreement.*

The following table includes the full name of each Person holding a direct or indirect ownership interest in the Business (or the Franchisee Entity if applicable) along with a description of their ownership interest.

Owner's Name	% Ownership Interest	Direct or Indirect (if indirect, describe nature of interest)

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

\_\_\_\_\_

Attention: \_\_\_\_\_

Email: \_\_\_\_\_

**B. Site Selection Area.**

The Site Selection Area referenced in the Franchise Agreement consists of the following geographic area:  
 [ \_\_\_\_\_ ]

*\* The Site Selection Area is not your territory and there are no protections associated with this area.*

**C. Approved Site.**

We hereby approve the site listed below for the Facility from which you will operate your Business.

Approved Address: [ \_\_\_\_\_ ]

*\* If the site for your Facility has not been approved by us at the time this Agreement is signed, we will send you a Site Approval Notice in accordance with §7.1 listing the address of your approved site.*

**D. Territory.**

The Territory referenced in the Franchise Agreement consists of, and shall be limited to, the following geographic area (as may be further depicted on a map attached below or the following page):

[\_\_\_\_\_]

If the boundaries that define the Territory change during the Term, the boundaries of your Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the Effective Date (as may be depicted on a map attached below or on the following page).

\* *If the site for your Facility has not been approved by us at the time this Agreement is signed, we will send you a Site Approval Notice in accordance with §3.1 identifying the geographic area that comprises your Territory.*

*[Insert Map Below (if applicable)]*



**ATTACHMENT "B"**  
**TO FRANCHISE AGREEMENT**  
**FORM OF SITE APPROVAL NOTICE**

*[See Attached]*

**SITE APPROVAL NOTICE**

Madabolic Franchise System, LLC (“we” or “us”) is issuing this Site Approval Notice (this “Notice”) to \_\_\_\_\_ (“you”), effective \_\_\_\_\_, 202\_\_\_\_, in connection with the Madabolic Franchise Agreement (the “Franchise Agreement”) that we executed with you on \_\_\_\_\_, 202\_\_\_\_. The purpose of this Notice is to confirm our approval of the site you proposed for your Madabolic Business and our designation of the boundaries of your “Territory”.

**Approved Address:**

Pursuant to §7.1 of the Franchise Agreement, we hereby approve the site listed below for your Madabolic Business:

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

**Territory:**

Pursuant to §3.1 of the Franchise Agreement, we hereby designate the following geographic area as your “Territory” under the Franchise Agreement (as may be further depicted on the map attached on the following page):

[ \_\_\_\_\_ ]

If the boundaries that define the Territory change during the Term, the boundaries of your Territory will remain unaffected and will continue to be defined by the boundaries that were in effect as of the date hereof (as may be depicted on a map attached below or on the following page).

\* \* \*

By signing below, you and we agree that: (a) the address identified in this Notice shall be deemed the approved site for your Madabolic Business established and operated pursuant to the Franchise Agreement; and (b) the geographic area described in this Notice under “Territory” shall be deemed your Territory under the Franchise Agreement. You acknowledge and agree that our acceptance of the site you proposed is in no way a representation by us that your site will be successful. Rather, our acceptance merely indicates the site meets our minimum standards and requirements.

We request that you sign below and send us an executed copy of this Notice to acknowledge your receipt. However, your failure or refusal to sign below will not invalidate or otherwise affect our designation of your approved site or Territory. Our designation of your approved site and Territory, as set forth in this Notice, shall be binding on you effective as of the effective date listed in the first paragraph in this Notice.

**Franchisor**

**Franchisee**

Madabolic Franchise System, LLC

\_\_\_\_\_

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

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

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

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

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

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

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

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

**ATTACHMENT "C"**  
**TO FRANCHISE AGREEMENT**

**LEASE ADDENDUM**

*[See Attached]*

## LEASE ADDENDUM

This Lease Addendum (this "Agreement") is executed as of \_\_\_\_\_, 202\_\_ by and among Madabolic Franchise System, LLC, A Delaware limited liability company ("Franchisor"), [\_\_\_\_\_] a(n) [\_\_\_\_\_] with principal offices located at [\_\_\_\_\_] ("Landlord"), and [\_\_\_\_\_] a(n) [\_\_\_\_\_] with principal offices located at [\_\_\_\_\_] ("Tenant").

### Background

- A. On [\_\_\_\_\_] 202[\_\_\_], Franchisor and Tenant executed a Madabolic Franchise Agreement (the "Franchise Agreement"), pursuant to which Franchisor granted Tenant the right and obligation to develop, open and operate a Madabolic facility at the premises described in Exhibit "A" (the "Premises").
- B. Concurrently with the execution of this Agreement, Landlord and Tenant are executing a lease agreement (the "Lease"), pursuant to which Landlord will lease the Premises to Tenant.
- C. To protect Franchisor's rights and interests under the Franchise Agreement, Landlord agrees to grant certain rights to Franchisor as set forth below.

### Agreement

1. Default Notices. Landlord agrees to provide Franchisor with copies of all written default notices sent to Tenant at the same time such notices are sent to Tenant. Landlord agrees to send such copies to Franchisor by email and registered mail as set forth below (Franchisor may change the notice email and address from time to time by sending written notice to Landlord):

Madabolic Franchise System, LLC  
2610 South Blvd., Charlotte, North Carolina 28209  
Attention: President  
Email: [Operations@MADabolic.com](mailto:Operations@MADabolic.com)
2. Right to Cure. If Tenant defaults under the Lease, Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period. In such event, Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining Landlord's or Tenant's consent. Franchisor may thereafter assign the Lease to another Madabolic franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
3. Right to Assign. At any time, including, without limitation, upon the expiration or termination of the Franchise Agreement, and without Landlord's prior consent, Tenant may assign the Lease to Franchisor. In such event, Franchisor may thereafter assign the Lease to another Madabolic franchisee or to an entity owned and/or controlled by Franchisor. If it does, Franchisor must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
4. Right of First Refusal. Landlord hereby grants Franchisor the first right of refusal to lease the Premises as the new tenant upon the expiration or termination of the Lease. Franchisor shall have a period of 30 days after the expiration or termination of the Lease to decide whether to exercise its right of first refusal.
5. Expiration or Termination of Franchise Agreement. Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant's interests under the Lease in accordance with §2 above.

6. Acknowledgement of Rights. Landlord acknowledges Franchisor's rights under the Franchise Agreement to enter the Premises, without being guilty of trespass or any other tort or crime, to: (a) make any modifications or alterations to the Premises that Franchisor deems necessary to protect its franchise system or trademarks; and (b) remove any trade fixtures, interior or exterior signs and other items bearing Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement.
7. Modification of Lease. Landlord and Tenant will not amend, modify, supplement, terminate, renew or extend the Lease without Franchisor's written consent.
8. Miscellaneous.
  - (a) In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.
  - (b) All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.
  - (c) This Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.
  - (d) This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

In witness whereof, this Agreement has been executed the date and year first above written.

**FRANCHISOR:**

Madabolic Franchise System, LLC, A Delaware limited liability company

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

**LANDLORD:**

\_\_\_\_\_, (a)n \_\_\_\_\_  
 \_\_\_\_\_

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

**TENANT:**

\_\_\_\_\_, (a)n \_\_\_\_\_  
 \_\_\_\_\_

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

**EXHIBIT "A" TO LEASE ADDENDUM**

**DESCRIPTION OF PREMISES**

[\_\_\_\_\_]

**ATTACHMENT "D"**  
**TO FRANCHISE AGREEMENT**  
**FRANCHISE OWNER AGREEMENT**

*[See Attached]*

## FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this “Agreement”) is entered into by: (a) each of the undersigned owners of Franchisee (defined below); and (b) the spouse of each such owner who is a natural person, in favor of Madabolic Franchise System, LLC, A Delaware limited liability company, and its successors and assigns (“us”), upon the terms and conditions below. Each signatory to this Agreement is referred to as “you”.

1. **Definitions.** Capitalized terms used in this Agreement shall have the meanings given to them below, or if not defined below, the meanings given to them in the Franchise Agreement:

“Franchise Agreement” means the Madabolic Franchise Agreement executed by Franchisee with an effective date of \_\_\_\_\_, 202\_\_.

“Franchisee” means \_\_\_\_\_.

“Madabolic Business” means any strength training fitness business we authorize to operate under the Marks and use our System.

“Restricted Period” means: the two (2) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (c) the date on which neither you nor your spouse holds any direct or indirect ownership interest in the Franchisee entity or the Madabolic Business that it operates; *provided however*, that if a court of competent jurisdiction determines this period of time is too long to be enforceable then Restricted Period means: the one (1) year period after the earliest to occur of the following: (a) the termination or expiration of the Franchise Agreement; (b) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest; or (c) the date on which neither you nor your spouse holds any direct or indirect ownership interest in the Franchisee entity or the Madabolic Business that it operates.

2. **Background.** In your capacity as an owner (or the spouse of an owner) of Franchisee, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and you could seriously jeopardize our franchise system if you were to unfairly compete with us or misuse our Intellectual Property. In addition, you understand that certain terms of the Franchise Agreement apply to “owners” and not just Franchisee. You agree to comply with this Agreement to: (a) avoid damaging our System by engaging in unfair competition; and (b) bind yourself to the terms of the Franchise Agreement applicable to owners.

3. **Brand Protection Covenants.**

- (a) Intellectual Property and Confidential Information. You agree to: (i) refrain from using the Intellectual Property or Confidential Information in any capacity or for any purpose other than the operation of Franchisee’s Madabolic Business in compliance with the Franchise Agreement and Manual; (ii) maintain the confidentiality of Confidential Information at all times; (iii) refrain from making unauthorized copies of documents containing Confidential Information; (iv) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (v) immediately stop using the Intellectual Property and Confidential Information at such time that you are (or your spouse is) no longer an owner of Franchisee. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.
- (b) Unfair Competition. You may not engage in any Prohibited Activities at any time: (i) that you are (or your spouse is) an owner of Franchisee; or (ii) during the Restricted Period. Notwithstanding the foregoing, you may have an interest in a Competing Business during the Restricted Period as long as the Competing Business is not located within, and does not provide competitive goods or services to customers who are located within, the Restricted Territory. If you engage in any Prohibited Activities



during the Restricted Period (other than having an interest in a Competing Business permitted by this Section), your Restricted Period will be extended by the period of time during which you engaged in the Prohibited Activity. Any such extension of time will not constitute a waiver of your breach or impair any of our rights or remedies relating to your breach.

- (c) Family Members. Because you could circumvent the purpose of §3 by disclosing Confidential Information to an immediate family member (i.e., parent, sibling, child, or grandchild) and it would be difficult for us to prove any such breach, you will be presumed to have breached this Agreement if a member of your immediate family (i) engages in any Prohibited Activities at any time that you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses Confidential Information. However, you may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.
- (d) Covenants Reasonable. You agree that: (i) the covenants in §3 are reasonable both in duration and geographic scope; and (ii) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with these covenants. Although you and we both believe the covenants in §3 are reasonable we may, upon written notice to you, unilaterally modify the brand protection covenants in §3 of this Agreement by limiting the scope of the Prohibited Activities, narrowing the definition of a Competing Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure the covenants are enforceable under applicable law.
- (e) Breach. You agree that: (i) any failure to comply with §3 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (ii) we are entitled to injunctive relief if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

**4. Transfer Restrictions.** We must approve all persons who hold a direct or indirect ownership interest in the Franchisee entity. If you are an owner of Franchisee, you agree that you will not directly or indirectly sell, assign, mortgage, pledge or in any manner transfer any direct or indirect ownership interest in the Franchisee entity except in accordance with §19 of the Franchise Agreement.

**5. Financial Security.** In order to secure Franchisee's financial obligations under the Franchise Agreement and all other Definitive Agreements (as defined in the Franchise Agreement) (collectively, the "Secured Agreements"), you, jointly and severally, personally and unconditionally: (a) guarantee to us and our successors and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreements; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive:

- (i) acceptance and notice of acceptance by us of the foregoing undertakings;
- (ii) notice of demand for payment of any indebtedness guaranteed;
- (iii) protest and notice of default to any party with respect to the indebtedness guaranteed;
- (iv) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (v) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed.

You agree that: (a) your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement; (b) you will render any payment required under the

Secured Agreements upon demand if Franchisee fails to promptly do so; (c) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and (d) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we 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 shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of each of the Secured Agreements and following the termination, expiration or transfer of each of the Secured Agreements to the extent any financial obligations under any such Secured Agreements survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy of Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

**6. Dispute Resolution.** Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures in the Franchise Agreement. Notwithstanding the foregoing, if any dispute resolution procedures in the Franchise Agreement conflict with any terms of this Agreement, the terms of this Agreement shall prevail. **You acknowledge and agree that your breach of this Agreement constitutes a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with its terms.**

**7. Miscellaneous.**

- (a) If either party hires an attorney or files suit against the other party for breach of this Agreement, the losing party must reimburse the prevailing party for its reasonable attorneys' fees and costs.
- (b) This Agreement will be governed by, construed and enforced under the laws of North Carolina and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- (c) Any claim, defense or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.
- (d) Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion. The parties agree that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.
- (e) You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provision of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

In witness whereof, each of the undersigned has executed this Agreement as of the date or dates set forth below.

**OWNER / SPOUSE**

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

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

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

**OWNER / SPOUSE**

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

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

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

**OWNER / SPOUSE**

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

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

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

**OWNER / SPOUSE**

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

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

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

**ATTACHMENT "E"**  
**TO FRANCHISE AGREEMENT**  
**ACH AUTHORIZATION FORM**

*[See Attached]*

---

---

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

---

---

**Franchisee Information:**

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

---

---

**Bank Account Information:**

Bank Name		
Bank Mailing Address (street, city, state, zip)		
Bank Account No.	<input type="checkbox"/> Checking <input type="checkbox"/> Savings (check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

---

---

**Authorization:**

Franchisee hereby authorizes Madabolic Franchise System, LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____	Date: _____
Name: _____	
Title: _____	
Federal Tax ID Number: _____	

---

---

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**

---

---

**ATTACHMENT "F"**  
**TO FRANCHISE AGREEMENT**  
**BRAND PROTECTION AGREEMENT**

*[See Attached]*

## BRAND PROTECTION AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Madabolic Franchise System, LLC, A Delaware limited liability company, and its successors and assigns (“us”), upon the terms and conditions below.

**1. Definitions.** For purposes of this Agreement the following terms have the meanings given to them below:

“Business Data” means all data pertaining to Franchisee’s Madabolic Business, customers/members and business operations, whether collected by you, Franchisee, us or any other person.

“Competing Business” means a business that meets at least one of the following criteria: (a) any business featuring strength training group fitness classes that is competitive with a Madabolic Facility; (b) any business that solicits, offers or sells franchises or licenses for a business that meets the criteria in clause (a) of this definition; and/or (c) any business that services, trains, supports, consults with, advises or otherwise assists any Person with respect to the development, management and/or operation of a business that meets the criteria in clause (a) of this definition. A Competing Business does not include any Madabolic Business operated pursuant to a valid franchise or license agreement with us or our affiliate.

“Confidential Information” means and includes: (a) the Know-How; (b) the Business Data; (c) the terms of the Franchise Agreement and all related agreements signed by Franchisee in connection with the Madabolic Business, and all attachments thereto and amendments thereof; (d) the components of the System; (e) all information within or comprising the Manual; and (f) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee’s owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we (or any person associated with us) or Franchisee (or any person associated with Franchisee) disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you without breaching any obligation of confidentiality imposed on such third party.

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Madabolic Business.

“Franchisee” means the Madabolic franchisee for whom you are an officer, director, employee or independent contractor.

“Improvement” means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a Madabolic Business, (b) method of operation of a Madabolic Business, (c) processes, systems or procedures utilized by a Madabolic Business, (d) marketing, advertising or promotional materials, programs or strategies utilized by a Madabolic Business or (e) trademarks, service marks, logos or other intellectual property utilized by a Madabolic Business, whether developed by you, Franchisee, us or any other person.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Know-how” means and includes our (and our affiliates’) trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Madabolic Business including, but not limited to: architectural plans, drawings and specifications for a prototype Madabolic facility; site selection criteria; proprietary training programs, workouts and group fitness classes; membership programs, features and billing procedures; methods and techniques; standards and

specifications; policies and procedures; vendor and supplier lists, relationships and information; marketing strategies and promotional programs; merchandising strategies; inventory management systems; customer contracts and forms; recording keeping and reporting procedures; and information comprising the System or included in the Manual.

“Manual” means our confidential brand standards manual for the operation of a Madabolic Business.

“Madabolic Business” means any strength training fitness business we authorize to operate under the Marks and use our System.

“Marks” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Madabolic Businesses to use, including MADABOLIC<sup>®</sup> and the associated logo. The Marks also include any distinctive trade dress used to identify a Madabolic Business or the products it sells, including distinctive colors, wallpaper and interior and exterior wall graffiti.

“Prohibited Activities” means and includes any of the following: (a) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, creditor, representative, agent or in any similar capacity) in any Competing Business, other than owning an interest of 5% or less in a publicly traded company that is a Competing Business; (b) disparaging or otherwise making negative comments about us, our affiliate, the System and/or any Madabolic Business; (c) diverting or attempting to divert any business from us, our affiliate or another franchisee; and/or (d) inducing any Person to transfer their business from a Madabolic Business to a competitor.

“Restricted Period” means: the two (2) year period after you cease to be an officer, director, employee or independent contractor of Franchisee; *provided, however*, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then Restricted Period means: the one (1) year period after you cease to be an officer, director, employee or independent contractor of Franchisee.

“Restricted Territory” means: the geographic area within: (a) a 25-mile radius from Franchisee’s Madabolic Business (and including the premises of such Madabolic facility); and (b) a 25-mile radius from all other Madabolic Businesses that are operating or under construction as of the date hereof and remain in operation or under construction during any part of the Restricted Period; *provided, however*, that if a court of competent jurisdiction determines the foregoing Restricted Territory is too broad to be enforceable then Restricted Territory means: the geographic area within a 10-mile radius from Franchisee’s Madabolic Business (and including the premises of such Madabolic facility).

“System” means our system developed for the operation of a Madabolic Business, the distinctive characteristics of which include: distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary training programs, workouts and group fitness classes; membership model; advertising and marketing strategies; merchandising strategies; and operating system.

**Background.** You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our franchise system if you were to unfairly compete with us or misuse our Intellectual Property. To avoid such damage, you agree to comply with the terms of this Agreement.

## 2. Brand Protection Covenants.

- (a) Intellectual Property and Confidential Information. You agree to: (i) refrain from using the Intellectual Property or Confidential Information in any business or for any purpose other than the operation of Franchisee’s Madabolic Business; (ii) maintain the confidentiality of all Confidential Information at all times; (iii) refrain from making unauthorized copies of documents containing Confidential Information; (iv) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (v) immediately stop using the Intellectual Property and Confidential Information at such time that you are no longer an officer, director, employee or independent contractor of Franchisee. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.



- (b) Unfair Competition. You may not engage in any Prohibited Activities at any time: (i) that you are an officer, director, employee or independent contractor of Franchisee; or (ii) during the Restricted Period. Notwithstanding the foregoing, you may have an interest in a Competing Business during the Restricted Period as long as the Competing Business is not located within, and does not provide competitive goods or services to customers who are located within, the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period (other than having an interest in a Competing Business permitted by this Section), your Restricted Period will be extended by the period of time during which you engaged in the Prohibited Activity. Any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach.
- (c) Family Members. Because you could circumvent the purpose of this Agreement by disclosing Confidential Information to an immediate family member (i.e., parent, sibling, child, or grandchild) and it would be difficult for us to prove any such breach, you will be presumed to have breached this Agreement if a member of your immediate family engages in any Prohibited Activities at any time that you are prohibited from engaging in the Prohibited Activities or uses or discloses Confidential Information. However, you may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.
- (d) Covenants Reasonable. You agree that: (i) the covenants in this Agreement are reasonable both in duration and geographic scope; and (ii) you have sufficient resources, business experience and opportunities to earn an adequate living while complying with this Agreement. Although you and we both believe the covenants in this Agreement are reasonable, we may at any time unilaterally modify the terms of the brand protection covenants in §3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competing Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure that the covenants are enforceable under applicable law.
- (e) Breach. You agree that: (i) any failure to comply with §3 is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (ii) we are entitled to injunctive relief if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

### **3. Miscellaneous.**

- (a) If we hire an attorney or file suit against you for breach of this Agreement and we prevail, you must reimburse us for our reasonable attorneys' fees and costs.
- (b) This Agreement will be governed by, construed and enforced under the laws of North Carolina and the courts in that state shall have exclusive jurisdiction over any legal proceedings arising out of this Agreement.
- (c) Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion. The parties agree that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.
- (d) If you are a resident of Washington, D.C. as of the date you sign this Agreement, then the noncompetition covenant set forth in this Agreement shall not be applicable to you and the definition of "Prohibited Activities" shall be deemed amended by deleting clause (a) from such definition.

This Brand Protection Agreement is executed as of the date or dates set forth below.

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

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

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

**ATTACHMENT "G"**  
**TO FRANCHISE AGREEMENT**  
**CONFIDENTIALITY AGREEMENT**

*[See Attached]*

## CONFIDENTIALITY AGREEMENT

This Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Madabolic Franchise System, LLC, A Delaware limited liability company, and its successors and assigns (“us”) upon the terms and conditions below.

**1. Definitions.** For purposes of this Agreement the following terms have the meanings given to them below:

“Business Data” means all data pertaining to Franchisee’s Madabolic Business, customers/members and business operations, whether collected by you, Franchisee, us or any other person.

“Confidential Information” means and includes: (a) the Know-How; (b) the Business Data; (c) the terms of the Franchise Agreement and all related agreements signed by Franchisee in connection with the Madabolic Business, and all attachments thereto and amendments thereof; (d) the components of the System; (e) all information within or comprising the Manual; and (f) all other concepts, ideas, trade secrets, financial information, marketing strategies, expansion strategies, studies, supplier information, customer information, franchisee information, investor information, flow charts, inventions, mask works, improvements, discoveries, standards, specifications, formulae, recipes, designs, sketches, drawings, policies, processes, procedures, methodologies and techniques, together with analyses, compilations, studies or other documents that are: (i) designated as confidential; (ii) known by you to be considered confidential by us; and/or (iii) reasonably to be considered confidential due to their nature. Confidential Information does not include information that: (a) is now, or subsequently becomes, generally available to the public (except as a result of a breach of confidentiality obligations by you, Franchisee or Franchisee’s owners, employees or other constituents); (b) you can demonstrate was rightfully in your possession, without obligation of nondisclosure, before we (or any person associated with us) or Franchisee (or any person associated with Franchisee) disclosed the information to you; (c) is independently developed by you without any use of, or reference to, any Confidential Information; or (d) is rightfully obtained from a third party who has the right to transfer or disclose such information to you without breaching any obligation of confidentiality imposed on such third party.

“Copyrighted Materials” means all copyrightable materials for which we or our affiliate secure common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Madabolic Business.

“Franchisee” means the Madabolic franchisee for whom you are an employee or independent contractor.

“Improvement” means any idea, addition, modification or improvement to the (a) goods or services offered or sold at a Madabolic Business, (b) method of operation of a Madabolic Business, (c) processes, systems or procedures utilized by a Madabolic Business, (d) marketing, advertising or promotional materials, programs or strategies utilized by a Madabolic Business or (e) trademarks, service marks, logos or other intellectual property utilized by a Madabolic Business, whether developed by you, Franchisee, us or any other person.

“Intellectual Property” means, collectively or individually, the Business Data, Copyrighted Materials, Improvements, Know-how, Marks and System.

“Know-how” means and includes our (and our affiliates’) trade secrets and other proprietary information relating to the design, construction, development, marketing or operation of a Madabolic Business including, but not limited to: architectural plans, drawings and specifications for a prototype Madabolic facility; site selection criteria; proprietary training programs, workouts and group fitness classes; membership programs, features and billing procedures; methods and techniques; standards and specifications; policies and procedures; vendor and supplier lists, relationships and information; marketing strategies and promotional programs; merchandising strategies; inventory management systems; customer contracts and forms; recording keeping and reporting procedures; and information comprising the System or included in the Manual.

“Madabolic Business” means any strength training fitness business we authorize to operate under the Marks and use our System.

“Manual” means our confidential brand standards manual for the operation of a Madabolic Business.

“*Marks*” means and includes all service marks, trademarks, trade names and logos that we designate from time to time and authorize Madabolic Businesses to use, including MADABOLIC® and the associated logo. The Marks also include any distinctive trade dress used to identify a Madabolic Business or the products it sells, including distinctive colors, wallpaper and interior and exterior wall graffiti.

“*System*” means our system developed for the operation of a Madabolic Business, the distinctive characteristics of which include: distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary training programs, workouts and group fitness classes; membership model; advertising and marketing strategies; merchandising strategies; and operating system.

2. **Background.** You are an employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our franchise system if you were to unfairly compete with us or misuse our Intellectual Property. To avoid such damage, you agree to comply with the terms of this Agreement.
3. **Intellectual Property and Confidential Information.** You agree to: (a) refrain from using the Intellectual Property or Confidential Information in any business or for any purpose other than the operation of Franchisee’s Madabolic Business; (b) maintain the confidentiality of all Confidential Information at all times; (c) refrain from making unauthorized copies of documents containing any Confidential Information; (d) take all steps we reasonably require to prevent unauthorized use or disclosure of Confidential Information; and (e) immediately stop using the Intellectual Property and Confidential Information at such time that you are no longer an employee or independent contractor of Franchisee. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize and sublicense the same.
4. **Family Members.** Because you could circumvent the purpose of this Agreement by disclosing Confidential Information to an immediate family member (i.e., parent, sibling, child, or grandchild) and it would be difficult for us to prove any such breach, you will be presumed to have breached this Agreement if a member of your immediate family uses or discloses Confidential Information. You may rebut this presumption with evidence conclusively showing you did not disclose Confidential Information to the family member.
5. **Breach.** You agree that: (a) any failure to comply with this Agreement is likely to cause substantial and irreparable damage to us and/or other franchisees for which there is no adequate remedy at law; and (b) we are entitled to injunctive relief if you breach this Agreement together with any other relief available at equity or law. We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires that we post a bond despite our mutual agreement to the contrary, the bond amount may not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.
6. **Miscellaneous.**
  - (a) If we hire an attorney or file suit against you for breach of this Agreement and we prevail, you must reimburse us for our reasonable attorneys’ fees and costs.
  - (b) This Agreement will be governed by, construed and enforced under the laws of North Carolina and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
  - (c) Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion. The parties agree that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

This Confidentiality Agreement is executed as of the date set forth below.

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

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

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

**EXHIBIT "D"**  
**TO DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS OF BRAND STANDARDS MANUAL**

*[See Attached]*

## Summary of Content

### **Article 1 ~ Welcome To MADabolic Inc Inc. (PAGES 1-10)**

- \* Confidentiality Agreements
- \* Disclaimer
- \* A brief overview of the company.

### **Article 2 ~ Franchise Management (PAGE 11)**

- \* A list of operations and contact numbers

### **Article 3 ~ Franchise Obligations (PAGES 12 - 39)**

- \* Complete List Of Franchisee Obligations
- \* Approved Equipment and Vendor List
- \* Start Up Supplies and Inventory

### **Article 4 ~ Our Basic Principles (PAGE 40)**

- \* A brief description and values of the company

### **Article 5 ~ Harassment and Discrimination (PAGES 41 - 54)**

- \* Section 5.01 ~ Using and Distributing Effective Zero-Tolerance Harassment / Discrimination Policy is Essential to a Discrimination Free Workplace
- \* Section 5.02 ~ Chapter Summary
- \* Section 5.03 ~ Implementing the Policy Against Harassment and Discrimination and Supervisor/ Manager Acknowledgement
- \* Section 5.04 ~ Investigating and Documenting Complaints of Harassment or Discrimination
- Exhibit "A" Policy Against Unlawful Harassment And Discrimination
- \* Employee Acknowledgment of Receipt of Policy Against Unlawful Harassment and Discrimination Policy Against Retaliation and Personal Appearance and Behavior Policy
- \* Personal Appearance and Behavior Policy
- Exhibit "B" Manager Acknowledgment of Receipt of Policy Against Unlawful Harassment and Discrimination, Policy Against Retaliation and Personal Appearance and Behavior Policy

### **Article 6 ~ Substance Abuse Policies And Testing Guidelines (Pages 55 - 57)**

- \* Sample Alcohol And Drug Policy Form

### **Article 7 ~ Administrative (PAGES 58 - 66)**

- \* Section 7.01 ~ Recommended Pricing Policies
- \* Section 7.02 ~ Handling and Deposit of Cash, Checks & Charges
- \* Section 7.03 ~ Franchisor's Right to Audit Procedures
- \* Section 7.04 ~ Requirements in Connection with the Sale of any Interest in the Franchise

### **Article 8 ~ Confidential Information (PAGES 67 - 69)**

- \* Section 8.01 ~ Chapter Summary
- \* Section 8.02 ~ Types of "Protectable" Confidential Information
- \* Section 8.03 ~ Closing the Gaps: Ensuring Enforcement of your Rights

### **Article 9 ~ Procedures for Handling Workplace Injuries and Workers Compensation Claims (PAGES 70 - 73)**



- \* Section 9.01 ~ Chapter Summary
- \* Section 9.02 ~ Reporting of Work-Related Injuries and Handling Workers Compensation Claims
- \* Section 9.03 ~ Post-Injury/Accident Procedures
- \* Section 9.04 ~ Conclusion

**Article 10 ~ Legal and Safety Requirements (PAGES 74 - 77)**

- \* Section 10.01 ~ Required Minimum Insurance
- \* Section 10.02 ~ Violence Policy
- \* Section 10.03 ~ Emergency Situations
- \* Section 10.04 ~ Check Fraud Prevention
- \* Section 10.05 ~ Credit Card Fraud Prevention
- \* Section 10.06 ~ Securing Confidential Company Information

**Article 11 ~ Standards Enforcement & Site Inspections (PAGE 78)**

**Article 12 ~ Financial Reporting Requirements (PAGE 79 - 84)**

- \* Section 12.01 ~ Royalty Reporting to Submit to Franchisor
- \* Section 12.02 ~ Royalty Fees & Gross Sales Definition
- \* Section 12.03 ~ System Advertising, Local Advertising Expenditures & Plan
- \* Section 12.04 ~ Grand Opening Expenditures
- \* Section 12.05 ~ Financial Statement Submissions Requirements
- \* Section 12.06 ~ Record Retention Requirements for Franchisor and Tax Purposes
- \* Section 12.07 ~ Time for Payment
- \* Section 12.08 ~ Payment Extension Request
- \* Section 12.09 ~ Penalties for Late Payments

**Article 13 ~ Advertising & Social Media (PAGES 85 - 95)**

- \* Section 13.01 ~ MADabolic Inc Inc.® Public Relations
- \* Section 13.02 ~ Promotional Director
- \* Section 13.03 ~ Beginning a Basic PR Program
- \* Section 13.04 ~ Required Pre-Approval of Advertising Including Submitting of Proofs
- \* Section 13.05 ~ Outdoor Advertising
- \* Section 13.06 ~ Policies Regarding Cooperative Advertising \* Section 13.07 ~ Logo Spec Sheets
- \* Section 13.08 ~ T-shirts/ Caps
- \* Section 13.09 ~ Press Releases
- \* Section 13.10 ~ Social Media Standards and Guidelines
- \* Section 13.11 ~ Facebook, Twitter & Instagram Guidelines & Preferred Names
- \* Section 13.12 ~ Model Release

**Article 14 ~ Branding Package (PAGES 96 - 105)**

- \* A complete package with all branding requirements and guidelines.

**Article 15 ~ Forms (PAGES 106 - 136)**

- \* Application Information Release
- \* New Hire Report
- \* W-4 Form – New form each year
- \* Employment Eligibility Verification I-9
- \* Corporate Example ~ Confidentiality Agreement / Non Compete
- \* Employee Covenant Not To Compete

- \* OSHA Worker Injury Reports
- \* OSHA Fact Sheet
- \* Pre Opening - Action Items
- \* Pre Opening - 4 Months Out
- \* Pre Opening - 6 Weeks Out
- \* Pre Opening - *5 Weeks Out*
- \* Pre Opening - *2 Weeks Out*
- \* Pre Opening - *1 Week Out*

*\* Approved Vendor List*

*\* Baseline Pricing Structure*

*\* Cleaning Checklist*

*\* Email Set Up*

*\* Equipment List*

*\* Mindbody Set Up / Checklist*

*\* SFH Minimums*

*\* Start Up Supplies*

**EXHIBIT "E"**  
**TO DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

**Part A (Current Franchisees)**

The following table lists franchisees that were open as of December 31, 2023.

<b>FRANCHISEES OPEN AS OF DECEMBER 31, 2023</b>				
<b>State</b>	<b>City</b>	<b>Address</b>	<b>Phone</b>	<b>Owner Name(s)</b>
California	Scotts Valley	262 Mt. Hermon Road #101 Scotts Valley, CA 95066	(831) 621-2130	Peter Malek
Connecticut	Stamford	850 Canal Street Stamford, CT 06902	(203) 625-1707	Seth Blumenau and Kayla Case
Florida	Jupiter	901 W. Indian town Road Jupiter, FL 33458	(561) 284-3481	Zach Eggen and Josh Werner
Florida	Sarasota	2074 Ringling Road, Suite 101 Sarasota, FL 34237	801-603-9244	Colby Bone
Georgia	Alpharetta	10945 State Bridge Road Suite 402 Alpharetta, GA 30022	910-409-9028	Melissa Knowles
Georgia	Atlanta	661 Auburn Ave NE #260, Atlanta, GA 30312	(470) 392-8672	Raenard Dillard
Kansas	Wichita	11120 E. 26th St N. - STE 700 Wichita, KS 67226	(316) 295-2590	Monte Ysidro Yvette Ysidro
New York	Brooklyn	211 N. 11th Street Brooklyn, NY 11211	(718) 269-6236	Brian ReKuc
North Carolina	Asheville	151 Coxe Ave #102, Asheville, NC 28801	(828) 552-3911	Evan Lindsey
North Carolina	Charlotte / NoDa	2315 North Davidson Street Charlotte, NC 28205	(980) 217-4770 (704) 771-6906	Finley & Landon Funsten
North Carolina	Charlotte / Southend	2610 South Blvd Charlotte, NC 28209	(980) 217-4770 (704) 771-6906	Finley & Landon Funsten
North Carolina	Elizabeth	2115 E 7th St #104 Charlotte, NC 28204	(980) 217-4770 (704) 771-6906	Finley & Landon Funsten
North Carolina	Raleigh	410 S Dawson St. suite 120 Raleigh, NC 27601	(919) 554-0080	Emily Barton
North Carolina	Raleigh	7422 Creedmore Road Raleigh, NC 27613	(571) 292-7347	Josh Hicks
Pennsylvania	Pittsburgh	115 26th Street, Unit 3 Pittsburg, PA 15222	(304) 639-3467	Jesse Holloway Dan Holloway
South Carolina	Greenville	17 Wolseley Road Greenville, SC 29615	(864) 252-4473	Evan Lindsay
Tennessee	Nashville	715 Craighead Street Nashville, TN 37204	(615) 878-3345	Brandon Fotopoulos Will Shytle
Texas	Austin	440 E St Elmo Rd E, Austin, TX 78745	(512) 202-0406	Jon Guida
Texas	Austin	2900 W. Anderson Avenue B19 Austin, TX 78757	(512) 202-0406	Jon Guida and Corbin Jennings
Texas	Houston	8200 Washington Avenue Suite 300 Houston, TX 77007	(832) 660-4576	Vinnie Ronca
Texas	McAllen	923 W. Dove Avenue McAllen, TX 78504	(956) 253-8240	Jennifer Del Angel Carlos Del Angel

<b>FRANCHISEES OPEN AS OF DECEMBER 31, 2023</b>				
<b>State</b>	<b>City</b>	<b>Address</b>	<b>Phone</b>	<b>Owner Name(s)</b>
Texas	San Antonio	17022 Fiesta Drive. BLDG 400, STE 101 San Antonio, TX 78256	(254) 541-5773	Dimple Patel
Texas	Southlake	210 South Nolen Drive STE 100 Southlake, TX 76092	(713) 419-1653	Adam Zeitsiff Ryan Svoboda
Texas	West Plano	1901 Preston Road Suite E1002 Plano, TX 75093	(469) 960-3425	Adam McLeod Gregg Vncent
Virginia	Alexandria	704 N. Washington Street Alexandria, VA 22314	(828) 508-2262	Corbin Jennings
Virginia	Arlington	3100 Clarendon Blvd M-100, Arlington, VA 22201	(828) 508-2262	Corbin Jennings
Virginia	Charlottesville	923 Preston Avenue Charlottesville, VA 22903	(313) 617-2355	Todd & Kristen Lorenger
Washington DC	Washington DC	One Dupont Circle, NW suite #115 Washington, DC 20036	(828) 508-2262	Corbin Jennings
Washington DC	Washington DC	701 2nd St NE Washington, DC 20002	(828) 508-2262	Corbin Jennings
Washington DC	Washington DC	2106 14th Street NW Washington, DC 20009	(202) 998-3765	Corbin Jennings

The following table lists franchisees with signed franchise agreements that were not open as of December 31, 2023.

<b>FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2023</b>				
<b>State</b>	<b>City</b>	<b>Address</b>	<b>Phone</b>	<b>Owner Name(s)</b>
California	San Jose	To Be Determined	(831) 234-1757	Peter Malek
California	San Jose	To Be Determined	(831) 234-1757	Peter Malek
Colorado	Denver	To Be Determined	303-250-3113	Justin Noska
Colorado	Denver	To Be Determined	303-250-3113	Justin Noska
Colorado	Denver	To Be Determined	303-489-4158	Trish O'Donnell
Florida	Ft. Lauderdale	To Be Determined	(561) 846-9673	Shane Cummings
Florida	Ft. Lauderdale	To Be Determined	(561) 846-9673	Shane Cummings
Florida	Orlando	To Be Determined	214-551-3541	Abel and Christine Navarro
Florida	Tampa	To Be Determined	727-415-5929	Todd Reisner
Florida	Tampa	To Be Determined	727-415-5929	Todd Reisner
Indiana	Indianapolis	To Be Determined	(317) 403-1404	Jason Payton
Indiana	Indianapolis	To Be Determined	(317) 403-1404	Jason Payton
Kansas	Wichita	To Be Determined	(316) 295-2590	Monte Ysidro Yvette Ysidro
Kansas	Wichita	To Be Determined	(316) 295-2590	Monte Ysidro Yvette Ysidro
Kentucky	Lexington	To Be Determined	(859) 227-8154 (859) 396-8236	Jason Layne and Taylor Johnson
Kentucky	Lexington	To Be Determined	(859) 227-8154 (859) 396-8236	Jason Layne and Taylor Johnson
Maryland	Bethesda	To Be Determined	301-233-2558	Dale Thompson

**FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2023**

<b>State</b>	<b>City</b>	<b>Address</b>	<b>Phone</b>	<b>Owner Name(s)</b>
New York	Commack	6401 Jericho TPK #105 Commack, NY 11725	(516)-375-2780	Christine Grippo
North Carolina	Charlotte	To Be Determined	(980) 217-4770 (704) 771-6906	Finley Funsten Landon Funsten
North Carolina	Huntersville	To Be Determined	(315) 439-8837 (845) 239-9247	Seth Blumenau and Kayla Case
Ohio	Cincinnati	To Be Determined	(614) 307-2217 (336) 909-0350 (513) 478-3326	Kevin Arnold, Brad Kenney and Shannon Reilly
Ohio	Cincinnati	To Be Determined	(614) 307-2217 (336) 909-0350 (513) 478-3326	Kevin Arnold, Brad Kenney and Shannon Reilly
Oklahoma	Tulsa	To Be Determined	(918) 804-7339	Christopher Frank
Oregon	Bend	To Be Determined	(970) 403-2420 (757) 752-9718	Andy Nyce Alyssa Laroussa
Pennsylvania	Philadelphia	1400 N. Howard Street Unit B115 Philadelphia, PA 19122	(610) 220-7930 (215) 808-4465	Micah Macbeth and Ryan Dorsey
Pennsylvania	Philadelphia	To Be Determined	(610) 220-7930 (215) 808-4465	Micah Macbeth and Ryan Dorsey
Pennsylvania	Philadelphia	To Be Determined	(610) 220-7930 (215) 808-4465	Micah Macbeth and Ryan Dorsey
Pennsylvania	Pittsburgh	To Be Determined	(610) 547-3362 (415) 953-5146	Jacob Christian Rachel Christian
South Carolina	Charleston	To Be Determined	(214) 724-4278	Gregg Vincent and Brendan Shane
South Carolina	Charleston	To Be Determined	(214) 724-4278	Gregg Vincent and Brendan Shane
Texas	Austin	To Be Determined	(512) 202-0406	Jon Guida and Corbin Jennings
Texas	Austin	To Be Determined	(512) 202-0406	Jon Guida and Corbin Jennings
Texas	Austin	To Be Determined	(512) 202-0406	Jon Guida and Corbin Jennings
Texas	Dallas	To Be Determined	(512) 740-8392 (214) 724-4278	Adam McLeod Gregg Vincent
Texas	Dallas	To Be Determined	(512) 740-8392 (214) 724-4278	Adam McLeod Gregg Vincent
Texas	Dallas	To Be Determined	(512) 740-8392 (214) 724-4278	Adam McLeod Gregg Vincent
Texas	Dallas	To Be Determined	(512) 740-8392 (214) 724-4278	Adam McLeod Gregg Vincent
Texas	Dallas / Fort Worth	198 West Davis Street, Suite 130 Dallas, TX 75208	(832) 814-9137	Gregg Vincent Adam McLeod
Texas	Dallas / Fort Worth	To Be Determined	(832) 814-9137	Gregg Vincent Adam McLeod

**FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2023**

<b>State</b>	<b>City</b>	<b>Address</b>	<b>Phone</b>	<b>Owner Name(s)</b>
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	Houston	To Be Determined	(832) 660-4576	Vinnie Ronca
Texas	Houston	To Be Determined	(832) 660-4576	Vinnie Ronca
Texas	Houston	To Be Determined	(832) 660-4576	Vinnie Ronca
Texas	San Antonio	To Be Determined	(254) 541-5773	Dimple Patel
Texas	San Antonio	To Be Determined	(254) 541-5773	Dimple Patel
Texas	San Antonio	To be Determined	(254) 541-5773	Dimple Patel
Texas	Tarrant County	To Be Determined	(713)419-1653 (631)804-7595	Adam Zeitsiff and Ryan Svoboda
Texas	Tarrant County	To Be Determined	(713) 419-1653 (631) 804-7595	Adam Zeitsiff and Ryan Svoboda
Texas	Tarrant County	To Be Determined	(713) 419-1653 (631) 804-7595	Adam Zeitsiff and Ryan Svoboda
Texas	Tarrant County	To Be Determined	(713) 419-1653 (631) 804-7595	Adam Zeitsiff and Ryan Svoboda
Virginia	N. Virginia	To Be Determined	(828) 508-2262	Corbin Jennings
Virginia	N. Virginia	To Be Determined	(828) 508-2262	Corbin Jennings
Virginia	N. Virginia	3885 Pickett Road Fairfax, Virginia, 22031	(240) 810-5234	Mohammad Mukhtar
Virginia	N. Virginia	To Be Determined	(240) 810-5234	Mohammad Mukhtar
Virginia	N. Virginia	To Be Determined	(240) 810-5234	Mohammad Mukhtar
Virginia	N. Virginia	To Be Determined	(828) 508-2262	Corbin Jennings
Wisconsin	Madison	2852 University Ave. Madison, WI 53705	(512) 740-8392 (815) 985-0019	Adam Lane Heather Lane
Wisconsin	Milwaukee	To Be Determined	(414) 378-1662	Tyler Sullivan

**Part B (Former Franchisees Who Left System During Prior Fiscal Year)**

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
Connecticut	Stamford	(203) 520-9744	Laura Conover

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

**EXHIBIT "F"**  
**TO DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

*[See Attached]*





## **MADABOLIC FRANCHISE SYSTEM, LLC**

**dba**



**Independent Auditor's Report and  
Financial Statements**

**December 31, 2023 and 2022**



# MADABOLIC FRANCHISE SYSTEM, LLC

---

---

## CONTENTS

---

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022	
Balance Sheets	3
Statements of Income	4
Statements of Changes in Member's Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	15



## INDEPENDENT AUDITOR'S REPORT

To the Managing Members of  
Madabolic Franchise System, LLC

### Opinion

We have audited the accompanying financial statements of Madabolic Franchise System, LLC (a Delaware Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in 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 presents fairly, in all material respects, the financial position of Madabolic Franchise System, LLC as of December 31, 2023 and 2022, 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 Madabolic Franchise System, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

*Page 1*

### **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 Madabolic Franchise System, 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 Madabolic Franchise System, 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.



Fountain Valley, California  
March 18, 2024

## MADABOLIC FRANCHISE SYSTEM, LLC

### Balance Sheets

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 930,423	\$ 237,955
Accounts receivable	104,614	102,510
Prepaid expenses	10,995	5,183
Total current assets	<u>1,046,032</u>	<u>345,648</u>
<b>Property and equipment:</b>		
Furniture and fixtures	15,016	2,125
Office equipment	5,682	5,682
Less: Accumulated depreciation	(8,460)	(7,247)
Total property and equipment	<u>12,238</u>	<u>560</u>
<b>Other assets:</b>		
Note receivable-related party	159,621	124,054
Notes receivable-franchisees	448,251	485,000
Deferred commission fees, net of amortization-related party	1,208,238	924,176
Website, net of accumulated amortization	12,198	16,050
Total other assets	<u>1,828,308</u>	<u>1,549,280</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,886,578</u></b>	<b><u>\$ 1,895,488</u></b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 90,097	\$ 31,110
Deferred revenue, current	295,480	235,730
Franchisee deposits	497,463	145,695
Credit cards payable	318	356
Total current liabilities	<u>883,358</u>	<u>412,891</u>
<b>Long-term liabilities:</b>		
Deferred revenue, non-current	2,510,302	2,053,542
Total long-term liabilities	<u>2,510,302</u>	<u>2,053,542</u>
<b>TOTAL LIABILITIES</b>	<u>3,393,660</u>	<u>2,466,433</u>
<b>MEMBER'S EQUITY</b>		
Member's Equity (Deficit)	<u>(507,082)</u>	<u>(570,945)</u>
Total Member's Equity (Deficit)	<u>(507,082)</u>	<u>(570,945)</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b><u>\$ 2,886,578</u></b>	<b><u>\$ 1,895,488</u></b>

See accompanying notes to financial statements.

Page 3

## MADABOLIC FRANCHISE SYSTEM, LLC

### Statements of Income

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Franchise fees	\$ 63,490	\$ 44,332
Royalty fees	577,146	368,629
Apparel and product sales	795,537	583,972
<b>Total Revenues</b>	<u>1,436,173</u>	<u>996,933</u>
<b>Cost of sales</b>	<u>205,338</u>	<u>379,495</u>
<b>Gross profit</b>	<u>1,230,835</u>	<u>617,438</u>
<b>Operating expenses:</b>		
Computer and website expenses	222,886	151,367
Guaranteed payments	196,800	205,795
Payroll expenses	114,314	32,951
Advertising and marketing	99,695	106,308
Outside services	99,017	147,800
Legal and professional fees	97,375	98,523
Franchise sales consulting	78,686	60,000
Travel and entertainment	47,588	21,468
Commission expenses	30,938	18,744
Taxes and licenses	12,989	7,119
Employee benefits	11,205	3,929
Depreciation and amortization	8,066	8,066
Office expenses	7,607	4,418
Insurance	1,085	2,964
Repairs and maintenance	160	121
Auto & truck	61	4,564
Total operating expenses	<u>1,028,472</u>	<u>874,137</u>
<b>Income (Loss) from operations</b>	<u>202,363</u>	<u>(256,699)</u>
<b>Other income (expense):</b>		
Interest expense	-	(47)
Total other income (expense)	<u>-</u>	<u>(47)</u>
<b>Income (Loss) before income taxes</b>	<u>202,363</u>	<u>(256,746)</u>
Provision for income taxes	-	-
<b>NET INCOME (LOSS)</b>	<u><u>\$ 202,363</u></u>	<u><u>\$ (256,746)</u></u>

See accompanying notes to financial statements.

Page 4

## **MADABOLIC FRANCHISE SYSTEM, LLC**

### **Statements of Changes in Member's Equity For the Years Ended December 31, 2023 and 2022**

---

	<u>2023</u>	<u>2022</u>
<b>Member's Equity (Deficit), beginning of year</b>	\$ (570,945)	\$ (314,199)
Capital distributions	(138,500)	-
Net income (loss)	<u>202,363</u>	<u>(256,746)</u>
<b>Member's Equity (Deficit), end of year</b>	<b><u>\$ (507,082)</u></b>	<b><u>\$ (570,945)</u></b>

---

*See accompanying notes to financial statements.*

*Page 5*

## MADABOLIC FRANCHISE SYSTEM, LLC

### Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 202,363	\$ (256,746)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:		
Depreciation and amortization	8,066	8,066
<u>(Increase) decrease in:</u>		
Accounts receivable	(2,104)	(63,825)
Prepaid expenses	(5,812)	1,844
Note receivable-related party	(35,567)	(124,054)
Note receivable-franchisees	36,749	(225,000)
Deferred commission fees	(284,062)	(408,506)
Other receivables	-	-
<u>Increase (decrease) in:</u>		
Accounts payable	58,987	(70,893)
Credit card payable	(38)	(12,098)
Deferred revenue	516,510	1,035,668
Franchisee deposits	351,768	(105,340)
SBA loan payable	-	(2,706)
Net cash provided (used) by operating activities	<u>846,860</u>	<u>(223,590)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(15,892)	-
Net cash provided (used) by investing activities	<u>(15,892)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital distribution to member	(138,500)	-
Net cash provided (used) by financing activities	<u>(138,500)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>692,468</b>	<b>(223,590)</b>
<b>CASH - beginning</b>	<u>237,955</u>	<u>461,545</u>
<b>CASH - end</b>	<u><b>\$ 930,423</b></u>	<u><b>\$ 237,955</b></u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 47</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

Page 6



**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of Madabolic Franchise System, LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

**History and organization** – Madabolic Franchise System, LLC (MFSL) was organized in Delaware on June 19, 2019 and maintains its corporate office in Wilmington, Delaware. The Company was organized for the purpose of franchising the athletic conditioning facility that provides workouts commonly used by professional athletes that have been modified for everyday people to improve their overall health and wellness. Madabolic workout facilities offer group fitness classes utilizing approved equipment, membership options, beverages, supplements and fitness-related apparel, products and merchandise. The franchise concept was modeled after the high set of standards developed and implemented at the original Madabolic facility located in Charlotte, North Carolina.

Madabolic Franchise System, LLC is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U.S. market with its unique operational techniques, service concepts, and proprietary information.

As of December 31, 2023, there were 31 operating locations franchised by MFSL, eight of which opened in 2023.

The Company's activities are subject to significant risks and uncertainties, including: (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize the Company's franchise concept.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

**Basis of accounting** – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Cash and cash equivalents** – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2023 and 2022.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration of risk** – Occasionally the Company maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Company does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institution. At December 31, 2023 and 2022, the Company's uninsured cash balances totaled \$612,999 and \$-0, respectively.

**Accounts receivable** – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2023 and 2022, accounts receivables totaled \$104,614 and \$102,510, respectively.

**Property and equipment** – Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which is five years. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewal are charged to expenses as incurred.

Depreciation expense for the years ended December 31, 2023 and 2022 was \$8,066 and \$8,066 respectively.

**Website** – The Company markets the brand and opportunity in various franchise info-websites, lead search, and maintains a robust website. The cost of creation, design, and development of the website are treated as a capital asset. Additionally, enhancements and upgrades that add functionality are capitalized. Website costs that are ongoing, and geared for upkeep and maintenance are charged to expense when incurred. These capitalized costs are amortized using the straight-line method over the estimated useful life, which is five years.

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to, a significant decrease in market value of an asset, a significant adverse change to the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated non-discounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the assets evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There have been no impairment losses recorded as of December 31, 2023.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of estimates** – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

**Income taxes** – The Company has elected to be taxed under the provisions of a single-member domestic limited liability company (LLC) of the Internal Revenue Code. Under federal and most state laws, taxes based on income of a single-member LLC is filed to the single member's income tax return. Accordingly, no provision for current federal income taxes has been recorded in the accompanying financial statements.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of challenge.

The Company's income tax filings are subject to examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three year statute of limitation.

**Franchisee deposits** – The Company collects funds in advance from new franchisees for future grand opening marketing expenses and equipment to build out their studios. Funds are held until needed to be spent on these items. At December 31, 2023 and 2022, franchisee deposits totaled \$497,463 and \$145,695, respectively.

**Revenue recognition**

The Company adopted Topic 606 "Revenue from Contracts with Customers" for revenue recognition related to contracts with customers. Under the new guidance, revenue is recognized in accordance with a five-step revenue model, as follows: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, the Company made significant judgements in identifying the promised goods or services in their contracts with franchisees that are distinct, and which represent separate performance obligations, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise. The Company recognizes initial and renewal franchise fees as revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

- **Franchise fees** – The Company collects a nonrefundable franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 10 years.

The Company recognizes franchise fee beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$63,490 and \$44,332 at December 31, 2023 and 2022, respectively.

- **Royalties** – The Company collects royalties from each franchise outlet based upon a percentage of gross revenues. The Company recognizes royalties as revenue when earned. At December 31, 2023 and 2022, royalties recognized by the Company was \$577,146 and \$368,629, respectively.
- **Product sales** – The product sales include the sale of point-of-sale technology equipment to franchisees and the sale of the initial equipment package. The Company recognizes product sales as revenue when sold. At December 31, 2023 and 2022, product sales totaled \$795,537 and \$583,972, respectively.
- **Cost of sales** – Cost of sales consists primarily of music license and merchandise apparel sold to franchisees. At December 31, 2023 and 2022, cost of sales was \$205,338 and \$379,495, respectively.
- **Deferred costs-Commission Fees** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2023 and 2022 was \$1,208,238 and \$924,176, respectively.

**Contract Liabilities/Deferred Revenue** – Contract liabilities consist primarily of deferred revenue resulting from initial and renewal franchise fees and area development agreement (“ADA”) fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, and billed in advance of satisfaction of the Company’s performance obligation. The Company classify these contract liabilities as deferred revenue in the balance sheets.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

The following table reflects the change in contract liabilities between December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 2,289,272	\$ 1,253,604
Revenue recognized during the year	(63,490)	(44,332)
New deferred revenue during the year	580,000	1,080,000
Balance at end of year	<u>\$ 2,805,782</u>	<u>\$ 2,289,272</u>

The following table illustrates estimated deferred revenues expected to be recognized as future revenue which is being amortized over the term of the franchise agreement.

<b>Future revenue to be recognized in:</b>	<b>Amount</b>
2024	\$ 295,480
2025	295,480
2026	290,730
2027	290,730
2028	290,730
Thereafter	<u>1,342,634</u>
Total	<u>\$ 2,805,782</u>

**NOTE 2 – NOTES RECEIVABLE- FRANCHISEES**

During the year, the Company had notes receivable from franchisees relating to the sale for a multi-outlet franchise. The note receivable is unsecured, non -interest bearing and due and payable on (i) the date which is forty-two (42) months following Franchisee’s execution of the Note or (ii) any sale, transfer, assignment or other disposition (including termination) of Franchisee’s franchise rights under the franchise agreement. The franchisee may pre-pay any portion of the Note at any time without penalty.

At December 31, 2023 and 2022, notes receivable totaled \$448,251 and \$485,000, respectively.

**NOTE 3 – ACCOUNTS PAYABLE**

The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2023 and 2022, the Company had recorded trade payables in the amount of \$90,097 and \$31,110, respectively.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**

---

**NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2023 and 2022.

**NOTE 5 – CREDIT CARDS PAYABLE**

The Company has an unsecured bank credit cards with a total limit of \$100,000 and an outstanding balance of \$318 and \$356 at December 31, 2023 and 2022, respectively. Based on the card usage and outstanding balance, a finance charge is charged to the Company. The finance charge is expensed when incurred.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

During the period, the Company had transactions with related parties. These transactions include the following:

- **Note receivable** – The Company's member advanced funds to a related party by common ownership. The note receivable balance was \$159,621 and \$124,054 at December 31, 2023 and 2022, respectively. The advances are unsecured and non-interest bearing. The principal amount, shall be due and payable on or before the three-year anniversary of the first advance.
- **Consulting fees and commission expenses** – A member who holds an approximate 70% ownership of the related holding company had a consulting agreement with the Company (see Note 8). At December 31, 2023 and 2022, the Company paid a total of \$60,000 and \$60,000 to a related 70% owner for franchise sales and operational consulting fees and \$292,500 and \$231,250 for commission expenses subject to deferral – see Note 1 Deferred Costs-Commission fees.
- **Guaranteed payments** – On July 1, 2019, the Company entered into an Employment Agreement with two related parties affiliated through common ownership (see Note 8). At December 31, 2023 and 2022, guaranteed payments totaled \$196,800 and \$205,795, respectively.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**

---

**NOTE 7 – FRANCHISING**

In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee, which may be up to \$40,000 for a single franchised outlet

Under the current standard franchise agreement, each franchisee is required (i) to pay a royalty of 6% of their monthly gross revenue, (ii) to contribute 1% of gross revenues (which may increase up to 3%) for brand and system development fund fee and (iii) to pay up to \$1,000 monthly for cooperative advertising fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 5% of its monthly gross revenue on local advertising and promotions.

Franchisees are generally granted the right to operate an outlet in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee equal to 25% of the current initial franchise fee. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Consulting Agreement #1**

On August 1, 2019, the Company entered into a Franchise Consulting Agreement with ZGrowth Partners, LLC (ZPL), a related party by common ownership. ZPL will (i) develop and implement franchise marketing plan and strategies; (ii) assist and establish franchise recruiting process from initial lead generation through final execution; and (iii) assist in all other franchise operational aspects. The Company shall pay \$10,000 monthly to ZPL plus commission fee equal to 50% of the franchise fee for each franchise sold.

The payments of \$10,000 monthly or \$120,000 per year are comprised as follows:

- The consultant was paid a total of \$60,000 at December 31, 2023 and 2022 and these amounts were included with legal and professional fees.
- The consultant was paid a total of \$60,000 at December 31, 2023 and 2022 and these amounts were included with franchise sales consulting expense.

**Consulting Agreement #2**

On March 1, 2021, the Company entered into a consulting agreement with a third party consultant to work on four primary areas within the business, these areas include (i) marketing and brand image; (ii) new franchisee training; (iii) discovery day participation and (iv) key vendor relationship management. The consultant will be paid \$55,000 on a yearly basis which will be paid in equal installments on a semi-monthly basis. The agreement may be terminated with or without cause, by giving 15 days written notice.

At December 31, 2023 and 2022, the consultant was paid a total of \$57,292 and \$55,000, respectively. And these amounts were included with outside services.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 and 2022**

---

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Employment Agreement #1**

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Concept Officer (“CCO”) of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CCO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CCO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

**Employment Agreement #2**

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Training Officer (“CTO”) of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CTO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CTO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

**NOTE 9 – SUBSEQUENT EVENTS**

**Date of management review** – The Company has evaluated subsequent events through March 18, 2024, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.





**MADABOLIC FRANCHISE SYSTEM, LLC**

**dba**



**Independent Auditor's Report and  
Financial Statements**

**December 31, 2022 and 2021**



# **MADABOLIC FRANCHISE SYSTEM, LLC**

---

---

## **CONTENTS**

---

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021	
Balance Sheets	3
Statements of Income	4
Statements of Changes in Member's Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14
CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	15



## INDEPENDENT AUDITOR'S REPORT

To the Managing Members of  
Madabolic Franchise System, LLC

### Opinion

We have audited the accompanying financial statements of Madabolic Franchise System, LLC (a Delaware Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in 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 presents fairly, in all material respects, the financial position of Madabolic Franchise System, 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 Madabolic Franchise System, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

*Page 1*

### **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 Madabolic Franchise System, 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 Madabolic Franchise System, 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.



Fountain Valley, California  
March 28, 2023

# MADABOLIC FRANCHISE SYSTEM, LLC

## Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 237,955	\$ 461,545
Accounts receivable	102,510	38,685
Prepaid expenses	5,183	7,027
Total current assets	<u>345,648</u>	<u>507,257</u>
<b>Property and equipment:</b>		
Furniture and fixtures	2,125	2,125
Office equipment	5,682	5,682
Less: Accumulated depreciation	(7,247)	(6,033)
Total property and equipment	<u>560</u>	<u>1,774</u>
<b>Other assets:</b>		
Note receivable-related party	124,054	-
Notes receivable-franchisees	485,000	260,000
Deferred commission fees, net of amortization-related party	924,176	515,670
Website, net of accumulated amortization	16,050	22,902
Total other assets	<u>1,549,280</u>	<u>798,572</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,895,488</u></b>	<b><u>\$ 1,307,603</u></b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 31,110	\$ 102,003
Deferred revenue, current	235,730	129,480
Franchisee deposits	145,695	251,035
Credit cards payable	356	12,454
Current-portion of SBA PPP Loan payable	-	2,706
Total current liabilities	<u>412,891</u>	<u>497,678</u>
<b>Long-term liabilities:</b>		
Deferred revenue, non-current	2,053,542	1,124,124
Total long-term liabilities	<u>2,053,542</u>	<u>1,124,124</u>
<b>TOTAL LIABILITIES</b>	<u>2,466,433</u>	<u>1,621,802</u>
<b>MEMBER'S EQUITY</b>		
Member's Equity (Deficit)	(570,945)	(314,199)
Total Member's Equity (Deficit)	<u>(570,945)</u>	<u>(314,199)</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b><u>\$ 1,895,488</u></b>	<b><u>\$ 1,307,603</u></b>

See accompanying notes to financial statements.

Page 3

## MADABOLIC FRANCHISE SYSTEM, LLC

### Statements of Income

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Franchise fees	\$ 44,332	\$ 14,417
Royalty fees	368,629	202,252
Apparel and product sales	583,972	250,410
<b>Total Revenues</b>	<u>996,933</u>	<u>467,079</u>
<b>Cost of sales</b>	<u>379,495</u>	<u>182,814</u>
<b>Gross profit</b>	<u>617,438</u>	<u>284,265</u>
<b>Operating expenses:</b>		
Guaranteed payments	205,795	150,000
Computer and website expenses	151,367	137,756
Outside services	147,800	133,242
Advertising and marketing	106,308	53,667
Legal and professional fees	98,523	95,665
Franchise sales consulting	60,000	60,198
Payroll expenses	32,951	-
Travel and entertainment	21,468	9,262
Commission expenses	18,744	4,658
Office expenses	8,347	4,273
Depreciation and amortization	8,066	8,066
Taxes and licenses	7,119	3,215
Auto & truck	4,564	6,275
Insurance	2,964	3,623
Repairs and maintenance	121	2,348
Total operating expenses	<u>874,137</u>	<u>672,248</u>
<b>Loss from operations</b>	<u>(256,699)</u>	<u>(387,983)</u>
<b>Other income (expense):</b>		
Interest expense	(47)	(9)
Debt Extinguishment-PPP Loan Forgiveness	-	32,669
Total other income (expense)	<u>(47)</u>	<u>32,660</u>
<b>Loss before income taxes</b>	<u>(256,746)</u>	<u>(355,323)</u>
Provision for income taxes	-	-
<b>NET LOSS</b>	<u>\$ (256,746)</u>	<u>\$ (355,323)</u>

See accompanying notes to financial statements.

Page 4

## **MADABOLIC FRANCHISE SYSTEM, LLC**

### **Statements of Changes in Member's Equity**

**For the Years Ended December 31, 2022 and 2021**

---

	<u>2022</u>	<u>2021</u>
<b>Member's Equity (Deficit), beginning of year</b>	\$ (314,199)	\$ (2,738)
Capital contributions	-	43,862
Net loss	<u>(256,746)</u>	<u>(355,323)</u>
<b>Member's Equity (Deficit), end of year</b>	<u><b>\$ (570,945)</b></u>	<u><b>\$ (314,199)</b></u>

---

*See accompanying notes to financial statements.*

*Page 5*

## MADABOLIC FRANCHISE SYSTEM, LLC

### Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (256,746)	\$ (355,323)
Adjustments to reconcile net loss to net cash provided by (used for) operations:		
Depreciation and amortization	8,066	1,984
Debt Extinguishment-PPP Loan Forgiveness	-	(32,669)
<u>(Increase) decrease in:</u>		
Accounts receivable	(63,825)	(14,120)
Prepaid expenses	1,844	2,541
Note receivable-related party	(124,054)	23,508
Note receivable-franchisees	(225,000)	(130,000)
Deferred commission fees	(408,506)	(254,342)
Other receivables	-	7,653
<u>Increase (decrease) in:</u>		
Accounts payable	(70,893)	102,003
Credit card payable	(12,098)	3,502
Deferred revenue	1,035,668	518,286
Franchisee deposits	(105,340)	251,035
SBA loan payable	(2,706)	-
Net cash provided (used) by operating activities	<u>(223,590)</u>	<u>124,058</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contributions	-	43,862
Net cash provided (used) by financing activities	<u>-</u>	<u>43,862</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(223,590)</b>	<b>167,920</b>
<b>CASH - beginning</b>	<u>461,545</u>	<u>293,625</u>
<b>CASH - end</b>	<b>\$ 237,955</b>	<b>\$ 461,545</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ 47</u>	<u>\$ 9</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

Page 6



**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of Madabolic Franchise System, LLC (the Company) is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

**History and organization** – Madabolic Franchise System, LLC (MFSL) was organized in Delaware on June 19, 2019 and maintains its corporate office in Wilmington, Delaware. The Company was organized for the purpose of franchising the athletic conditioning facility that provides workouts commonly used by professional athletes that have been modified for everyday people to improve their overall health and wellness. Madabolic workout facilities offer group fitness classes utilizing approved equipment, membership options, beverages, supplements and fitness-related apparel, products and merchandise. The franchise concept was modeled after the high set of standards developed and implemented at the original Madabolic facility located in Charlotte, North Carolina.

Madabolic Franchise System, LLC is a business whose planned principal operations is to operate and sell franchises. The Company is currently developing marketing strategies to sell franchises and penetrate U.S. market with its unique operational techniques, service concepts, and proprietary information.

As of December 31, 2022, there were 23 operating locations franchised by MFSL, eight of which opened in 2022.

The Company's activities are subject to significant risks and uncertainties, including: (1) the inability to achieve the Company's planned objective and fail in opening and maintaining new franchises and (2) failing to secure additional funding to operationalize the Company's franchise concept.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold. The Company is currently going through the registration process.

**Basis of accounting** – The accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Cash and cash equivalents** – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2022 and 2021.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration of risk** – Occasionally the Company maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Company does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institution. At December 31, 2022 and 2021, the Company’s uninsured cash balances totaled \$-0 and \$131,205, respectively.

**Accounts receivable** – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2022 and 2021, accounts receivables totaled \$102,510 and \$38,685, respectively.

**Property and equipment** – Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which is five years. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewal are charged to expenses as incurred.

Depreciation expense for the years ended December 31, 2022 and 2021 was \$8,066 and \$8,066 respectively.

**Website** – The Company markets the brand and opportunity in various franchise info-websites, lead search, and maintains a robust website. The cost of creation, design, and development of the website are treated as a capital asset. Additionally, enhancements and upgrades that add functionality are capitalized. Website costs that are ongoing, and geared for upkeep and maintenance are charged to expense when incurred. These capitalized costs are amortized using the straight-line method over the estimated useful life, which is five years.

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset’s carrying amount may not be recoverable. Such circumstances could include, but are not limited to, a significant decrease in market value of an asset, a significant adverse change to the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated non-discounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the assets evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There have been no impairment losses recorded as of December 31, 2022.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of estimates** – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

**Income taxes** – The Company has elected to be taxed under the provisions of a single-member domestic limited liability company (LLC) of the Internal Revenue Code. Under federal and most state laws, taxes based on income of a single-member LLC is filed to the single member's income tax return. Accordingly, no provision for current federal income taxes has been recorded in the accompanying financial statements.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of challenge.

The Company's income tax filings are subject to examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three year statute of limitation.

**Franchisee deposits** – The Company collects funds in advance from new franchisees for future grand opening marketing expenses and equipment to build out their studios. Funds are held until needed to be spent on these items. At December 31, 2022 and 2021, franchisee deposits totaled \$145,695 and \$251,035, respectively.

**Revenue recognition**

The Company adopted Topic 606 "Revenue from Contracts with Customers" for revenue recognition related to contracts with customers. Under the new guidance, revenue is recognized in accordance with a five step revenue model, as follows: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, the Company made significant judgements in identifying the promised goods or services in their contracts with franchisees that are distinct, and which represent separate performance obligations, which is satisfied by providing a right to use our intellectual property over the estimated life of the franchise. The Company recognizes initial and renewal franchise fees as revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

- **Franchise fees** – The Company collects a nonrefundable franchise fees when franchise agreements are signed. The Company has determined that the initial franchise services are not distinct from the continuing franchise rights/license or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial franchise fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 10 years.

The Company recognizes franchise fee beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$44,332 and \$14,417 at December 31, 2022 and 2021, respectively.

- **Royalties** – The Company collects royalties from each franchise outlet based upon a percentage of gross revenues. The Company recognizes royalties as revenue when earned. At December 31, 2022 and 2021, royalties recognized by the Company was \$368,629 and \$202,252, respectively.
- **Product sales** – The product sales include the sale of point-of-sale technology equipment to franchisees and the sale of the initial equipment package. The Company recognizes product sales as revenue when sold. At December 31, 2022 and 2021, product sales totaled \$583,972 and \$250,410, respectively.
- **Cost of sales** – Cost of sales consists primarily of music license and merchandise apparel sold to franchisees. At December 31, 2022 and 2021, cost of sales was \$379,495 and \$182,814, respectively.
- **Deferred costs-Commission Fees** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2022 and 2021 was \$924,176 and \$515,670, respectively.

**Contract Liabilities/Deferred Revenue** – Contract liabilities consist primarily of deferred revenue resulting from initial and renewal franchise fees and area development agreement (“ADA”) fees paid by franchisees, which are generally recognized on a straight-line basis over the term of the underlying franchise agreement, and billed in advance of satisfaction of the Company’s performance obligation. The Company classify these contract liabilities as deferred revenue in the balance sheets.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

The following table reflects the change in contract liabilities between December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 1,253,604	\$ 735,318
Revenue recognized during the year	(44,332)	(14,417)
New deferred revenue during the year	1,080,000	532,703
Balance at end of year	<u>\$ 2,289,272</u>	<u>\$ 1,253,604</u>

The following table illustrates estimated deferred revenues expected to be recognized as future revenue which is being amortized over the term of the franchise agreement.

<b>Future revenue to be recognized in:</b>	<b>Amount</b>
Remainder 2022	\$ 13,501
2023	235,730
2024	235,730
2025	235,730
2026	232,730
2027	232,730
Thereafter	<u>1,103,122</u>
Total	<u>\$ 2,289,272</u>

**NOTE 2 – NOTES RECEIVABLE- FRANCHISEES**

During the year, the Company had notes receivable from franchisees relating to the sale for a multi-outlet franchise. The note receivable is unsecured, non -interest bearing and due and payable on (i) the date which is forth-two (42) months following Franchisee’s execution of the Note or (ii) any sale, transfer, assignment or other disposition (including termination) of Franchisee’s franchise rights under the franchise agreement. The franchisee may pre-pay any portion of the Note at any time without penalty.

At December 31, 2022 and 2021, notes receivable totaled \$485,000 and \$260,000, respectively.

**NOTE 3 – ACCOUNTS PAYABLE**

The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2022 and 2021, the Company had recorded trade payables in the amount of \$31,110 and \$102,003, respectively.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

---

**NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2022 and 2021.

**NOTE 5 – CREDIT CARDS PAYABLE**

The Company has an unsecured bank credit cards with a total limit of \$100,000 and an outstanding balance of \$356 and \$12,454 at December 31, 2022 and 2021, respectively. Based on the card usage and outstanding balance, a finance charge is charged to the Company. The finance charge is expensed when incurred. At December 31, 2022 and 2021, finance charged totaled \$-0.

**NOTE 6 – PAYCHECK PROTECTION PROGRAM (PPP) FUNDS**

The Company applied for and received a loan on May 1, 2020, in the amount of \$35,375. The funds may be used only for payroll costs, rent, and utilities. Under the terms of the PPP, the loan may be forgiven if they are used for the qualifying expenses. The Company has used the loan of \$32,669 for qualifying expenses and 92% of the loan was forgiven. Accordingly, the Income Statement reflects the Gain on Debt Extinguishment in Other Income in the amount of \$32,669.

At December 31, 2022 and 2021, the SBA loan balance was \$-0 and \$2,706, respectively.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

During the period, the Company had transactions with related parties. These transactions include the following:

- **Note receivable** – The Company's member advanced funds to a related party by common ownership. The note receivable balance was \$124,054 and \$-0 at December 31, 2022 and 2021, respectively. The advances are unsecured and non-interest bearing. The principal amount, plus all accrued interest, if not sooner paid, shall be due and payable on or before the three-year anniversary of the first advance.
- **Consulting fees and commission expenses** – A member who holds an approximate 70% ownership of the related holding company had a consulting agreement with the Company (see Note 9). At December 31, 2022 and 2021, the Company paid a total of \$60,000 and \$60,000 to a related 70% owner for franchise sales and operational consulting fees and \$231,250 and \$228,428 for commission expenses subject to deferral – see Note 1 Deferred Costs-Commission fees.
- **Guaranteed payments** – On July 1, 2019, the Company entered into an Employment Agreement with two related parties affiliated through common ownership (see Note 9). At December 31, 2022 and 2021, guaranteed payments totaled \$205,795 and \$150,000, respectively.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

---

**NOTE 8 – FRANCHISING**

In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee, which may be up to \$40,000 for a single franchised outlet

Under the current standard franchise agreement, each franchisee is required (i) to pay a royalty of 6% of their monthly gross revenue, (ii) to contribute 1% of gross revenues (which may increase up to 3%) for brand and system development fund fee and (iii) to pay up to \$1,000 monthly for cooperative advertising fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 5% of its monthly gross revenue on local advertising and promotions.

Franchisees are generally granted the right to operate an outlet in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee equal to 25% of the current initial franchise fee. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**Consulting Agreement #1**

On August 1, 2019, the Company entered into a Franchise Consulting Agreement with ZGrowth Partners, LLC (ZPL), a related party by common ownership. ZPL will (i) develop and implement franchise marketing plan and strategies; (ii) assist and establish franchise recruiting process from initial lead generation through final execution; and (iii) assist in all other franchise operational aspects. The Company shall pay \$10,000 monthly to ZPL plus commission fee equal to 50% of the franchise fee for each franchise sold.

**Consulting Agreement #2**

On March 1, 2021, the Company entered into a consulting agreement with a third party consultant to work on four primary areas within the business, these areas include (i) marketing and brand image; (ii) new franchisee training; (iii) discovery day participation and (iv) key vendor relationship management. The consultant will be paid \$55,000 on a monthly basis which will be paid in equal installments on a semi-monthly basis. The agreement may be terminated with or without cause, by giving 15 days written notice.

At December 31, 2022 and 2021, the consultant was paid a total of \$55,000 and \$46,042, respectively.

**MADABOLIC FRANCHISE SYSTEM, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 and 2021**

---

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**Employment Agreement #1**

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Concept Officer (“CCO”) of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CCO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CCO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

**Employment Agreement #2**

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Training Officer (“CTO”) of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CTO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CTO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

**NOTE 10 – SUBSEQUENT EVENTS**

**Date of management review** – The Company has evaluated subsequent events through March 28, 2023, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.



**EXHIBIT "G"**  
**TO DISCLOSURE DOCUMENT**  
**OTHER AGREEMENTS**

**EXHIBIT “G”-1**

**STATE ADDENDA**

*[See Attached]*

## STATE ADDENDA AND AMENDMENTS TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES

### **BACKGROUND AND PURPOSE**

The following modifications are made to the Madabolic Franchise Disclosure Document (“FDD” or “Disclosure Document”) issued by Madabolic Franchise System, LLC (“we” or “us” or “franchisor”) to franchisee (“you” or “franchisee”) and may supersede certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 202\_\_ (the “Franchise Agreement”). When the term “Supplemental Agreements” is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum (“State Addendum”) will modify these agreements to comply with the applicable state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.

## CALIFORNIA

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the disclosure document.
2. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
3. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The franchise agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.
8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
9. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
10. The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information.”
11. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION at <https://dfpi.ca.gov/>.
12. All fees referenced in the Franchise Agreement are subject to deferral pursuant to order of the State of California. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.

**HAWAII**

1. The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

2. Our registered agent in the state authorized to receive service of process:

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

3. The states in which this filing is effective are listed on the Exhibit to the FDD titled "State Effective Dates".
4. The states in which this filing is or will be shortly on file include the following:  
\_\_\_\_\_
5. The states, if any, which have refused, by order or otherwise, to register these franchises include the following: \_\_\_\_\_
6. The states, if any, which have revoked or suspended the right to offer these franchises include the following: \_\_\_\_\_
7. The states, if any, in which the filing of these franchises has been withdrawn include the following:  
\_\_\_\_\_

## ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement and Supplemental Agreements are amended as follows:

1. You must sign a general release in order to renew or transfer your franchise. Any such release must comply with the provisions of the Illinois Franchise Disclosure Act (the “Act”).
2. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois..
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. Illinois requires inclusion of the following additional risk factor:

“2. 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.”
6. Item 7 of the FDD is amended to add the following footnote to the table relating to the “Insurance” row:

“This is an estimate for the various types of insurance a franchisee will need including comprehensive general liability insurance, professional liability insurance, tenant’s liability insurance, worker’s compensation insurance and employer’s liability insurance as required by law and any other insurance that we specify in the Manual from time to time. The amount is an estimate for 3 month’s premium and would be paid directly to the insurance carriers in a lump sum before the start of franchise operations.”
7. All fees referenced in the Franchise Agreement are subject to deferral pursuant to order of the Illinois Attorney General’s Office based upon their review of our financial condition as reflected in our financial statements. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.

## INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.
2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.
3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.
4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.
5. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1(9).
6. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:

Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.

At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.

7. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

## MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the "Maryland Franchise Law"), the Disclosure Document is amended as follows:

1. The following is added to the **Special Risks to Consider About *This Franchise*** page:

**"6. Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet."

2. ITEM 5 of the Disclosure Document is amended to add the following:

"Fee Deferral

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

2. ITEM 17 of the Disclosure Document is amended to add the following:

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

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

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

In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

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

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



## **MARYLAND ADDENDUM TO FRANCHISE AGREEMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”), the Franchise Agreement for Madabolic Franchise System, LLC is amended as follows:

1. Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
2. Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.
3. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.
4. Any acknowledgements or representations of you that disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.
5. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
6. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

## MICHIGAN

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (v) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (vi) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (vii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (viii) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if

the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
CONSUMER PROTECTION DIVISION  
Attention: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

## MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.
2. We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights 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. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J) which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond is required.
4. We will comply with Minnesota Statute Section 80C.12, Subd. 1(g) which requires that we protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
5. We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under 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 with the franchise.
7. Items 5 and 7 of this Disclosure Document are amended to include the following:

“All fees referenced are subject to deferral pursuant to order of the State of Minnesota. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.”

## NEW YORK

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

5. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

6. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

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

## NORTH DAKOTA

In recognition of the requirements of the North Dakota Franchise Investment Law (the “North Dakota Franchise Law”), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Law. Item 17(r) of the Disclosure Document and certain provisions in the Franchise Agreement and Supplemental Agreements include certain covenants restricting competition to which you must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Law. The Disclosure Document, Franchise Agreement and Supplemental Agreements are amended accordingly to the extent required by law.
2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee’s business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, the parties must agree on the site where arbitration or mediation will be held.
3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Provisions requiring you to sign a general release upon renewal of the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.
8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.
10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Invest Law.

## RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act (the "Rhode Island Franchise Law"), the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Rhode Island Franchise Law. This provision does not apply to the settlement of disputes, claims, or civil lawsuits brought under the Rhode Island Franchise Law.
2. Section 19-28.1-14 of the Rhode Island Franchise Law provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." If a claim is enforceable under the Rhode Island Franchise Law, we will not restrict jurisdiction or venue to a forum outside the State of Rhode Island or require the application of the laws of another state.
3. We will not prohibit you from joining a trade association or association of franchisees. We will not retaliate against you for engaging in these activities.
4. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the Rhode Island Franchise Law is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Rhode Island Franchise Law. Notwithstanding the foregoing, if a rescission offer has been approved by the Rhode Island director of business registration, then the statute of limitations is ninety (90) days after your receipt of the rescission offer.



## VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. ITEM 17 of the Disclosure Document is amended to add the following:

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

2. ITEM 17(t) is amended to delete the language contained in the Summary column and replace it with the following:

“Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.”

3. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

4. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.

5. Virginia requires inclusion of the following additional risk factors:

“The franchisee will be required to make an estimated initial investment ranging from \$402,350 to \$591,900. This amount exceeds the franchisor’s stockholder’s equity as of December 31, 2023, which is (\$507,082).”

6. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement..

## WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

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

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

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

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

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

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

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

All fees referenced in Item 5 of this Disclosure Document are subject to deferral pursuant to order of the State of Washington. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.

**WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement and Supplement Agreements (if applicable) if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

*(Signatures on following page)*

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement. We are responsible for checking the appropriate box or boxes.

- |                                     |                                       |                                       |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> Michigan     | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Hawaii     | <input type="checkbox"/> Minnesota    | <input type="checkbox"/> Virginia     |
| <input type="checkbox"/> Illinois   | <input type="checkbox"/> New York     | <input type="checkbox"/> Washington   |
| <input type="checkbox"/> Indiana    | <input type="checkbox"/> North Dakota | <input type="checkbox"/> Wisconsin    |
| <input type="checkbox"/> Maryland   | <input type="checkbox"/> Rhode Island |                                       |

Dated: \_\_\_\_\_, 202\_\_

**FRANCHISOR:**

Madabolic Franchise System, LLC

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

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

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

**FRANCHISEE:**

[ \_\_\_\_\_ ]

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

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

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

**EXHIBIT “G”-2**

**GENERAL RELEASE**

*[See Attached]*

## WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this “Agreement”) is made as of \_\_\_\_\_, 202\_\_ (the “Effective Date”) by \_\_\_\_\_, a(n) \_\_\_\_\_ (“you”) and each individual holding a direct or indirect ownership interest in you (collectively “Owner”) in favor of Madabolic Franchise System, LLC, A Delaware limited liability company (“us,” and together with you and Owner, the “Parties”).

### Background

- A. We signed a Franchise Agreement with you, dated \_\_\_\_\_, 202\_\_ (the “Franchise Agreement”) pursuant to which we granted you the right to own and operate a Madabolic business.
- B. You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, [**enter into a successor franchise agreement**] and we have consented to such transfer [**agreed to enter into a successor franchise agreement**].
- C. As a condition to our consent to the transfer [**your ability to enter into a successor franchise agreement**], you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.
- D. In consideration of our consent to the transfer [**our entering into a successor franchise agreement**], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as set forth below.

### Agreement

1. Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the “Franchisee Parties”), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the “Franchisor Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement.
2. California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive §1542 of the California Civil Code, which provides the following:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

[Section 2 only applies for California franchisees; otherwise it is omitted]

3. Washington Franchise Law. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

[Section 3 only applies for Washington franchisees; otherwise it is omitted]

4. Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor Parties.

Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.

5. Representations and Warranties. You and Owner each represent and warrant that: (a) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; (b) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; (c) you and Owner have not and shall not (i) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or (ii) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and (d) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].
6. Miscellaneous.
  - (a) The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.
  - (b) This Agreement shall be construed and governed by the laws of the State of North Carolina.
  - (c) In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
  - (d) All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.
  - (e) This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified except in a writing signed by each of the Parties.
  - (f) If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.
  - (g) The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.
  - (h) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**FRANCHISEE:**

[REDACTED]

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

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

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

**FRANCHISE OWNERS:**

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

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

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



**EXHIBIT “G”-3**

**FRANCHISE RESALE AGREEMENT**

*[See Attached]*

## FRANCHISE RESALE AGREEMENT

This Franchise Resale Agreement (the “Agreement”) is entered into as of [\_\_\_\_], 202[\_\_\_] (the “Effective Date”) between Madabolic Franchise System, LLC, A Delaware limited liability company (“we” or “us”) and [\_\_\_\_], a(n) [\_\_\_\_] (“you” and together with us, the “Parties”).

### BACKGROUND

- A. On [\_\_\_\_], 202[\_\_\_], the Parties entered into a Madabolic Franchise Agreement (the “Franchise Agreement”), pursuant to which we granted you the right, license and obligation to develop, open and operate the Madabolic facility located at [\_\_\_\_] (your “Madabolic Business”).
- B. You have notified us that you desire to sell the Madabolic Business and you have requested our assistance in effectuating the sale and transfer of the Madabolic Business.
- C. We have agreed to assist you in your efforts to sell the Madabolic Business subject to the terms and conditions set forth in this Agreement.

### AGREEMENT

1. **Background Recitals.** The statements made in the Recitals above are true and accurate and are incorporated herein.
2. **Defined Terms.** Any capitalized term that is not defined herein shall have the meaning ascribed to it in the Franchise Agreement.
3. **Term.** The term of this Agreement (the “Term”) begins on the Effective Date and expires on the expiration or earlier termination of the current term of the Franchise Agreement. If the Parties renew the term of the Franchise Agreement, then the Parties may (but need not) renew the Term of this Agreement upon mutually agreeable terms and conditions.
4. **Engagement.** You hereby engage us to provide franchise brokerage services during the Term on a non-exclusive basis. We hereby accept the engagement and agree to assist you in your efforts to: (a) locate one or more qualified buyers for your Madabolic Business; and (b) sell your Madabolic Business to a qualified buyer that we approve as meeting our minimum qualifications and eligibility requirements for a franchisee. You agree that we may offer (and publicly list) your Madabolic Business for sale at any price equal to or greater than \$[\_\_\_\_\_].
5. **Sales Assistance.** During the Term, we agree to provide reasonable assistance in connection with your efforts to sell your Madabolic Business. We will utilize our current franchise recruiting system and our internal and external franchise sales network (our “Franchise Recruitment Program”) in an effort to identify qualified candidates to purchase your Madabolic Business. We shall pre-qualify all leads to ensure they meet our minimum qualifications and eligibility requirements for franchisees. We do not represent or guaranty that our efforts to identify a qualified buyer willing to purchase your Madabolic Business will be successful. Under no circumstances will we have any liability to you based on the services we render pursuant to this Agreement.
6. **Your Obligations.** We will expend valuable time and resources attempting to market and sell your Madabolic Business. For this reason, you may not refuse any purchase offer that we present to you for a purchase price of at least \$[\_\_\_\_\_]. However, you will have an opportunity to negotiate a higher price after we introduce the potential buyer to you. You agree to cooperate with us in good faith and provide all reasonable assistance and information we request in order to effectuate the purposes of this Agreement and facilitate the sale of your Madabolic Business. You agree to promptly provide all potential buyers with full access to your books and records for due diligence purposes. Throughout the Term, you agree to remain in full compliance with all terms of the Franchise Agreement. You understand that all terms in the Franchise Agreement governing transfer of your Madabolic Business (including payment of

the transfer fee) shall apply to any sale of your Madabolic Business notwithstanding the execution of this Agreement.

7. **Purchase Agreement.** We assume no responsibility for preparing or negotiating the asset or stock purchase agreement between you and the buyer. You and the buyer are solely responsible for preparing and negotiating the asset or stock purchase agreement pursuant to which you will transfer ownership of your Madabolic Business to the buyer.
8. **Fees and Costs.** If either (a) you sell your Madabolic Business to a buyer solicited through our Franchise Recruitment Program or (b) we materially assist you in your efforts to sell your Madabolic Business to a buyer solicited by you or an unaffiliated third party, then you agree to pay us 10% of the total sales price for the Madabolic Business (the “Service Fee”). The sales price shall be deemed to include the fair market value of any goods, services or other non-monetary consideration the buyer (or any other person) furnishes to you in full or partial consideration for the purchase of the Madabolic Business. You must pay us the Service Fee in one lump sum concurrently with the closing of the sale of your Madabolic Business to the buyer. The Service Fee shall be in addition to: (a) any transfer fee imposed under the Franchise Agreement; and (b) any commissions we pay to a third party in connection with the sale that the Franchise Agreement requires you to reimburse to us.
9. **Indemnification.** Your indemnification obligation under the Franchise Agreement shall extend to and apply with respect to any Losses and Expenses we incur as a result of or in connection with: (a) your breach of this Agreement; or (b) your discussions, negotiations or other relationship with any potential buyer solicited through the Franchise Recruitment Program, including your breach of any agreement between you and such buyer.
10. **No Liability.** You hereby agree to hold harmless, and not assert any claims against, us, our affiliates, any of our (or our affiliates’) owners, officers, employees or other representatives, or any member of our Franchise Recruitment Program, in connection with any dispute or disagreement between you and any prospective or actual buyer of your Madabolic Business.
11. **Default & Termination.** If you breach any obligation under this Agreement and fail to cure the breach within 10 days after notice from us, we may immediately terminate this Agreement upon notice to you and pursue any and all remedies available to us under this Agreement, the Franchise Agreement, at law or in equity. Your default under this Agreement constitutes a default under the Franchise Agreement. Similarly, your default under the Franchise Agreement constitutes a default under this Agreement.
12. **Effect of Expiration or Termination.** Upon expiration of the Term, we have no further responsibility or obligation to assist you with the sale of your Madabolic Business unless otherwise agreed to by both Parties in writing. If, following the expiration or termination of this Agreement, you sell your Madabolic Business to any person: (a) who was initially solicited through our Franchise Recruitment Program during the Term of this Agreement; and/or (b) with respect to whom we provided material assistance in connection with your sales efforts during the Term of this Agreement, then you agree to pay us the Service Fee in §8 notwithstanding the prior termination or expiration of this Agreement.
13. **Miscellaneous.**
  - (a) **No Waiver.** By executing this Agreement, we shall not be deemed to have: (a) waived or impaired any right, power or option granted to us under the Franchise Agreement; or (b) waived or consented to any default or breach by you under the Franchise Agreement.
  - (b) **Effect on Franchise Agreement.** All terms, conditions, covenants and representations set forth in the Franchise Agreement shall remain in full force and effect during the Term of this Agreement.
  - (c) **Binding Nature.** This Agreement shall be binding upon the Parties hereto and their respective heirs, personal representatives, successors and assigns.
  - (d) **Time of Essence.** Time is of the essence of this Agreement and of every term, covenant and condition hereof.

- (e) Headings. The headings in this Agreement are for convenience only and are not to be construed as a part of this Agreement or in any way defining, limiting or amplifying the provisions hereof.
- (f) Governing Law. This Agreement shall be governed by, construed and enforced under the laws of the State of North Carolina.
- (g) Dispute Resolution. Any dispute between the Parties relating to this Agreement shall be resolved in accordance with the dispute resolution procedures set forth in the Franchise Agreement, all of which are incorporated herein by this reference.
- (h) Entire Agreement; Modification. This Agreement constitutes the entire agreement and understanding between the Parties regarding the subject matter hereof. This Agreement may not be modified except in a writing signed by both Parties.
- (i) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document.

The Parties have executed this Agreement effective as of the Effective Date first above written.

**“FRANCHISOR”**

Madabolic Franchise System, LLC

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

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

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

**“FRANCHISEE”**

[ \_\_\_\_\_ ]

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

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

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

**EXHIBIT "H"**

**TO DISCLOSURE DOCUMENT**

**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>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	November 16, 2023 (amended April 19, 2024)
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

**EXHIBIT "I"**  
**TO DISCLOSURE DOCUMENT**

**RECEIPTS**

*[See Attached]*

## RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Madabolic Franchise System, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Madabolic Franchise System, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

\_\_\_ Albert Mendoza; 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038; (760) 855-7525  
\_\_\_ Brandon Cullen 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038; (704) 661-7205  
\_\_\_ Kirk Dewaele 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038; (704) 771-6906  
\_\_\_ Rick Del Sontro\*, 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038 (202) 345-3420

\* Not licensed to sell franchises in Washington.

Issuance Date: April 19, 2024 (amended April 30, 2024)

Madabolic Franchise System, LLC's agent to receive service of process is listed in EXHIBIT "A" to this Disclosure Document (for franchise registration states) or EXHIBIT "B" to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

EXHIBIT "A"	List of State Administrators and Agents for Service of Process
EXHIBIT "B"	Agent for Service of Process
EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Table of Contents of the confidential Brand Standards Manual
EXHIBIT "E"	List of Franchisees
EXHIBIT "F"	Financial Statements of Madabolic Franchise System, LLC
EXHIBIT "G"	Other Agreements
EXHIBIT "G"-1	State Addenda
EXHIBIT "G"-2	General Release
EXHIBIT "G"-3	Franchise Resale Agreement
EXHIBIT "H"	State Effective Dates
EXHIBIT "I"	Receipts

---

Print Name

---

Date

---

(Signature) Prospective Franchise Owner

---

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Madabolic Franchise System, LLC)

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Madabolic Franchise System, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Madabolic Franchise System, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

- \_\_\_ Albert Mendoza; 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038; (760) 855-7525
- \_\_\_ Brandon Cullen 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038; (704) 661-7205
- \_\_\_ Kirk Dewaele 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038; (704) 771-6906
- \_\_\_ Rick Del Sontro\*, 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038 (202) 345-3420

\* Not licensed to sell franchises in Washington.

Issuance Date: April 19, 2024 (amended April 30, 2024)

Madabolic Franchise System, LLC’s agent to receive service of process is listed in EXHIBIT "A" to this Disclosure Document (for franchise registration states) or EXHIBIT "B" to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

- EXHIBIT "A" List of State Administrators and Agents for Service of Process
- EXHIBIT "B" Agent for Service of Process
- EXHIBIT "C" Franchise Agreement
- EXHIBIT "D" Table of Contents of the confidential Brand Standards Manual
- EXHIBIT "E" List of Franchisees
- EXHIBIT "F" Financial Statements of Madabolic Franchise System, LLC
- EXHIBIT "G" Other Agreements
- EXHIBIT "G"-1 State Addenda
- EXHIBIT "G"-2 General Release
- EXHIBIT "G"-3 Franchise Resale Agreement
- EXHIBIT "H" State Effective Dates
- EXHIBIT "I" Receipts

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

\_\_\_\_\_  
(Signature) Prospective Franchise Owner

\_\_\_\_\_  
Date

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner’s copy. The other Receipt must be signed and returned to Madabolic Franchise System, LLC)