


## FRANCHISE DISCLOSURE DOCUMENT

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|---|---|
|  | <p><b>Vertica Fitness Franchising, Inc.</b><br/><b>An Arizona Corporation</b><br/><b>11834 N. Silver Village Place</b><br/><b>Oro Valley, AZ 85737</b><br/><b>(520) 216-7651</b><br/>email: <a href="mailto:franchise@verticafitness.com">franchise@verticafitness.com</a><br/><a href="http://www.VerticaFitness.com">www.VerticaFitness.com</a></p> |
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Vertica Fitness Franchising, Inc. d/b/a Vertica Fitness offers franchises for the right to establish and operate a fitness studio that provides Pole Fitness and other exercise.

The total investment necessary to begin operation of a Vertica Fitness franchise is \$184,050 to \$312,475. This includes \$49,950 that must be paid to the franchisor or affiliate.

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 Sean Hansen, 11834 N. Silver Village Place, Oro Valley, AZ 85737; (916) 757-3123.

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 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. 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: May 16, 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 Exhibits E and F. |
| <b>How much will I need to invest?</b>   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.   |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit G 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 Vertica Fitness 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 Vertica Fitness franchisee?</b>                                | Item 20 or Exhibits E and F 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 B.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Arizona. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Arizona than in your own state.
2. **Limited 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. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the 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.

**MICHIGAN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a 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, logo type, 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 obligation to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

**THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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### Exhibits

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
- C. Franchise Agreement
  - Schedule 1-Territory
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  - Schedule 3-Telephone Number Assignment
  - Schedule 4-Lease Rider
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- D. Release
- E. List of Current Franchisees
- F. List of Former Franchisees
- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
- J. Receipts

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

To simplify the language in this disclosure document, the terms “we,” “us,” and “our” refer to Vertica Fitness Franchising, Inc. d/b/a Vertica Fitness, the Franchisor. The terms “you” and “your” refer to the person or entity that buys this franchise, including any guarantors.

The Franchisor, and any Parents or Predecessors.

We are an Arizona Corporation formed on April 14, 2022. Our principal business address is 11834 N. Silver Village Place, Oro Valley, AZ 85737.

We do business as “Vertica Fitness.”

Exhibit B contains our agents for service of process.

The franchise offered is a pole fitness exercise studio.

We do not operate a business of the type being franchised. We do not engage in other business activities except the offering of franchises as disclosed here.

We have offered franchises of the type offered here since 2022. We have not offered franchises in any other line of business. We have not conducted the type of business you will operate.

We do not have any parents or predecessors.

Affiliates

We have an affiliate, Centre Stage Dance Studio, LLC, an Arizona limited liability company, with a principal business address at 1335 W. Lambert Lane #115, Oro Valley, AZ 85737 that was formed on July 30, 2008. Centre Stage Dance Studio has operated a Pole Fitness studio at this address since 2015. Additionally, Centre State Dance Studio operates a second studio located at 3957 E. Speedway Blvd. #201, Tucson, AZ 85712, Tucson, AZ 85712, which it has operated since 2018.

Centre Stage does not offer franchises in any line of business or offer products or services to franchisees.

Market and Competition

The market for your services and products is the general public. In most areas, the market is developed. Sales are year-round.

Your franchised business may have to compete with other businesses offering services and products similar to those that you will offer, including franchised operations, national chains, and other independently owned companies.

## Laws and Regulations

You must comply with federal, state, and local laws that apply to your business. Some state or local laws may require licensing or registration of a membership program for exercise or health club products and services. In those states, you must comply with state laws and regulations that apply to health clubs and fitness facilities such as laws (1) regulating membership contract length and terms, advertising and limitations on pre-opening sales, and (2) requiring bonding, buyer's remorse cancellation rights for limited periods (usually three to ten days after sale), and cancellation and partial refund rights for medical or relocation reasons. States may also require you to have an automated external defibrillator (AED) unit on-site with staff member(s) trained in how to use the AED and trained in CPR.

You will need to comply with copyright and licensing laws applicable to music played at your Studio.

At the federal level, health clubs who sell memberships on credit may be subject to the federal Truth-In-Lending Act and Regulation Z and various other credit-related statutes like the Equal Credit Act and Fair Debt Collection Practices Act.

You should investigate the application of these laws further.

## **ITEM 2 BUSINESS EXPERIENCE**

Katrina Wyckoff – President and CEO. Katrina Wyckoff has served as our President and Chief Executive Officer in Tucson, AZ since our inception in February 2022. Since 2006 she has served as Founder and CEO of our affiliate Centre Stage Dance Studio, LLC in Tucson, AZ. Ms. Wyckoff has concurrently served as the President of the US Pole Sports Federation in Tucson, AZ since 2020.

Dennis Mulgannon – Director of Franchising. Dennis Mulgannon has served as our Director of Franchising in El Dorado Hills, CA since February 2022. Dennis Mulgannon has also served as CEO of Bin Masters Franchising USA Inc. in El Dorado Hills, CA since April 2022. He has also served as Director of Franchising for Surface Experts Franchising in Spokane, Washington since July 2018 and Director of Franchising for TFL Franchise Systems, LLC in Boston, Massachusetts since April 2015. He also served as Director of Franchising for GTN Capital Group in Guilford, Connecticut from February 2017 through October 2020.

Sean Hansen – Franchise Development Manager. Sean Hansen has served as our Franchise Development Manager in El Dorado Hills, CA, since February 2022. Sean Hansen has also served as the COO of Bin Masters Franchising USA Inc. in El Dorado Hills, CA since April 2022. He has also been a Franchise Development Manager for GTN Capital Group in El Dorado Hills, CA, from May 2017 through October 2020 and was an Area Representative for GTN Capital Group from May 2017 until April 2023. Mr. Hansen has been Franchise Development Manager for Surface Experts Franchising in Spokane, Washington since July 2018 and has been an Area

Representative and Franchise Developer for WaveMAX Laundry in El Dorado Hills, CA since November 2016. Mr. Hansen was a Director for Kiefer Consulting, Inc. in Folsom, CA from August 2011 to July 2017.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this item.

**ITEM 5  
INITIAL FEES**

The initial franchise fee for a single-unit Franchised Business is \$49,950. The franchise fee for a second unit is \$29,950 and the franchise fee for a third unit is \$19,950. To qualify for multi-unit discounts, you must make all franchise purchases at the same time.

We offer a 5% discount on the initial franchise fee for an honorably discharged U.S. veteran and first responders.

The initial fees are payable to us in a lump sum when you sign the Franchise Agreement. The initial fees are uniformly imposed and fully earned and nonrefundable as paid.

**ITEM 6  
OTHER FEES**

| Fee                       | Amount                  | Due Date  | Remarks   |
|---------------------------|-------------------------|---|---|
| Royalty Fee<br>(Note 1)   | 8.25% of Gross Revenues | Due between the 8th and 10th of the month of billing. | “ <b>Gross Revenues</b> ” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes. |
| Grand Opening Advertising | \$20,000                | Around the time of opening                            | You agree to spend these sums to promote the opening of the Franchised Business pursuant to our guidelines.   |

| <b>Fee</b>                         | <b>Amount</b>  | <b>Due Date</b>                            | <b>Remarks</b>  |
|------------------------------------|--|--|---|
| Local Advertising                  | \$2,000/month minimum  | Monthly                                    | Begins month four (4) of operation. You are required to maintain at least the minimum package which includes the franchise location website. The advertising must be spent as follows: \$600 per month paid to marketing agency for ad management, placement and reporting and at least \$1,400 per month in paid ad spend. |
| National Advertising and Marketing | Up to 1% of Gross Revenue                                      | Due between the 8th and 10th of the month. | We are not currently implementing the National Advertising fund.  |
| Third party software fees          | Approximately \$1,000 per month plus transaction costs         | Monthly                                    | You agree to pay fees to third party software providers per our specifications for use of POS and other software systems.   |
| Additional Coach Training Fee      | \$1,000 per attendee per day                                   | At the time of training                    | Training for you and a single coach is included in your initial franchise fee. This fee covers training provided on site at our location for any additional coaches you wish to be trained.   |
| Update Training Fee                | \$250 per attendee   | At the time of training                    | We reserve the right to charge up to \$250 per attendee to provide Update Training.   |
| Insufficient Funds Fee             | \$50 per transaction   | As incurred                                | You agree to pay this fee to us if an electronic transfer or other payment from you to us is declined.  |
| Audit Fee                          | Cost of Audit plus \$50 per month Late Fee on any late payment | Immediately upon conclusion of audit       | Payable if an audit discloses an under reporting of Gross Revenues or underpayment to us by 2% or more.   |
| Annual Convention Fee              | Up to \$350 per attendee                                       | Before attending the Annual Convention     | We reserve the right to impose this fee to attend our Annual Convention.  |
| Testing/ Inspection Fees           | \$100/hour plus any costs incurred                             | When incurred                              | You must pay this fee to us if you request us to test and   |

| <b>Fee</b>   | <b>Amount</b>  | <b>Due Date</b>  | <b>Remarks</b>  |
|--|--|--|---|
| to Approve a Supplier                              |  |  | inspect a new supplier.   |
| Alternative Supplier Approval                      | \$500 per day for personnel engaged in evaluating supplier.  | At time of request.  | Additionally, you must reimbursement us for any travel, accommodations, and meal expenses.  |
| Transfer Fee                                       | \$5,000 for a transfer of the franchise or a majority interest in it.<br><br>\$2,500 upon transfer of minority interest.                     | Due before transferring  | We must approve the transfer.   |
| Renewal Fee  | \$5,000  | When you enter into a new franchise agreement upon the expiration of the term of your original franchise agreement |   |
| Late fee   | \$50 per month   | 10 days after billing  | You must pay a late fee for each past due payment.  |
| Client Refunds                                     | The amount of any fee we refund to a client  | As invoiced  | If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client of all or a portion of the client fees, we may make the refund and bill you. You agree to pay the charges. |
| Assistance Fee in the event of death or incapacity | Our reasonable expenses plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business. | At time of expense   | We are entitled to this fee if we must operate your franchise due to your death or incapacity.  |
| Sales, Excise, or Gross Receipts tax               | Actual amount of tax paid  | At time of payment of fees to us which are subject to any tax  | If required by the federal, state or locality in which your franchise is located. Including sales, excise or gross receipts tax or similar type tax on the initial franchise fee, royalty, and other fees and costs.            |

| <b>Fee</b>                                       | <b>Amount</b>           | <b>Due Date</b>  | <b>Remarks</b>   |
|--|-------------------------|--|--|
| Third party charges that we incur on your behalf | Actual amount of charge | At time of expense   | If we incur third party charges on your behalf, you agree to reimburse us for any such charges.  |
| Secret Shopper Fee                               | \$50 per visit          | At time of visit   | If you score below an average of 80% on secret shopper reports that we send in to your franchised outlet in a given month, you agree to pay to us \$50 per secret shopper visit for the next three (3) secret shopper visits we send to visit your outlet. |
| Relocation Fee                                   | \$5,000                 | When you submit your proposal for a new location for your Studio | Payable to us only if you request to relocate your Studio. You may not move your Studio without our prior written consent and must meet certain other relocation conditions.   |
| Indemnity  | Actual loss sustained   | At time of expense   | You must indemnify us from any loss caused by your operation of the Franchised Business.   |
| Attorney Fees and Costs                          | Actual amount incurred  | At time of expense   | If we are the substantially prevailing party in litigation with you, you agree to pay our costs and attorney fees.   |

\*Except where otherwise specified, we uniformly impose and collect all the fees in this table, you pay them to us, and we do not refund them.

Note 1: Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement.

[remainder of page intentionally left blank]

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT\***

| Type of Expenditure                                   | Estimated Amount |           | Method of Payment            | When Due                               | To Whom Payment is to be Made |
|---|------------------|-----------|------------------------------|--|-------------------------------|
|   | Low              | High      |                              |  |                               |
| Initial Franchise Fee (Note 1)                        | \$49,950         | \$49,950  | Check or electronic transfer | Upon entering into franchise agreement | Us                            |
| Travel and Living Expenses to Attend Initial (Note 2) | \$500            | \$4,000   | Charge                       | Before and during initial training     | Third-party vendors           |
| Leasehold Improvements (Note 3)                       | \$49,500         | \$120,000 | Check/ Charge                | Before opening                         | Third-party vendors           |
| Rent and Security Deposit (Note 4)                    | \$3,600          | \$8,000   | Check                        | As incurred                            | Landlord                      |
| Signage (Note 5)                                      | \$5,000          | \$12,425  | Check/ Charge                | Before opening                         | Third-party vendors           |
| Furniture, Fixtures, and Equipment (Note 6)           | \$35,000         | \$55,000  | Check/ Charge                | Before opening                         | Third-party vendors           |
| Computer Hardware and Software (Note 7)               | \$1,500          | \$2,000   | Check/ Charge                | Before opening                         | Third-party vendors           |
| Initial Inventory and Supplies (Note 8)               | \$700            | \$1,100   | Check/ Charge                | Before opening                         | Third-party vendors           |
| Initial Boutique Merchandise                          | \$3,500          | \$5,000   | Check/ Charge                | Before opening                         | Third-party vendors           |
| Grand Opening Advertising (Note 9)                    | \$20,000         | \$25,000  | Check/ Charge                | As incurred                            | Third-party vendors           |
| Insurance – 3 Months (Note 10)                        | \$500            | \$800     | Check/ Charge                | As incurred                            | Insurance Company             |
| Professional Fees (Note 11)                           | \$3,000          | \$5,000   | Check/ Charge                | As incurred                            | Accountants, Attorneys        |
| Business Licenses and Permits (Note 12)               | \$50             | \$200     | Check/ Charge                | As incurred                            | Third-party utilities         |

| Type of Expenditure                     | Estimated Amount |           | Method of Payment | When Due    | To Whom Payment is to be Made |
|---|------------------|-----------|-------------------|-------------|-------------------------------|
|   | Low              | High      |                   |             |                               |
| Camera & Security System (Note 13)      | \$500            | \$2,500   | Check/Charge      | As incurred | Third party vendors           |
| Uniforms (Note 14)                      | \$250            | \$500     | Check/Charge      | As incurred | Third party vendors           |
| Business Licenses and Permits (Note 15) | \$500            | \$1,000   | Check/Charge      | As incurred | Third parties                 |
| Additional Funds-90 days (Note 16)      | \$10,000         | \$20,000  | Check/Charge      | As incurred | Third parties                 |
| TOTAL (Note 17)                         | \$184,050        | \$312,475 |                   |             |                               |

\*The initial fees listed above which are paid to us are nonrefundable as paid. Whether such fees paid to third parties are refundable would depend upon their policies.

**Note 1 – Initial Franchise Fee.** The above table is based on the purchase of one franchise. We offer a 5% discount on the initial franchise fee for an honorably discharged U.S. veteran and first responders.

**Note 2 - Travel and Living Expenses to Attend Initial Training.** We offer initial training in Tucson, Arizona. Travel and living expenses will vary significantly depending upon whether you live within driving distance or whether you must fly, rent a car, or incur lodging expenses. Your costs may vary.

**Note 3 – Leasehold Improvements.** You will need to operate from an appropriate retail or light industrial location comprised of approximately 800 – 1,600 square feet. The amount of leasehold improvement expense that you will incur will depend upon whether the location is based in a shopping center or light industrial space.

**Note 4 - Rent and Security Deposit.** The amount of rent that you will incur will vary in the different market areas. We estimate rent for the first three months plus a security deposit for one month's rent. The low rent amount is based on securing a rent abatement for the first 3 months and paying only a security deposit in a moderate rent location. Rent abatement may not be possible in all areas depending on the strength of the local real estate market at the time.

**Note 5 – Signage.** We provide estimates for exterior signage. Type of signage allowed varies depending on city ordinances and landlord preferences. Your signage needs and costs will vary.

**Note 6 – Furniture, Fixtures, and Equipment.** You will need trusses, poles, padding, and other items that we specify.

**Note 7 – Computer Hardware and Software.** You must comply with our computer hardware, software, and POS specifications which we set forth in detail in Item 11.

**Note 8 – Initial Inventory and Supplies.** The initial inventory is to cover the initial inventory that you will need to operate your Studio.

**Note 9 – Grand Opening Advertising.** We require you to engage in a Grand Opening Advertising campaign to draw attention to the opening of your business in the amounts provided in the table above.

**Note 10 – Insurance.** You will need insurance as we describe in detail in Item 8. We estimate above your insurance premium costs for the initial three months of operation only. You will normally pay insurance as you agree with your carrier (monthly, quarterly, semi-annually, or annually).

**Note 11 – Professional Fees.** You may incur professional legal and accounting fees to assist you with this franchise purchase, your entity set up, licensing, and other legal and accounting issues.

**Note 12 – Business Licenses and Permits.** Estimated costs of obtaining required licenses and permits to operate your business.

**Note 13 – Camera & Security System.** You are required to have at least one (1) surveillance camera installed in the Studio. You may be required to purchase the camera(s) and related accessories from an Approved Supplier (see Item 8 of this Disclosure Document). The camera(s) must be web accessible. You will use the camera to monitor teacher performance, quality assurance and safety. We have an absolute right to also review and monitor the camera(s) for the same purposes as you, and to ensure compliance with the System. You are responsible for ensuring customer consent and for any failure to obtain such consent. You must indemnify us for any breaches of privacy from your use of any surveillance camera.

**Note 14 – Uniforms.** We require your staff to wear uniforms and base the estimate above on the purchase of 3-6 uniforms.

**Note 15 - Additional Funds.** We estimate the additional funds that you will need for the first 90 days of operations. Additional funds are to pay for permits, Local Advertising, miscellaneous expenses, and to maintain sufficient working capital. We base this estimate upon the years of experience our management team has in the industry.

**Note 16 – Total.** We do not finance any portion of your initial fees.

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

**The Goods or Services Required to be Purchased or Leased:**

Advertising and Marketing. You must use advertising material from a vendor that we designate, or we must approve the advertising in writing, prior to its use.

Computers and Software. We require you to use such computer hardware, software, and systems as we specify, which may include vendor designations.

Furniture, Fixtures, and Equipment. You must purchase furniture, fixtures, and equipment pursuant to our specifications, which may include a supplier designation.

Insurance.

As a franchise owner, you are required to obtain and maintain, at your sole expense, the required insurance coverages as we prescribe in your Franchise Agreement and/or Manuals. We may amend, modify, supplement or otherwise change the coverages or policies required below up thirty (30) days' written notice to you (or such shorter period of time that we determine appropriate if a health/safety or infringement-related issues arises) via the Manuals or otherwise. While the specifications and standards for such coverages may vary depending on the size of your Studio and/or other factors, such as what is customary for businesses of your type in your area, as of the Issue Date we typically require the following in connection with a franchised Studio opened in a traditional site:

1. *Commercial General Liability* insurance covering your day-to-day business operations and premises liability exposures with limits not less than the following:
  - a. Each Occurrence: \$1,000,000
  - b. General Aggregate: \$5,000,000 (per location)
  - c. Products Completed Operations Aggregate: \$5,000,000
  - d. Personal and Advertising Injury: \$1,000,000
  - e. Participant Legal Liability: \$1,000,000
  - f. Professional Liability: \$1,000,000
  - g. Damage to Premises Rented to You: \$1,000,000
  - h. Employee Benefits Liability (each employee): \$1,000,000
  - i. Employee Benefits Liability (aggregate): \$2,000,000
  - j. Medical Expense (any one person): \$5,000
  - k. Sexual Abuse and Molestation: included (not excluded)

Such insurance shall include coverage for contractual liability (for liability assumed under an "insured contract"), products-completed operations, personal and advertising injury, premises liability, third party property damage and bodily injury liability (including death).

2. *Automobile Liability* insurance covering liability arising out of your use, operation or maintenance of any auto (including owned, hired, and non-owned autos, trucks or other vehicles)

in connection with your ownership and operation of the franchise, with limits not less than the minimum compulsory requirements in your state (note: it is highly recommended to maintain a least \$1,000,000 each accident combined single limit for bodily injury and property damage). This requirement only applies to the extent that owned, leased or hired/rented vehicles are used in the operation of the franchise.

3. *Workers Compensation* insurance covering all of your employees with statutory coverage and limits as required by state law. Such insurance shall include coverage for Employer's Liability with limits not less than \$500,000 each accident, \$500,000 disease – each employee, and \$500,000 disease – policy or limit.

4. *Property* insurance written on a special causes of loss coverage form with limits not less than the current replacement cost of the Studio's business personal property (including furniture, fixtures and equipment) and leasehold improvements (tenant improvements). Such Property insurance shall include glass coverage with limits not less than \$25,000, signage coverage with limits not less than \$10,000, and business interruption/extra expense coverage with limits not less than twelve months of rent.

5. *Employment Practices Liability* insurance with limits of not less than \$1,000,000 per claim in the aggregate, with a retention not larger than \$25,000, providing defense and coverage for claims brought by any of your employees or other personnel alleging various employment-related torts. Said policy shall also include Third Party Employment Practices Liability coverage.

Your policies must be written by an insurance company licensed in that state in which you operate the Studio and the insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide. Us, as well as our Parent and subsidiaries/affiliates, shall be included as Additional Insureds on Studio's Commercial General Liability policy.

You must purchase and maintain insurance that we specify. All policies must name us and our designated affiliates as an additional insured and you must furnish us proof of coverage. You may obtain additional insurance coverage as you feel necessary. You may purchase your insurance from any carrier rated A- or better subject to our approval, not to be unreasonably withheld. Here are our present insurance specifications:

Leased Location. You will need a site in which to operate the Franchised Business. We furnish site selection guidelines. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord.

Leasehold Improvements. You may purchase leasehold improvements from a Contractor or other supplier that we approve and you must build out your location pursuant to our specifications.

Signs. You must purchase signage pursuant to our specifications, which may include a vendor designation.

Supplies/Inventory. You must purchase supplies and inventory pursuant to our specifications, which may include vendor designations.

Uniforms. You must purchase uniforms from a vendor that we designate, or we must approve the uniforms in writing, prior to its use.

**Whether we or our Affiliates are Approved Suppliers:**

We are an approved supplier of advertising material, but not the only approved supplier of such items.

**Officer Interests in Suppliers:**

Our officers, Katrina Wyckoff, Dennis Mulgannon, and Sean Hansen own an interest in us.

**Alternative Suppliers:**

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We charge \$500 per day plus any costs incurred to test another supplier that you propose. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. Your request must include sufficient specifications, photographs, drawings and other information and samples to enable us to determine whether supplier meets our specifications. Your request must also provide confirmation that the supplier is financially sound and carries adequate liability insurance. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

**Issuance and Modification of Specifications:**

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

**Revenue from Required Purchases:**

We may, but do not currently, derive revenue or other material consideration from required purchases or leases by you.

In the fiscal year ending December 31, 2023, our affiliate Centre Stage Dance Studio, LLC derived \$1,880 in revenue from referrals of franchisees to subscriptions services to designated suppliers.

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### **Required Purchases as a Proportion of Costs:**

We estimate that approximately 70% of your expenditures for leases and purchases in establishing your Franchised Business will be for goods and services that must be purchased from us, an Affiliate, an approved supplier, or from another party according to our standards and specifications. We estimate that approximately 30% of your expenditures on an ongoing basis will be for goods and services that must be purchased either from us, an Affiliate, an approved supplier or another party according to our standards and specifications.

### **Supplier Payments to Us:**

Designated suppliers do not make payments to us from franchisee purchases, however, we reserve the right to receive such payments in the future.

In the fiscal year ended December 31, 2023, we did not receive any supplier rebates.

### **Purchasing or Distribution Cooperatives:**

At this time, we do not have any purchasing or distribution cooperatives.

### **Purchase arrangements:**

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

### **Material Benefits:**

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

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

| <b>Franchisee's Obligations</b>                        | <b>Section In Franchise Agreement</b> | <b>Item in Disclosure document</b> |
|--|---------------------------------------|------------------------------------|
| a. Site selection and acquisition/lease                | 3, 6.2                                | 11                                 |
| b. Pre-opening purchases/leases                        | 6.10, 6.11, 6.12, 6.13                | 7, 8                               |
| c. Site development and other pre-opening requirements | 6.2                                   | 11                                 |
| d. Initial and ongoing training                        | 5.8, 6.1, 6.8                         | 11                                 |

| <b>Franchisee's Obligations</b>                      | <b>Section In Franchise Agreement</b> | <b>Item in Disclosure document</b> |
|--|---------------------------------------|------------------------------------|
| e. Opening   | 6.3                                   | 11                                 |
| f. Fees  | 4, 7, 15, 19.11                       | 5, 6, 7, 8, 11                     |
| g. Compliance with standards and policies/Manual     | 6.4                                   | 8, 11                              |
| h. Trademarks and proprietary information            | 7, 8                                  | 13, 14                             |
| i. Restrictions on products/services offered         | 6.6                                   | 8, 16                              |
| j. Warranty and customer service requirements        | 6.7                                   | 6                                  |
| k. Territorial development and sales quotas          | 3, 6.17                               | 12                                 |
| l. Ongoing product/service purchases                 | 6.10, 6.11, 6.12                      | 8                                  |
| m. Maintenance, appearance & remodeling requirements | 6.14                                  | Not Applicable                     |
| n. Insurance   | 6.9                                   | 8                                  |
| o. Advertising                                       | 7                                     | 8, 11                              |
| p. Indemnification                                   | 13.3                                  | 6                                  |
| q. Owner's participation/management/staffing         | 6.5                                   | 15                                 |
| r. Records and reports                               | 9                                     | 11                                 |
| s. Inspections and Audits                            | 9                                     | 11                                 |
| t. Transfer  | 14                                    | 17                                 |
| u. Renewal   | 2.2                                   | 17                                 |
| v. Post-termination obligations                      | 11                                    | 15, 16, 17                         |
| w. Non-competition covenants                         | 12                                    | 15, 16, 17                         |
| x. Dispute resolution                                | 19                                    | 17                                 |

**ITEM 10  
FINANCING**

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

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

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

**Before Opening:**

**Initial Training.** We provide an initial training program in Tucson, Arizona. The topics covered in initial training are described in the chart below in this Item 11. (Franchise Agreement, Section 5.1).

Site Selection. We do not generally own the premises and lease it to you. We provide to you criteria to help you select a site. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.

We consider the following factors when reviewing a proposed site: (i) residential and office building population, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) proximity to other locations of ours, (vii) accessibility, (viii) traffic, (ix) size, (x) condition and character, (xi) parking, and (xii) available signage.

If you do not locate a site of which we approve within 120 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time. (Franchise Agreement, Section 5.2(a)).

Plans and Layout. We will furnish a sample site layout plan. (Franchise Agreement, Section 5.2(b)).

Build out. It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits. (Franchise Agreement, Section 6.2(b)).

Lease. Before you sign a lease, sublet a space, purchase space or make any binding commitment to do so, we must approve, in writing your proposed lease or purchase agreement. (Franchise Agreement, Sections 5.2(c) and 6.2(d)).

Assistance to Hire and Train Employees. We provide guidance on how to hire and train employees. (Franchise Agreement, Section 5.3).

Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items. We do not deliver or install these items. (Franchise Agreement Section 5.4).

Operations Manual. We provide access to our Operations Manual (“Manual”) to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 5.5).

Length of Time Before Opening: The typical length of time between the signing of the Franchise Agreement and the opening of your outlet is 3-6 months. You agree to begin operations and be open for business no later than 12 months from the time both parties execute the franchise agreement. If you and we can not agree on a site, we can allow you more time to search for a site or terminate the franchise agreement.

Factors that can affect the time length in which to be open for business include: the time needed to (1) obtain financing; (2) enter into a lease; (3) comply with zoning; (4) obtain licenses and permits; (5) perform construction; (6) weather conditions; (7) acquire and install furniture, fixtures, equipment, and signage; and (8) hire and train staff.

### **During the Operation of the Franchise:**

Operational Support. We offer assistance with operating problems and issues that you may encounter. (Franchise Agreement, Section 5.6).

Establishing Prices. You may charge Membership Fees in amounts determined by you, however, we reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the amount of the Membership Fees and the prices that you may charge for other products and services. (Franchise Agreement, Section 5.6).

Marketing Support. We offer marketing assistance and support. (Franchise Agreement, Section 7).

Computer Hardware and Software. We specify computer hardware and software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 5.7).

Additional Training or Seminars. We may elect to offer additional training or seminars. (Franchise Agreement, Section 5.8).

### **Advertising Program and Fund:**

Grand Opening Advertising. You agree to spend \$20,000 pursuant to our guidelines on Grand Opening Advertising.

Local Advertising. We require you to spend a minimum of \$1,000 per month on local advertising pursuant to our guidelines.

Advertising Fund. You agree to contribute up to 1% of your Gross Revenues into our Advertising Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

In our last fiscal year ending December 31, 2023, we did not raise or spend any Advertising Fees.

If not all Advertising Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may not use Advertising Fees to solicit new franchise sales.

Our Obligation to Conduct Advertising. We use monies in the Advertising Fund to advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required

to spend any amount on advertising in the area or territory where you will be located. (Franchise Agreement, Section 7.5).

Corporate Website. We will develop and maintain a comprehensive website that contains your location’s contact information. (Franchise Agreement, Section 7.5).

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Franchise Agreement, Section 7.5).

Digital Campaigns. We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor. (Franchise Agreement, Section 7.5).

Print Material. We will supply you with print-ready collateral for fliers and coupons, which can be fulfilled locally or by our approved supplier. (Franchise Agreement, Section 7.5).

Use of Your Own Advertising Material. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. (Franchise Agreement, Section 7.6).

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval. (Franchise Agreement, Section 7.6).

Advertising Council. We do not have an advertising council composed of franchisees that advises us on advertising policy.

Advertising Cooperative. You are not required to participate in a local or regional advertising cooperative.

**Computer and Software Systems:**

You must comply with our computer hardware, software, and POS specifications. At present, we require you to have an internet connection, email and the following:

|   |
|---|
| <b>Hardware</b>   |
| One laptop PC to run the business and one android tablet at the studio for tracking class registration/attendance |
| <b>Software</b>   |
| Google Suite E-mail and office applications and Wellness Living Scheduling and Payment System; QuickBooks Online  |

The approximate cost of both hardware and software ranges from \$1,500 to \$2,000.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$500.

**Independent Access to Information.** We have and you are required to provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information, as well as your security camera systems. There are no contractual limitations on our right to access the information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request.

**Operations Manual:**

Exhibit H contains the Table of Contents to the Operations Manual along with the page count per chapter. The total page count of the Operations Manual is 141 pages.

**TRAINING PROGRAM**

| <b>Subject</b>                           | <b>Hours of Classroom Training</b> | <b>Hours of On the Job Training</b> | <b>Location</b> |
|--|------------------------------------|-------------------------------------|-----------------|
| History and Philosophy                   | 1                                  | 0                                   | Note 1          |
| Real Estate                              | 2                                  | 0                                   | Online          |
| Construction                             | 1.5                                | 0                                   | Online          |
| Expectations and Obligations             | 1                                  | 0                                   | Online          |
| Studio and Equipment Set- Up and Support | 1                                  | 0                                   | Online          |
| Intro to Studio Management Software      | 1.5                                | 0                                   | Online          |
| Sales and Operations                     | 3.5                                | 0                                   | Online          |

| <b>Subject</b>                                  | <b>Hours of Classroom Training</b> | <b>Hours of On the Job Training</b> | <b>Location</b> |
|---|------------------------------------|-------------------------------------|-----------------|
| Finance   | 3                                  | 0                                   | Online          |
| Staffing and HR Support                         | 1                                  | 0                                   | Online          |
| Marketing                                       | 3                                  | 0                                   | Online          |
| Training Re-Cap and Summation                   | 1                                  | 0                                   | Online          |
| Vertica Business Success Method                 | 6                                  | 0                                   | Online          |
| Pole University: Culture and Policies           | 0                                  | 2                                   | Tucson, AZ      |
| Pole University: Anatomy, Physiology            | 0                                  | 1                                   | Tucson, AZ      |
| Pole University: Teaching principle for Success | 0                                  | 1                                   | Tucson, AZ      |
| Pole University: Safety                         | 0                                  | 1                                   | Tucson, AZ      |
| Pole University: Spotting                       | 0                                  | 1                                   | Tucson, AZ      |
| Pole University: Fit, Flirt, Fly Curriculum     | 0                                  | 20                                  | Tucson, AZ      |
| Pole University: V101                           | 2                                  | 2                                   | Tucson, AZ      |
| Pole University: Additional Offerings           | 1                                  | 0                                   | Online          |
| Pole University: Software and Admin             | 1                                  | 0                                   | Online          |
| <b>TOTAL HOURS</b>                              | 29.5                               | 28                                  |                 |

Note 1- We offer a portion of initial training online and a portion in Tucson, Arizona at our affiliate outlet.

Katrina Wyckoff, whose biography is listed in Item 2, will oversee the initial training program. Ms. Wyckoff has 10 years of experience in the topics she will be providing instruction on and has owned and operated our affiliate location in Tucson, Arizona, since 2014. We may substitute other instructors to provide certain parts of the different initial training modules described in this Item 11, but these individuals will have all completed the appropriate portion of the Initial Training Program on which they provide instruction.

Our primary instruction is through hands-on training, videos, the Manual and other instructional materials we prepare specifically for one (1) or more of the initial training programs above in this Item.

We intend to hold initial training classes quarterly, or more often if necessary.

We use the Operations Manual, training books, handouts, and the facilities of our affiliate studio to conduct initial training.

We do not charge for you and one designated coach to attend initial training, but you are responsible for travel, lodging, transportation, meal costs, and your employees' wages to attend initial training.

We require that you or, in the case of an entity, your principals, attend initial training. You may enroll your Management personnel upon our approval. Your successful completion of initial training to our satisfaction is required to operate a franchise within three months of signing the franchise agreement. We advise you during or immediately after initial training if you have successfully completed the course.

Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training and seminars that we may offer. We may charge up to \$250 per person trained per day, plus any expenses we incur to provide this training. You must also pay any travel and living expenses that you or we incur to attend training.

Additional Coach Training. You may elect to send additional coaches to training at our headquarters in Tucson, Arizona. We may charge up to \$1,000 per person trained per day, plus any expenses we incur to provide this training. You must also pay any travel and living expenses that you or we incur to attend training.

## **ITEM 12 TERRITORY**

The territory will be for a specific geographic region that we define and approve by zip codes, natural, or political boundaries as set forth on Schedule 1 to the Franchise Agreement.

A territory will normally include a minimum population of at least 50,000 people.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision. You will be assessed a relocation fee of \$5,000 at the time you submit the proposed location for your relocated Studio. Generally, we do not approve requests to relocate your Studio after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement. If we approve your relocation request, we retain the right to approve your new site location in the same manner and under the same terms that are applied to your first site selection.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.


You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

[remainder of page intentionally left blank]

**ITEM 13  
TRADEMARKS**

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

| Description of Mark   | Serial/Registration Number | Principal or Supplemental Register of the USPTO | Registration Date                                     |
|---|----------------------------|---|---|
|  | 7085803                    | Principal                                       | June 20, 2023   |
| Vertica Fitness   | 7097457                    | Principal                                       | July 4, 2023  |
| EVERY BODY BELONGS  | 97930407                   | Principal                                       | Pending; Not registered; Applied for on May 10, 2023  |
| FIT FLIRT FLY   | 97930433                   | Principal                                       | Pending; Not registered; Applied for on May 10, 2023  |
| POLE FITNESS EVOLVED  | 98313142                   | Principal                                       | Pending; Not registered; Applied for on Dec. 13, 2023 |
| EVERY BODY CAN GO VERTICAL  | 98278439                   | Principal                                       | Pending; Not registered; Applied for on Nov. 20, 2023 |

We have filed all required affidavits and renewals.

The following disclosure applies to the unregistered trademarks in the table above. We do not have a federal registration for some of our principal trademarks. Therefore, those trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

There are no currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If we discontinue or modify our Marks, you must adopt and use any new marks as required by us. Any expenses you incur because of adopting and using these marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere.

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

At this time, we do not hold any patents material to the franchise system. We claim a copyright to our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your franchise agreement, you must return to us our Operations Manuals and any confidential information.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the Franchise Agreement. You may use our Confidential Information to perform your obligations under the Franchise Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your franchised business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement.

The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

“Customer Data” is considered Confidential Information, and includes all information about Customers that may be collected in connection with their use of your services, including, but not limited to, name, telephone number, address and email address.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information. You may never - during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

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

You are required to participate personally in the direct operation of the Franchised Business or have a Designated Manager who attends and successfully completes our initial training to our satisfaction. Any replacement Designated Manager must also attend and successfully complete our initial training to our satisfaction. Any Designated Manager must also sign a Confidentiality and Non-Compete Agreement as we may specify. A Designated Manager is not required to have any equity interest in the franchisee’s business.

You and any Designated Manager must pass a background check.

All owners of this franchise must guarantee the obligations under the Franchise Agreement.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

Your franchise must be open, at a minimum, the days and hours that we specify in the Operations Manual.

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

You may offer for sale through your franchised business only a pole fitness studio as specified by us and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You may offer your services to any customers, consistent with your territorial rights.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of previously approved goods or services, in which case you must immediately stop selling the revoked services or products.

For the duration of your franchise agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of this Agreement, including a sale of the franchise or your interest in it, offer a pole fitness, related sport or related exercise program in the Territory or within 25 miles of the boundaries of the Territory, or within 25 miles of any other outlet of ours or a franchisee of ours in operation at the time.

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

**THE FRANCHISE RELATIONSHIP**

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

| <b>Provision</b>                           | <b>Section In Franchise Agreement</b> | <b>Summary</b>   |
|--|---------------------------------------|--|
| a. Length of the franchise term            | 2                                     | 10 years.  |
| b. Renewal or extension of the term        | 2                                     | Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).  |
| c. Requirements for you to renew or extend | 2                                     | Renewing your Franchise Agreement means that you are able to continue your operations as a franchisee for an additional term. You must pay renewal fee, sign a general release of claims, notify us in writing at least 180 days before the expiration of the Agreement, and sign our then current Agreement, which may contain materially different terms and conditions than your original contract. |
| d. Termination by franchisee               | 10.1                                  | You may terminate the Agreement if you sell the franchise pursuant to the terms of the Franchise Agreement, do not renew, or upon any reasons provided under applicable law.   |
| e. Termination by franchisor without cause | None                                  | Not applicable   |

| <b>Provision</b>                                    | <b>Section In Franchise Agreement</b> | <b>Summary</b>   |
|---|---------------------------------------|--|
| f. Termination by franchisor with cause             | 10.2, 10.3                            | We can terminate only if you default.  |
| g. "Cause" defined – curable defaults               | 10.3                                  | Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.   |
| h. "Cause" defined – non-curable defaults           | 10.2                                  | Do not pass initial training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.  |
| i. Franchisee's obligations on termination/renewal  | 11                                    | Cease operations and stop using our marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents.   |
| j. Assignment of contract by franchisor             | 14.1                                  | We may assign to a successor in interest who remains bound by terms of Agreement.  |
| k. "Transfer" by franchisee - defined               | 14.2                                  | Includes transfer of Franchise Agreement, any interest of the Franchise Agreement, or substantially all of the assets of the Franchised Business.  |
| l. Franchisor's approval of transfer by franchisee  | 14.2                                  | We have the right to approve all transfers. We will not unreasonably withhold consent to a transfer.   |
| m. Conditions for franchisor's approval of transfer | 14.5                                  | You must be:<br>- current in monetary obligations;<br>- in compliance with the Franchise Agreement;<br>- execute any transfer, amendment, or release forms that we may require;<br>- provide to us a copy of the proposed transfer documents;<br>- transferee must meet our criteria;<br>- transferee must execute our then-current Franchise Agreement;<br>- pay to us the Transfer Fee;<br>- transferee must satisfactorily complete our initial training program;<br>- comply with the post-termination provisions; |

| <b>Provision</b>  | <b>Section In Franchise Agreement</b> | <b>Summary</b>   |
|---|---------------------------------------|--|
|   |                                       | -transferee must obtain necessary licenses and permits;<br>-obtain any lessor approval for transfer;<br>-the transfer must be made in compliance with any laws that apply to the transfer;<br>-the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation;<br>-you must request that we provide the prospective transferee with our current franchise disclosure document. |
| n. Franchisor's right of first refusal to acquire franchisee's business   | 14.6                                  | We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.  |
| o. Franchisor's option to purchase franchisee's business                  | 11(g)                                 | We have a right to purchase your furniture, equipment, signage, fixtures, and supplies post-termination.   |
| p. Death or disability by franchisee                                      | 15                                    | Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.   |
| q. Non-competition covenants during the term of the franchise             | 12                                    | No competition allowed in the United States and its territories.   |
| r. Non-competition covenants after the franchise is terminated or expires | 12                                    | You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years.  |
| s. Modification of the agreement  | 16                                    | No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.   |
| t. Integration/merger clause  | 18                                    | Only the terms in the franchise agreement are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document.   |
| u. Dispute resolution by arbitration or mediation                         | 19                                    | You must first attempt to resolve claims against us through mediation. Arbitration does not apply  |

| <b>Provision</b>   | <b>Section In Franchise Agreement</b> | <b>Summary</b>  |
|--------------------|---------------------------------------|---|
|                    |                                       | except as to Illinois, Maryland, and Washington State franchisees and as provided in State Addenda to the franchise agreement.                                  |
| v. Choice of forum | 19                                    | All claims must be brought before a court of general jurisdiction closest to our corporate office, presently Tucson, Arizona (subject to applicable state law). |
| w. Choice of Law   | 19                                    | Arizona law governs (subject to applicable state law).  |

**ITEM 18  
PUBLIC FIGURES**

We have not paid any compensation or other benefit to a public figure for the use of their endorsement or recommendation of the franchise to prospective franchisees.

**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.

**FPR #1-Historic Financial Performance Representation-2021-2023**

**FPR #1-Table 1-Gross Sales for 2023**

The following table shows the historical reported information for the Gross Sales for the 2 affiliate owned locations and for the 4 franchisee owned locations that were open as of December 31, 2023. None of our franchised locations operated for the full 2023 calendar year.

| <b>Location</b>                | <b>Date Opened</b>       | <b>2023 Revenue</b> |
|--------------------------------|--------------------------|---------------------|
| Oro Valley, AZ <sup>(1)*</sup> | 2014                     | \$202,439.08        |
| Midtown, AZ <sup>(1)*</sup>    | 2018                     | \$506,663.48        |
| Las Vegas, NV                  | 8/19/2023                | \$103,869.94        |
| San Diego, CA                  | 8/19/2023                | \$145,819.05        |
| South Tucson, AZ               | 7/1/2023                 | \$78,467.27         |
| San Antonio, TX                | 1/29/2024 <sup>(2)</sup> | \$11,859.00         |

\* Affiliate owned locations

**Note 1** – Our affiliate owned studios operated as “Tucson Pole” branded locations through 2022. The Midtown location converted to “Vertica Fitness” in September of 2022, while the Oro Valley studio converted to “Vertica Fitness” in February of 2023. These studios are operated by our affiliate, Centre Stage Dance Studio, LLC.

**Note 2** – The franchisee owned location in San Antonio officially opened its doors on January 29, 2024. Revenues represent pre-sale monies earned in December of 2023 as part of pre-opening activities.

**FPR #2-Historic Financial Performance Representation-2021-20224**

We had two affiliate outlets, one in Tucson, AZ founded in 2018 and one in Oro Valley, AZ which has operated since 2014. The Tucson outlet operated as Tucson Pole from its inception until September 2022, at which time it was converted to the Vertica brand. The Oro Valley affiliate operated as Tucson Pole all of 2022. Both operated the entirety of 2021 through 2023 calendar years.

Here, we set forth an historic financial performance representation of the 2021-2023 income and expense data for our affiliate outlets.

| <b>Midtown, AZ</b>  | <b>2021</b>      | <b>2022</b>      | <b>2023</b>      |
|---|------------------|------------------|------------------|
| <b>Gross Revenue</b>  | <b>\$146,103</b> | <b>\$233,561</b> | <b>\$506,663</b> |
| Total Expenses  | \$65,042         | \$120,680        | \$195,276        |
| Additional Marketing over Franchise Required Expenses   |                  |                  | \$12,000         |
| <b>Net Profit</b>   | <b>\$81,061</b>  | <b>\$112,881</b> | <b>\$299,388</b> |
| <i>Less Expense Adjustments that would be incurred if this were a franchised outlet:</i>                  |                  |                  |                  |
| <i>Royalties (8.25%)</i>  | \$12,053         | \$19,269         | \$41,800         |
| <i>Local Advertising (\$12,000)</i>   | \$12,000         | \$12,000         | \$12,000         |
| Total Franchisee Expenses   | \$23,741         | \$23,741         | \$53,800         |
|   |                  |                  |                  |
| <b>Adjusted Net Profit as if a Franchised Outlet*</b>   | <b>\$57,008</b>  | <b>\$89,140</b>  | <b>\$245,588</b> |
|   |                  |                  |                  |
| * Number & Percent (# / %) of Outlets that attained or surpassed the stated result (Adjusted Net Profit): | 1 / 50%          | 1 / 50%          | 1 / 50%          |

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| <b>Oro Valley, AZ</b>  | <b>2021</b>      | <b>2022</b>      | <b>2023</b>      |
|--|------------------|------------------|------------------|
| <b>Gross Revenue</b>   | <b>\$125,214</b> | <b>\$155,708</b> | <b>\$202,439</b> |
| Total Expenses   | \$77,994         | \$101,392        | \$120,489        |
| Additional Marketing over Franchise Required Expenses  |                  |                  | \$12,000         |
| <b>Net Profit</b>  | <b>\$47,220</b>  | <b>\$54,316</b>  | <b>\$108,489</b> |
| <i>Less Expense Adjustments that would be incurred if this were a franchised outlet:</i>                 |                  |                  |                  |
| <i>Royalties (8.25%)</i>   | \$10,330         | \$12,846         | \$16,701         |
| <i>Local Advertising (\$12,000)</i>  | \$12,000         | \$12,000         | \$12,000         |
| Total Franchisee Expenses  | \$23,741         | \$23,741         | \$28,701         |
|  |                  |                  |                  |
| <b>Adjusted Net Profit as if a Franchised Outlet*</b>  | <b>\$23,479</b>  | <b>\$30,575</b>  | <b>\$79,788</b>  |
|  |                  |                  |                  |
| *Number & Percent (# / %) of Outlets that attained or surpassed the stated result (Adjusted Net Profit): | 2 / 100%         | 2 / 100%         | 2 / 100%         |

**Notes:**

Material financial and operational differences between the affiliated company outlet and a franchised outlet: There are no material operational differences between the company outlets whose results are reported in the table above and an outlet that a franchisee would operate, except the age of outlet. The company outlets and a franchisee outlet would offer the same goods and services to the same client base. However, the company outlets have operated since 2014 (Oro Valley) and 2018 (Tucson).

In addition, there are financial differences. A franchised outlet would incur Royalties (8.25% of Gross Revenues) and Local Advertising (\$2,000 per month). If we elect to implement a National Advertising and Marketing Fund, a franchised outlet would also incur a National Advertising and Marketing Fund Fee up to 1% of Gross Revenues.

**Gross Revenue:** “Gross Revenue” means total revenue derived from the sale of goods or services less sales tax, discounts, allowances, and returns. We did not include \$1,880 in revenue derived by our affiliate in 2023 because that revenue was derived from certain franchisee referrals, which is income not typical for a franchisee outlet.

**Total Expenses** means all expenses incurred in operating the business.

**Net Profit** represents Gross Revenue minus Total Expenses.

**Adjusted Net Profit as if a Franchised Outlet** means the Net Profit less expenses that would have been incurred if this were a franchised outlet, namely Royalties (8.25%) and Local Advertising (\$2,000 per month).

The source of the data used in the above FPR was the books and records of our affiliate outlets.

**Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.**

Written substantiation for the financial performance representation will be made available to prospective franchisees upon 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 Katrina Wyckoff, 11834 N. Silver Village Place, Oro Valley, AZ 85737; (520) 216-7651; the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**System Wide Outlet Summary  
For Years 2021 to 2023**

| <b>Outlet Type</b>   | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|----------------------|-------------|---|---------------------------------------|-------------------|
| <b>Franchised</b>    | <b>2021</b> | <b>0</b>                                | <b>0</b>                              | <b>0</b>          |
|                      | <b>2022</b> | <b>0</b>                                | <b>0</b>                              | <b>0</b>          |
|                      | <b>2023</b> | <b>0</b>                                | <b>3</b>                              | <b>+3</b>         |
| <b>Company-Owned</b> | <b>2021</b> | <b>2</b>                                | <b>2</b>                              | <b>0</b>          |
|                      | <b>2022</b> | <b>2</b>                                | <b>2</b>                              | <b>0</b>          |
|                      | <b>2023</b> | <b>2</b>                                | <b>2</b>                              | <b>0</b>          |
| <b>Total Outlets</b> | <b>2021</b> | <b>2</b>                                | <b>2</b>                              | <b>0</b>          |
|                      | <b>2022</b> | <b>2</b>                                | <b>2</b>                              | <b>0</b>          |
|                      | <b>2023</b> | <b>2</b>                                | <b>5</b>                              | <b>+3</b>         |

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**Table No. 2**

**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Years 2020 to 2022**

| State      | Year | Number of Transfers |
|------------|------|---------------------|
| All States | 2021 | 0                   |
|            | 2022 | 0                   |
|            | 2023 | 0                   |
| Total      | 2021 | 0                   |
|            | 2022 | 0                   |
|            | 2023 | 0                   |

**Table No. 3**

**Status of Franchised Outlets  
For Years 2021 to 2023\***

| State      | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations-Other Reasons | Franchised Stores Operating at Year End |
|------------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|---|
| Arizona    | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|            | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|            | 2023 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                                       |
| California | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|            | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|            | 2023 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                                       |
| Nevada     | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|            | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|            | 2023 | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                                       |
| Total      | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|            | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                                       |
|            | 2023 | 0                        | 3              | 0            | 0            | 0                        | 0                               | 3                                       |

\*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

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**Table No. 4**

**Status of Company-Owned Outlets\*  
For Years 2021 to 2023**

| State   | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|---------|------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| Arizona | 2021 | 2                        | 0              | 0                                   | 0              | 0                           | 2                          |
|         | 2022 | 2                        | 0              | 0                                   | 0              | 0                           | 2                          |
|         | 2023 | 2                        | 0              | 0                                   | 0              | 0                           | 2                          |
| Total   | 2021 | 2                        | 0              | 0                                   | 0              | 0                           | 2                          |
|         | 2022 | 2                        | 0              | 0                                   | 0              | 0                           | 2                          |
|         | 2023 | 2                        | 0              | 0                                   | 0              | 0                           | 2                          |

\*Company outlets refers to outlets run by our affiliates, as disclosed in Item 1.

**Table No. 5  
Projected Openings as of December 31, 2023**

| State          | Franchise Agreements Signed But Outlet Not Open | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|----------------|---|--|---|
| Arizona        | 0   | 2  | 0   |
| California     | 2   | 3  | 0   |
| Colorado       | 0   | 1  | 0   |
| Florida        | 1   | 2  | 0   |
| Georgia        | 0   | 2  | 0   |
| Massachusetts  | 1   | 2  | 0   |
| Michigan       | 0   | 1  | 0   |
| Nevada         | 0   | 1  | 0   |
| North Carolina | 0   | 1  | 0   |
| Oregon         | 0   | 1  | 0   |
| Tennessee      | 0   | 1  | 0   |
| Texas          | 1   | 1  | 0   |
| Utah           | 0   | 1  | 0   |
| Virginia       | 0   | 1  | 0   |
| <b>TOTALS</b>  | 5   | 20   | 0   |

Exhibit E contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit F contains a list of the names, city and state, and 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 have 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.

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

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit G contains our audited financial statements as of our fiscal years ending December 31, 2023 and December 31, 2022, as well as our opening audit as of May 10, 2022. Exhibit G also includes our unaudited Balance Sheet as of March 31, 2024, and our unaudited Profit & Loss Statement for the time period January 1, 2024 – March 31, 2024.

We have not been in business three years yet and so cannot include all financial statements required by the Franchise Rule.

## **ITEM 22 CONTRACTS**

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

- C. Franchise Agreement
  - Schedule 1-Territory
  - Schedule 2-Automatic Bank Draft Authorization
  - Schedule 3-Telephone Number Assignment
  - Schedule 4-Lease Rider
  - Schedule 5-State Addenda to the Franchise Agreement
- D. Release

## **ITEM 23 RECEIPT**

Exhibit J contains two copies of a Receipt of our Disclosure Document.

**EXHIBIT A**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

**CALIFORNIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

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.

The franchise agreement requires application of the laws of Arizona. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER

OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA 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).

Our website is located at [verticafitness.com](http://verticafitness.com)

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

The highest interest rate allowed by law in California is ten percent (10%) annually.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

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.

Initial Fee Deferral:

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

**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.**

**HAWAII ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS 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 THE FRANCHISOR AND THE FRANCHISEE.

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  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, HI 96813

**ILLINOIS ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
5. Initial Fee Deferral.

Items 5 and 7 are modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. Payment of the Development Fee is deferred until the first franchise business opens. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

## **MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. "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."

5. Initial Fee Deferral:

Items 5 and 7 of the Disclosure Document are modified to also provide: “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.”

## MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
  1.
    - Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
    - Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
    - The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

### Initial Fee Deferral:

Items 5 and 7 of the Disclosure Document are modified to also provide: "We defer payment of initial franchise fees until the franchised business opens."

## **NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum,”** and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

**VIRGINIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$184,050 to \$312,475. This amount exceeds the franchisor's stockholder's equity as of December 31, 2023, which is (\$70,754).

## **WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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.

Initial Fee Deferral:

Item 5 is amended to also provide: “Initial fees will be deferred until the Franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.”

**WISCONSIN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

**EXHIBIT B**

**State Administrators and Agents for Service of Process**

| <b>State</b>       | <b>State Administrator</b>   | <b>Agent for Service of Process</b>   |
|--------------------|--|---|
| <b>California</b>  | <p>Department of Financial Protection and Innovation<br/>320 West 4th Street<br/>Los Angeles, CA 90013</p> <p>2101 Arena Boulevard<br/>Sacramento, CA 95834<br/>1-866-275-2677 (toll free)<br/><a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a><br/><a href="mailto:Ask.DFPA@dfpi.ca.gov">Ask.DFPA@dfpi.ca.gov</a> (email)</p> | <p>Commissioner of Financial Protection and Innovation<br/>Department of Financial Protection and Innovation<br/>320 West 4th Street<br/>Los Angeles, CA 90013<br/>1-866-275-2677 (toll free)<br/><a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a><br/><a href="mailto:Ask.DFPA@dfpi.ca.gov">Ask.DFPA@dfpi.ca.gov</a> (email)</p> |
| <b>Connecticut</b> | <p>The Banking Commissioner<br/>The Department of Banking, Securities and Business<br/>Investment Division<br/>260 Constitution Plaza<br/>Hartford, CT 06103-1800<br/>Phone Number (860) 240-8299</p>  | <p>The Banking Commissioner<br/>The Department of Banking, Securities and Business<br/>Investment Division<br/>260 Constitution Plaza<br/>Hartford, CT 06103-1800<br/>Phone Number (860) 240-8299</p>   |
| <b>Hawaii</b>      | <p>Commissioner of Securities of the State of Hawaii<br/>Department of Commerce and Consumer Affairs<br/>Business Registration Division<br/>Securities Compliance Branch<br/>335 Merchant Street, Room 203<br/>Honolulu, HI 96813<br/>(808) 586-2722</p>   | <p>Commissioner of Securities of the State of Hawaii<br/>Department of Commerce and Consumer Affairs<br/>Business Registration Division<br/>Securities Compliance Branch<br/>335 Merchant Street, Room 203<br/>Honolulu, HI 96813</p>   |
| <b>Illinois</b>    | <p>Office of Attorney General<br/>Franchise Division<br/>500 South Second Street<br/>Charlottesville, IL 62706<br/>(217) 782-4465</p>  | <p>Illinois Attorney General<br/>Office of Attorney General<br/>Franchise Division<br/>500 South Second Street<br/>Charlottesville, IL 62706</p>  |
| <b>Indiana</b>     | <p>Secretary of State, Securities Division<br/>302 West Washington Street,<br/>Room E-111<br/>Indianapolis, IN 46204<br/>(317) 232-6681</p>  | <p>Secretary of State, Securities Division<br/>West Washington Street, Room E-111<br/>Indianapolis, IN 46204</p>  |
| <b>Kentucky</b>    | <p>Kentucky Attorney General<br/>700 Capitol Avenue<br/>Frankfort, Kentucky 40601-3449<br/>(502) 696-5300</p>  |   |

|                     |   |   |
|---------------------|---|---|
| <b>Maryland</b>     | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202<br>(410) 576-6360  | Maryland Securities<br>Commissioner<br>200 St. Paul Place<br>Baltimore, MD 21202-2020   |
| <b>Michigan</b>     | Department of Attorney General<br>Consumer Protection Division –<br>Franchise Unit<br>525 W. Ottawa Street<br>G. Mennen Building<br>Lansing, MI 48913<br>(517) 373-7117                     | Department of Attorney General<br>525 W. Ottawa Street<br>G. Mennen Building<br>Lansing, MI 48913   |
| <b>Minnesota</b>    | Minnesota Commissioner of<br>Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500  | Minnesota Commissioner of<br>Commerce<br>85 7th Place East, Suite 280<br>St. Paul, MN 55101-2198  |
| <b>Nebraska</b>     | Nebraska Department of Banking<br>and Finance<br>1200 N Street-Suite 311<br>Post Office Box 95006<br>Lincoln, Nebraska 68509<br>(402) 471-3445  |   |
| <b>New York</b>     | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21 <sup>st</sup> Floor<br>New York, NY 10005<br>212-416-8222 Phone  | New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, New York 12231-0001<br>(518) 473-2492 Phone                              |
| <b>North Dakota</b> | Securities Commissioner<br>North Dakota Securities<br>Department<br>600 East Boulevard Avenue<br>State Capital, Fourteenth Floor,<br>Dept. 414<br>Bismarck, ND 58505-0510<br>(701) 328-4712 | Securities Commissioner<br>North Dakota Securities<br>Department<br>600 East Boulevard Avenue<br>State Capital, Fourteenth Floor,<br>Dept. 414<br>Bismarck, ND 58505-0510 |
| <b>Rhode Island</b> | Department of Business<br>Regulation<br>Securities Division<br>John O. Pastore Complex<br>1511 Pontiac Avenue, Bldg. 69-1<br>Cranston, RI 02920<br>(401) 462-9588                           | Department of Business<br>Regulation<br>Securities Division<br>John O. Pastore Complex<br>1511 Pontiac Avenue, Bldg. 69-1<br>Cranston, RI 02920<br>(401) 462-9588         |
| <b>South Dakota</b> | Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104   | Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104   |

|                   |  |  |
|-------------------|--|--|
|                   | Pierre, SD 57501<br>(605) 773-3563   | Pierre, SD 57501   |
| <b>Texas</b>      | Secretary of State<br>Statutory Document Section<br>P.O. Box 12887<br>Austin, TX 78711<br>(512) 475-1769   |  |
| <b>Utah</b>       | Department of Commerce<br>Division of Consumer Protection<br>160 East 300 South<br>Salt Lake City, Utah 84111-0804<br>(801) 530-6601               |  |
| <b>Virginia</b>   | State Corporation Commission<br>Division of Securities and Retail<br>Franchising<br>1300 E. Main Street<br>Richmond, VA 23219<br>(804) 371-9051    | Clerk of the State Corporation<br>Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219   |
| <b>Washington</b> | Securities Administrator<br>Washington State Department of<br>Financial Institutions<br>P.O. Box 41200<br>Olympia, WA 98504-1200<br>(360) 902-8760 | Securities Administrator<br>Washington State Department of<br>Financial Institutions<br>150 Israel Rd., SW<br>Tumwater, WA 98501<br>(360) 902-8760 |
| <b>Wisconsin</b>  | Wisconsin Department of<br>Financial Institutions<br>345 West Washington Avenue<br>Madison, WI 53703<br>(608) 266-8557                             | Wisconsin Department of<br>Financial Institutions<br>345 West Washington Avenue<br>Madison, WI 53703   |

**VERTICA FITNESS FRANCHISING, INC.**

**FRANCHISE AGREEMENT**



**EXHIBIT C**

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WHEREAS, Vertica Fitness Franchising, Inc. d/b/a Vertica Fitness (“we,” “us,” or “our”) offers a franchise opportunity for a fitness studio (each, a “Studio”) that provides Pole Fitness and other exercise classes (“System”). Our system utilizes specified marketing techniques and operating procedures; and

WHEREAS, Franchisee and all Signators identified on the signature page to this Agreement, in your personal capacity, (collectively “Franchisee,” “you,” or “your”) desire to utilize our System and our trade names, service marks, and trademarks (collectively, the “Marks”); and

NOW, THEREFORE, for value received, we and Franchisee (“the Parties”) agree as follows:

## **1. GRANT OF FRANCHISE**

**1.1 Grant of Franchise.** Subject to the terms of this franchise agreement (“Agreement” or “Franchise Agreement”), we grant to you a franchise (“Franchised Business”) using our system and our Marks in the territory described in Schedule 1 (“Territory”). You agree to abide by the terms of this Agreement.

## **2. TERM AND RENEWAL**

**2.1. Term.** This Agreement will be effective for a ten (10) year term beginning on the Effective Date specified in this Agreement.

**2.2 Renewal.** You may renew for another term by signing our then current franchise agreement if you are in compliance with this Agreement and meet the other conditions for renewal. You may also renew future franchise agreements if you are in compliance with such agreements and meet the other conditions for renewal by signing our then current franchise agreement. To renew, you must exercise a general release of all claims that you might have against us. Other terms, conditions, and fees may vary. If you wish to renew, you must notify us in writing at least 180 days before the expiration of this Agreement.

## **3. TERRITORY**

The territory will be for a specific geographic region that we define by zip codes, natural, or political boundaries as set forth on Schedule 1 to the Franchise Agreement.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision. You will be assessed a relocation fee of \$5,000 at the time you submit the proposed location for your relocated Studio. Generally, we do not approve requests to relocate your Studio after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement. If we approve your relocation request, we retain the right to approve your new site location in the same manner and under the same terms that are applied to your first site selection.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

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

**4.1 Initial Fees.** The initial franchise fee for a single-unit Franchised Business \$49,950. If you purchase multiple units, the second franchise fee will be \$29,950 and each additional unit will

be \$19,950. To qualify for multi-unit discounts, you must make all franchise purchases at the same time.

We offer a 5% discount on the initial franchise fee for an honorably discharged U.S. veteran and first responders.

The initial franchise fee is fully earned and nonrefundable as paid.

**4.2 Royalty Fee.** You agree to pay to us a monthly Royalty Fee of 8.25% of Gross Revenues.

“**Gross Revenues**” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes.

**4.3 Advertising Fees.** You agree to the advertising fees and payments disclosed in Section 7 of this Franchise Agreement, below.

**4.4 Third Party Software Fees.** You agree to pay fees to third party software providers per our specifications for use of Point of Sale and other software systems.

**4.5 Update Training Fee.** If we offer refresher courses or update training, we reserve the right to charge, and you agree to pay, up to \$250 per day, plus any expenses we incur to provide this training.

**4.6 Additional Coach Training Fee.** You may elect to send additional coaches to training at our headquarters in Tucson, Arizona. We may charge up to \$1,000 per person trained per day, plus any expenses we incur to provide this training. You must also pay any travel and living expenses that you or we incur to attend training.

**4.7 Insufficient Funds Fee.** You agree to pay to us a minimum of \$50 per transaction if an electronic transfer or other payment from you to us is declined.

**4.8 Audit Fee.** You agree to pay to us our cost in performing an audit of your Franchise Business, plus a Late Fee of \$50 per month on any late payment found through such audit if the audit discloses an under reporting of Gross Revenues or underpayment to us by 2% or more.

**4.9 Annual Convention Fee.** We reserve the right to impose an Annual Convention Fee of up to \$350 per attendee.

**4.10 Testing/ Inspection Fees to Approve a Supplier.** You agree to pay to us \$500/day plus any costs incurred if you request us to test and inspect a new supplier.

**4.11 Transfer Fee.** You agree to pay to us a Transfer Fee of \$5,000 if you wish to transfer ownership of the rights under this Franchise Agreement, or a majority of the ownership of this Agreement or in an entity holding this Agreement. You agree to pay us a Transfer Fee of \$2,500 for the transfer of a minority interest in the franchise. We do not charge a transfer fee if the owners of

this Agreement transfer this Agreement into an entity owned by the same owners with the same ownership percentages.

**4.12 Renewal Fee.** You agree to pay to us a Renewal Fee of \$5,000 to enter a new franchise agreement and continue your rights as a franchisee for an additional term.

**4.13 Late Fee.** You agree to pay to us a \$50 per month late fee on any late payments you owe to us.

**4.14 Client Refunds.** If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client all or a portion of the client's fees, we may pay the client directly and bill you. You agree to pay the charges.

**4.15 Assistance Fee in the Event of Death or Incapacity.** In the event of your death or incapacity, you agree we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing operation of your Franchised Business, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.

**4.16 Sales, Excise or Gross Receipts Tax.** If required by the federal government, state or locality in which your Franchised Business is located, the initial franchise fee, royalty, and other fees and costs may be subject to sales, excise, gross receipts or similar type tax, which you agree to pay to us at the same time and in the same manner as you pay these fees and costs to us.

**4.17 Fees to Third Parties.** You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.

**4.18 Secret Shopper Fee.** If you score below an average of 80% on secret shopper reports that we send in to your franchised outlet in a given month, you agree to pay to us \$50 per secret shopper visit for the next three (3) secret shopper visits we send to visit your outlet.

**4.19 Payment Period and Method.** You agree to pay to us fees based upon Gross Revenues by the Thursday of each week as to Gross Revenues earned the prior week. You agree to pay to us other recurring fees by the 10th of the month which was incurred or accrued in the prior month. You must pay to us all other fees when incurred. We reserve the right to modify the payment methods and schedule in our Operations Manual.

Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement.

## 5. OBLIGATIONS OF FRANCHISOR

**5.1. Initial Training.** We provide you with an initial training program, currently three days long, in Tucson, Arizona or such other location as we designate.

### **5.2 Site Selection and Build Out.**

**(a) Site Selection.** We provide to you criteria to help you select a site. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.

If you do not locate a site of which we approve within 180 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time.

**(b) Plans and Layout.** We will furnish to you a sample site layout plan.

**(c) Lease.** Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement.

**(d) Relocation Review.** We will evaluate locations you propose to us to relocate your Franchised Business. We will typically approve or disapprove a relocation site within 14 days of your submission to us of the information required by us on the proposed site. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

**5.3 Assistance to Hire and Train Employees.** We provide guidance on how to hire and train employees.

**5.4 Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies.** We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items.

**5.5 Operations Manual.** We provide you access to our proprietary and confidential Operations Manual, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business ("Manual"). We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for legal or technological changes, competition, or attempts to improve in the marketplace.

**5.6 Operational Support.** We provide support to you in operational problems and issues that you may encounter in the operation of your Franchised Business. This includes, but is not limited to the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the amount of the Membership Fees and the prices that you may charge for other products and services.

**5.7 Computer Hardware and Software.** We specify computer hardware and software to assist in the operation of your Franchised Business.

**5.8 Additional Training or Seminars.** We may elect to offer and require you to attend, either live or electronically, additional training or seminars that we may offer.

## **6. OBLIGATIONS OF FRANCHISEE**

**6.1 Training.** You must successfully complete our initial training within three (3) months of the Effective Date of this Agreement and before you may operate the Franchised Business.

### **6.2 Site Selection and Build Out.**

**(a) Site Selection.** You must select a site for operation of your Franchised Business pursuant to our guidelines. You agree to obtain our written approval for your proposed site. You may operate the Franchised Business only at the accepted site.

**(b) Buildout.** It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits.

**(c) Plans and Layout.** You are required to submit the layout and have it approved by us. We will typically approve or disapprove a proposed layout within 14 days of your submission to us. Once approved by us, it is your responsibility to remodel the premises and install the furniture, fixtures and equipment accordingly. You agree that we have the right to inspect your buildout and require adjustments so that the buildout is in a good and workmanlike manner and conforms to the plans and layout and not open for business until we have approved of the buildout and workmanship.

**(d) Lease.** Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement.

**(e) Relocation Review.** You must obtain our approval if you wish to relocate. We will evaluate locations you propose to us to relocate your Franchised Business. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

**6.3 Starting Date.** You agree to be operational within twelve (12) months of the Effective Date of this Agreement.

**6.4 Operations Manual.** You agree to operate the Franchised Business according to the then current Operations Manual, as well as information bulletins and guidance that we disseminate electronically.

**6.5 Personal Participation.** You are required to participate personally in the direct operation of the Franchised Business or have a Designated Manager who attends and successfully completes our initial training to our satisfaction. Any replacement Designated Manager must also attend and successfully complete our initial training to our satisfaction. Any Designated Manager must also sign a Confidentiality and Non-Compete Agreement as we may specify.

You and any Designated Manager must pass a background check.

All owners of this franchise must guarantee the obligations under the Franchise Agreement.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

**6.6 Authorized Products and Services Only.** You may offer for sale through your franchised business only Pole Fitness exercise classes as specified by us and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You may offer your services to any customers, consistent with your territorial rights.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

**6.7 Customer Service.** You shall serve customers patronizing your Franchised Business in a professional and respectful businesslike manner and diligently fulfill your obligations to them when they desire to purchase your goods or services. You understand that we may issue standards for the timing of food going out to customers, monitor your performance in this respect, and you agree to comply with such standards.

**6.8 Employee Training.** You shall train your employees to competently and professionally carry out their duties and offer excellent customer service. You shall ensure that your employees have any training, licenses, or certifications required by applicable law. You are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

**6.9 Insurance.** You are required to have insurance as may be required by your state laws and as we may specify in the Operations Manual. You must name us and all our officers, directors, members and agents and others as their interest may appear on a primary, noncontributory basis as an additional insured on these policies and send proof of same to us. Certificates of insurance must be sent in upon annual expiration date. So long as your Franchised Business is not substantially destroyed by fire or other casualty, if you suffer a loss to your franchise, such as fire or theft, you are required to use the insurance proceeds to replace or repair the premises or property damaged or lost.

**6.10 Furniture, Fixtures, Equipment, Inventory, and Supplies.** You agree to use furniture, fixtures, equipment, inventory, and supplies as we specify, which may include a vendor designation, to operate the franchise.

**6.11 Computer Hardware and Software Systems.** You are required to purchase or use such computer hardware and software systems to operate your Franchised Business as we may specify.

**6.12 Telephone Number.** You agree to maintain a dedicated telephone number for your Franchised Business.

**6.13 Licenses and Permits.** You must obtain such state and local business and other licenses and permits as your state and local law may require.

**6.14 Brand Image and Remodeling.** You agree to present your Franchised Business in a clean and well-maintained manner in order to uphold the image and goodwill of our franchise system. We may require you to remodel your business once every ten (10) years and you agree to do so pursuant to our guidelines.

**6.15 Minimum Days and Hours.** You agree to be open for business, at a minimum, the days and hours that we specify in the Operations Manual.

**6.16 Laws and Regulations.** You agree to comply with all federal, state, and local laws, and regulations.

**6.17 Minimum Requirements.** Not Applicable.

## 7. ADVERTISING

**7.1 Use of our Marks.** We allow and require you to use our Marks to hold out your Franchised Business to the public. You agree to use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Operations Manual.

**7.2 Grand Opening Advertising.** You agree to spend \$20,000 around the time of the opening of your Franchised Business to promote its opening, pursuant to our guidelines.

**7.3 Local Advertising and Promotions.** Your advertising and promotions shall conform to the following requirements:

- a) You shall advertise and promote only in a manner that will reflect favorably on us.
- b) You agree to participate in all promotional programs that we create, offer or advertise.
- c) Your advertising must comply with federal, state, and local laws.
- d) You agree to spend a minimum of \$2,000 per month on local advertising, pursuant to our guidelines.

**7.4 Advertising Fee and Fund.** When an Advertising Fund is implemented, you agree to contribute 1% of your Gross Revenues into our Advertising Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

If not all Advertising Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may not use Advertising Fees to solicit new franchise sales.

**7.5 Our Obligation to Conduct Advertising.** We use monies in the Advertising Fund to advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

Corporate Website. We will develop and maintain a comprehensive website that contains your location's contact information.

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business.

Digital Campaigns. We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor.

Print Material. We will supply you with print-ready collateral for fliers and coupons, which can be fulfilled locally or by our approved supplier.

**7.6 Use of Your Own Advertising Material.** You agree to use our advertising templates or, if you wish to use your own advertising materials, you may do so provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved.

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval.

**7.7 Entity Name Requirements.** You may not use the words "Pole Fitness" or any confusingly similar words, as any part of the name of a corporation, LLC or other entity. However, "Vertica

Fitness” followed by your city name, or such other designation as we shall specify, shall be your “doing business as” name for an entity which owns this franchise, sometimes also called your “assumed name,” “trading as” name, or “fictitious name.”

**7.8 No Confusingly Similar Marks.** You agree not to use any marks that could be confused with our Marks.

**7.9 Update to our Marks.** We may replace, modify, or add to our Marks. If we replace, modify, or add additional marks, you agree to update or replace your supplies, etc. to reflect the new marks, at your expense, in the time frame we provide at the time of such an update.

**7.10 Publicity.** Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

**7.11 Name and Likeness.** You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

## **8. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS**

**8.1 Definition.** “Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, Customer Data, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

**8.2 Confidentiality.** You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information.

**8.3 Return of Information.** Upon termination or expiration of this Agreement, you will return to us all of our Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

**8.4 Customer Data.** We retain all right, title, and interest in and to the Customer Data during and after the term of this Agreement, provided that you use the Customer Data during the Term of this Agreement as permitted by this Agreement or our Manual, and in accordance with law. “Customer Data” means any and all information about Customers that may be collected in

connection with their use of your franchise services, including, but not limited to, name, telephone number, address and email address.

**8.5 Intellectual Property Ownership.** We own the Franchise system and all intellectual property associated with it. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise system by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest exclusively to us. You will not undertake to obtain, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system.

**8.6 Suggestions.** You agree that we may incorporate into our business operations any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else and we shall have sole rights and title to such suggestions.

**8.7 Performance Data.** You agree that we may share performance data from your Franchised Business between our employees, franchisees and their employees. You agree to keep such performance data confidential.

## 9. REPORTS AND REVIEW

**9.1 Reports.** You must send us such reports in the time and manner we may specify in the Operations Manual. At present, you must send to us the following reports during the following time frames:

| Name of Report                 | When Due  |
|--------------------------------|---|
| Monthly Gross Revenues Report  | By the first Tuesday following the month to report Gross Revenues for the prior month |
| Annual Profit & Loss Statement | By January 31 of each year as to income and expenses incurred in the prior year       |

**9.2 Reviews.** We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. This includes the right to send in secret shoppers. And this also includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

**9.3 Time Frame to Furnish Documents.** If, as part of a review of your business operations, we request a copy of any business records related to the Franchised Business, you must send us at your expense these records within five (5) business days of receiving our request.

**9.4 Independent Access to Information.** We have and you are required to provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and

information, as well as your security camera systems. There are no contractual limitations on our right to access the information.

## **10. TERMINATION**

**10.1 Termination by You.** You may terminate this Agreement by not renewing; that is by notifying us in writing of your desire to not renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

**10.2 Termination by Us.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- a) If you do not pass our initial training in accordance with our passing standards;
- b) If you fail to obtain our approval of a site or open on time;
- c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- d) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of, or plead guilty or no contest to a felony;
- e) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster;
- f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- h) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;
- i) You fail to pay suppliers an amount exceeding \$3,000 for more than 60 days;
- j) You fail to permit us to inspect or audit your franchise; or
- k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us, in any 12-month period regardless of whether such breaches were cured after notice.

**10.3 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

- a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; or
- b) Any amount owing to us from you is more than 30 days past due.

**10.4 No Refund of Initial Fee.** We have no obligation to return or refund any fee to you upon termination of this Agreement.

## **11. POST TERMINATION OBLIGATIONS**

If this Agreement expires, is not renewed, or is terminated for any reason by any party, including a sale of the Franchised Business, you must immediately:

- a) Cease to operate the Franchised Business and discontinue using any of our Marks or any marks which are likely to be confused with our Marks;
- b) Deliver to us the original and all copies, both paper and electronic, of the business records of your Franchised Business (retaining only such copies as you need for legal or tax purposes);
- c) Pay to us all amounts owing to us;
- d) At our request, cancel or assign to us all telephone numbers under your ownership used in the Franchise Business;
- e) Reimburse customers for any fees paid for services not yet rendered;
- f) At our option, and upon our request, use your best efforts to assist in our taking over the lease of the location of your Franchised Business, whether it be through a new lease or assignment;
- g) At our option, offer to us the right to purchase your furniture, equipment, signage, fixtures, and supplies within 30 days of the date of termination for the adjusted book value, which is the undepreciated book value of the assets on your most recently filed federal tax return prior to the date of the termination or expiration;
- h) Deliver to us any paper and electronic copies of the Operations Manual and any Confidential Information;
- i) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;
- j) Adhere to the provisions of the post-term covenants not to compete and not to solicit;
- k) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and

- l) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section 11.

## **12. NON-COMPETE AND NO SOLICITATION.**

### **12.1 Non-Compete.**

- a) **In-Term.** You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly, offer Pole Fitness or related sports exercise programs.
- b) **Post-Term.** You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of this Agreement, including a sale of the franchise or your interest in it, offer Pole Fitness or related sports exercise programs in the Territory or within 25 miles of the boundaries of the Territory, or within 25 miles of any other Vertica Fitness outlet of ours or a franchisee of ours in operation at the time.

**12.2 No Solicitation of Customers.** You will not, for a period of two years after expiration or termination of this Agreement, in the Territory or within fifty (50) miles of the boundaries of the Territory, directly or indirectly solicit the patronage of any client served by your prior Franchised Business during the last 24 months that you were a franchisee, or such shorter time as you were a franchisee, for the purpose of offering such person or entity, for a fee or charge, a Pole Fitness or related sports exercise program.

**12.3 Waiver of Bond.** You agree that if we bring suit to enforce Sections 11, 12.1, or 12.2 above, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**12.4 Severability.** If any covenant or provision of Section 12.1 or 12.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

## **13. ADDITIONAL IN-TERM AND POST-TERM COVENANTS**

**13.1 Maintenance of Goodwill.** You agree not to disparage us or our current and former employees, agents, members, or directors. During the term of this Agreement, you agree not to do any act harmful, prejudicial, or injurious to us.

**13.2 Independent Contractor.** You and we are independent contractors to each other. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours.

**13.3 Indemnity.** You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the Franchised Business and for all claims or demands for damage directly or indirectly related. You agree to defend, indemnify, and hold harmless us and our employees, officers, directors, and members with respect to any such claim, loss, or damage, including our costs and attorney fees.

## **14. TRANSFER**

**14.1 Assignment by Us.** We may assign this Agreement to an assignee who agrees to remain bound by its terms. We do not permit a sub-license of the Agreement.

**14.2 Transfer by You.** You may transfer this Franchise Agreement, any interest under this Agreement, or substantially all the assets of the Franchised Business only if we approve, and you comply with the provisions in this Section 14. We shall not unreasonably withhold approval. If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability.

**14.3 Transfer to a Controlled Entity.** A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a Controlled Entity shall not trigger the Right of First Refusal, described in Section 14.6 below. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. We do not charge a transfer fee for this change.

**14.4 Transfer within an Entity.** A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 14.6 below if only the percentage ownership, rather than the identity of the owners, is changing. Prior to the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then current amendment and release forms and/or Franchise Agreement as required by us, and you shall pay to us the applicable transfer fee specified in Section 4 above.

**14.5 Conditions for Approval of Transfer.** We may condition our approval of any proposed sale or transfer of the franchised business or of your interest in this Agreement upon satisfaction of the following occurrences:

14.5.1 You are current in all monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;

14.5.2 You are in full compliance with this Agreement;

14.5.3 You execute any transfer, amendment, or release forms that we may require;

14.5.4 You or the transferee will provide to us a copy of the proposed documents as we may request to evidence the transfer;

**For a transfer under Section 14.2 above, the following conditions also apply:**

14.5.5 The transferee must be approved by us and demonstrate to our satisfaction that s/he meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;

14.5.6 The transferee must execute our then-current Franchise Agreement;

14.5.7 You or the transferee must pay to us the Transfer Fee specified in Section 4 above;

14.5.8 The transferee must satisfactorily complete our initial training program at the transferee's expense within the time frame we establish;

14.5.9 You must comply with the post-termination provisions of this Agreement;

14.5.10 The transferee must obtain within the time limits set by us and maintain thereafter, all permits and licenses required for operation of the Franchised Business;

14.5.11 To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

14.5.12 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

14.5.13 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation and performance under its franchise agreement;

14.5.14 You must request that we provide the prospective transferee with our current franchise disclosure document;

14.5.15 Our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party;

14.5.16 We will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning the Franchised Business as you have supplied us hereunder; and

14.5.17 In any event, we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

**14.6 Right of First Refusal.** If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Franchise Agreement, any interest in it, or substantially all the assets of the Franchised Business, you shall grant us the option (the "Right of First Refusal") to purchase the Franchised Business as provided here:

- a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Franchised Business or interest in the Franchised Business at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or its owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.
- b) If we do not exercise our Rights of First Refusal, you may transfer the Franchised Business or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Section 14.5 above and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

## **15. DEATH OR INCAPACITY**

In the event of your death or incapacity, you, or your estate, as the case may be, must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new Franchisee must pay the transfer fee specified above, meet our qualifications, complete initial training, and enter into a new Franchise Agreement. And we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business. The term "incapacity" means a condition that prevents you from reasonably carrying out your duties under this Agreement.

## **16. MODIFICATION**

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent, as discussed in Section 5.

## **17. NON-WAIVER OF BREACH**

The failure of either party to enforce any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each

and every term and condition of this Agreement.

## 18. FULL UNDERSTANDING

This Agreement, including the schedules, is the entire agreement between the parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.

## 19. GOVERNING LAW

**19.1 Choice of Law.** Except as to claims governed by federal law, Arizona law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

**19.2 Jurisdiction and Venue.** You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Tucson, Arizona. However, if you are an Illinois, Maryland, or Washington State resident or your franchise territory is located in Illinois, Maryland, or Washington State, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

**19.3 Jury Waiver.** In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

**19.4 Class Action Waiver.** You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

**19.5 Punitive Damages Waiver.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

**19.6 Limitation of Actions.** You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

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

**19.8 Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 19.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

**19.9 Mediation.** Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we can not mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”), and split any AAA and mediator fees equally.

**19.10 Waiver of bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**19.11 Attorney Fees.** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

**19.12 Third Party Beneficiaries.** Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the terms of the Governing Law provisions contained herein.

**19.13 Survival.** All of the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

**19.14 Severability Clause.** If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.

## **20. RELEASE OF PRIOR CLAIMS**

By executing this Agreement, the undersigned entity, if any, and individuals, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other claims relating to any dealings between any of the parties. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

## **21. NOTICES**

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, or by facsimile, to our CEO, at our corporate office, presently 11834 N. Silver Village Place, Oro Valley, AZ 85737. Telephone: (520) 216-7651. We may also give any such notice to you in the same manner at the address indicated below your signature on this Agreement, such other more current address as we may have for you, or by e-mail.

## 22. ACKNOWLEDGMENTS

You acknowledge that you have read our Franchise Disclosure Document and this Agreement and that you are familiar with their contents. You acknowledge that you have independently investigated the business offered hereunder and base your decision to purchase solely on such investigation. You acknowledge that we have recommended, and that you have had the opportunity to obtain, review of this Agreement and our Franchise Disclosure Document (“FDD”) by your lawyer, accountant or other business advisor prior to execution. Except as may be stated in Item 19 of our Franchise Disclosure Document, you acknowledge that no person is authorized to make and no person has made any representations to you as to the actual, projected or potential sales, volumes, revenues, profits or success of our franchise. You further acknowledge and agree that you are not a third party beneficiary to any agreement between us and any other franchisee.

## 23. GUARANTY

The Franchisee named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity’s agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Paragraphs 11-13 above**, the obligation to make specified payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

[signature page follows]

Franchisee: \_\_\_\_\_ Entity Number: \_\_\_\_\_

Type: \_\_\_\_\_ (Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship (“JTROS”), Tenants in Common, Partnership).\*

**SIGNATORS:**

By: \_\_\_\_\_ By: \_\_\_\_\_  
(Signature) (Signature)  
\_\_\_\_\_  
(Printed Name) (Printed Name)

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

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

Ownership Percent: \_\_\_\_\_ % (see note below) Ownership Percent: \_\_\_\_\_ % (see note below)

By: \_\_\_\_\_ By: \_\_\_\_\_  
(Signature) (Signature)  
\_\_\_\_\_  
(Printed Name) (Printed Name)

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

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

Ownership Percent: \_\_\_\_\_ % (see note below) Ownership Percent: \_\_\_\_\_ % (see note below)

**Vertica Fitness Franchising, Inc.**

By: \_\_\_\_\_ Effective Date: \_\_\_\_\_  
Katrina Wyckoff, CEO

**\*Joint Tenants with Right of Survivorship is typically for married couples and must be owned equally by each tenant, 50-50 for two owners, and if one spouse passes away, the other automatically receives the decedent’s share. Tenants in common is normally for non-spouses and if one passes away, his or her share passes by will or state law to his or her heirs.**

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT  
TERRITORY**

Your Territory shall be as follows:

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**SCHEDULE 2 TO THE FRANCHISE AGREEMENT**  
**AUTOMATIC BANK DRAFT AUTHORIZATION**

**ACH Origination Authorization**

Please complete the following with your banking information and attach a voided check:

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

Name of Financial Institution: \_\_\_\_\_

Address of Financial Institution: \_\_\_\_\_

Routing Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

I hereby authorize Vertica Fitness Franchising, Inc., and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Vertica Fitness Franchising, Inc., or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

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

Printed Name of Person Signing: \_\_\_\_\_

Title (if any): \_\_\_\_\_

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

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

Applicant's Address: \_\_\_\_\_

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## **SCHEDULE 3 TO THE FRANCHISE AGREEMENT**

### **TELEPHONE NUMBER ASSIGNMENT AGREEMENT**

**THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT** is made between Vertica Fitness Franchising, Inc. (“Franchisor,” “we,” “us,” or “our”) and the franchisee named below (“Franchisee,” “you” or “your”).

#### **BACKGROUND**

A. The parties are entering into a Franchise Agreement (“Agreement”).

B. As a condition to signing the Franchise Agreement, we have required that you appoint us Attorney in Fact, to take effect upon the expiration or termination of the Agreement, as to the telephone numbers, listings, and advertisements (collectively “Listings”) relating to your Franchise.

#### **TELEPHONE NUMBER ASSIGNMENT**

Upon expiration or termination of the Agreement for any reason, Franchisee’s right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, and to immediately at Franchisor’s request, (i) take any other action as may be necessary to transfer the Listings to Franchisor or Franchisor’s designated agent, (ii) install and maintain, at Franchisee’s sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of the Listings

Franchisee agrees that Franchisor may require Franchisee to “port” or transfer to Franchisor or an approved call routing and tracking vendor all Listings.

#### **DURABLE POWER OF ATTORNEY**

**Appointment as Attorney in Fact.** For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee’s rights under the Agreement for any reason. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not

be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

**Governing Law and Survival.** The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located. All our rights survive the termination, expiration or non-renewal of the Agreement and inure to our benefit and to the benefit of our successors and assigns.

**FRANCHISEE:**

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

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

**FRANCHISOR:**

**Vertica Fitness Franchising, Inc.**

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

Katrina Wyckoff, CEO

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

**SCHEDULE 4 TO THE FRANCHISE AGREEMENT**

**LEASE RIDER**

| <b>Landlord</b>        |  |
|------------------------|--|
| Landlord Name:         |  |
| Landlord Address:      |  |
| Landlord Phone Number: |  |

| <b>Franchisor</b>        |  |
|--------------------------|--|
| Franchisor Name:         | Vertica Fitness Franchising, Inc.                    |
| Franchisor Address:      | 11834 N. Silver Village Place, Oro Valley, AZ 85737, |
| Franchisor Phone Number: | (520) 216-7651                                       |

| <b>Tenant</b>               |  |
|-----------------------------|--|
| Tenant Name:                |  |
| Address of Leased Premises: |  |
| Date of Lease:              |  |

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a Vertica Fitness (or any name authorized by Franchisor).

2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease, subject to Landlord’s approval in its reasonable discretion. To exercise this option, Franchisor must notify Landlord within 10 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Landlord and Tenant consent to allow Franchisor to assume any existing term of the Lease (the “Assumption”), provided that any and all defaults have been cured and all payments due under the Lease are current, and to enter into a written agreement providing for such Assumption. In the event of an Assumption, Landlord will deliver possession of the Leased Premises to Franchisor free and clear of any rights of the Tenant or any third party. Landlord further consents to give Franchisor the right, following the Assumption, to assign its interest in the Lease or to sublet the Leased Premises to another franchisee of Franchisor with reasonable consent from the Landlord.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Lease Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of Franchisor's, subject to Landlord's approval in its reasonable discretion.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises within 10 days of such expiration or termination, to take any such actions as may be consistent with its rights under this Lease Agreement Rider or to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

LANDLORD:

\_\_\_\_\_

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

TENANT:

\_\_\_\_\_

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

FRANCHISOR:

Vertica Fitness Franchising, Inc.

By: \_\_\_\_\_  
Name: Katrina Wyckoff  
Title: CEO  
Date: \_\_\_\_\_

**SCHEDULE 5 TO THE FRANCHISE AGREEMENT**  
**STATE ADDENDA TO THE FRANCHISE AGREEMENT**  
**CALIFORNIA ADDENDUM**  
**TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Sections 10.2 and 10.3 are deleted and in their place are substituted the following:

**10.2 Termination by Us Without Right to Cure.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 10.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise 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, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

**10.3 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

Section 20 of the Franchise Agreement, titled "Release of Prior Claims," is deleted.

The following text is added to the Franchise Agreement:

"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."

Initial Fee Deferral:

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

FRANCHISEE:

FRANCHISOR:

Vertica Fitness Franchising, Inc.

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

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

Katrina Wyckoff, CEO

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

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

**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

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

3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

5. Initial Fee Deferral.

The franchise agreement is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. Payment of the Development Fee is deferred until the first franchise business opens. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

FRANCHISEE:

FRANCHISOR:

Vertica Fitness Franchising, Inc.

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

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

Katrina Wyckoff, CEO

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

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

## **MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

2. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Section 22 of the Franchise Agreement, titled "Acknowledgments," is deleted.

6. The following text is added to the Franchise Agreement:

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

7. Initial Fee Deferral:

The Franchise Agreement is modified to also provide: "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."

FRANCHISEE:

FRANCHISOR:  
Vertica Fitness Franchising, Inc.

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

By: \_\_\_\_\_  
Katrina Wyckoff, CEO

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

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

## MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

### Initial Fee Deferral:

The Franchise Agreement is modified to also provide: "We defer payment of initial franchise fees until the franchised business opens."

FRANCHISEE:

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

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

FRANCHISOR:

Vertica Fitness Franchising, Inc.

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

Katrina Wyckoff, CEO

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

**RHODE ISLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

FRANCHISEE:

FRANCHISOR:

Vertica Fitness Franchising, Inc.

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

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

Katrina Wyckoff, CEO

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

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

## **WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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.

Initial Fee Deferral:

The franchise agreement is amended to also provide: “Initial fees will be deferred until the Franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business.”

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

FRANCHISOR:

Vertica Fitness Franchising, Inc.

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

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

Katrina Wyckoff, CEO

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

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

**WISCONSIN ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
- 2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, Franchise Agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

FRANCHISOR:

Vertica Fitness Franchising, Inc.

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

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

Katrina Wyckoff, CEO

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

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

**EXHIBIT D  
RELEASE**

THIS RELEASE is made and given by \_\_\_\_\_,  
("Releasor") with reference to the following facts:

1. Releasor and Vertica Fitness Franchising, Inc. (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

\_\_\_\_\_ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

\_\_\_\_\_ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

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.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island

Investment Act, and the Washington Franchise Investment Protection Act.

**Franchisee:**

**Franchisor:**  
**Vertica Fitness Franchising, Inc.**

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

By: \_\_\_\_\_  
Katrina Wyckoff, CEO

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

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

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

## EXHIBIT E

### CURRENT FRANCHISEES

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

#### Operational Outlets:

| State | Name           | Address  | Email  | Phone Number  |
|-------|----------------|--|--|---------------|
| AZ    | Jasmin Statler | 1070 W. Tucson Marketplace Blvd.<br>Tucson, AZ | <a href="mailto:southtucson@verticafitness.com">southtucson@verticafitness.com</a> | 520-200-7240  |
| CA    | Caitlin Rios   | 6310 Riverdale St.<br>San Diego, CA            | <a href="mailto:sandiego@verticafitness.com">sandiego@verticafitness.com</a>       | 858-255- 7884 |
| NV    | Kelsey Latta   | 7171 W. Craig Rd. #110<br>Las Vegas, NV        | <a href="mailto:kelseylatta@verticafitness.com">kelseylatta@verticafitness.com</a> | 702-754- 3620 |

#### Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2023):

| State | Name                    | Address                               | Email  | Phone Number |
|-------|-------------------------|---------------------------------------|--|--------------|
| CA    | Joniann Hookfin         | Livermore, CA                         | <a href="mailto:joniann@verticafitness.com">joniann@verticafitness.com</a>       | 510-303-7249 |
| CA    | Mariah Garrett-Clark    | Oakland, CA                           | <a href="mailto:mariah@verticafitness.com">mariah@verticafitness.com</a>         | 347-968-1886 |
| FL    | Nick and Victoria Scott | St Augustine, FL                      | <a href="mailto:scotts@verticafitness.com">scotts@verticafitness.com</a>         | 860-271-3971 |
| MA    | Cristina Montero        | Boston, MA                            | <a href="mailto:boston@verticafitness.com">boston@verticafitness.com</a>         | 314-698-8507 |
| TX    | Nicole Antuna           | 12415 Bandera Road<br>San Antonio, TX | <a href="mailto:sanantonio@verticafitness.com">sanantonio@verticafitness.com</a> | 726-240-3450 |

## **EXHIBIT F**

### **FORMER FRANCHISEES**

The following is a list of Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**None**

## **EXHIBIT G**

### **Financial Statements**

The following statement applies to the unaudited portion of the financial statements which follow:

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

# Unaudited: Vertica Fitness Franchising, Inc.

## Balance Sheet

As of March 31, 2024

|  | TOTAL                |
|--|----------------------|
| <b>ASSETS</b>                                |                      |
| Current Assets                               |                      |
| Bank Accounts                                |                      |
| BUS COMPLETE CHK (6002) - 1                  | 26,654.60            |
| CHASE BUS TOTAL SAV (5821) - 1               | 1,000.87             |
| <b>Total Bank Accounts</b>                   | <b>\$27,655.47</b>   |
| Other Current Assets                         |                      |
| Payments to deposit                          | 0.00                 |
| Uncategorized Asset                          | -0.72                |
| <b>Total Other Current Assets</b>            | <b>\$ -0.72</b>      |
| <b>Total Current Assets</b>                  | <b>\$27,654.75</b>   |
| <b>TOTAL ASSETS</b>                          | <b>\$27,654.75</b>   |
| <b>LIABILITIES AND EQUITY</b>                |                      |
| Liabilities                                  |                      |
| Current Liabilities                          |                      |
| Credit Cards                                 |                      |
| Delta Reserve Business Card (1000) - 2       | -3,937.60            |
| K. WYCKOFF (2630) - 1                        | 19,529.86            |
| <b>Total Credit Cards</b>                    | <b>\$15,592.26</b>   |
| Other Current Liabilities                    |                      |
| Accrued Expenses                             | 7,493.00             |
| Contract Liabilities                         | 2,895.00             |
| Short-term loans from shareholders (Wyckoff) | 10,159.23            |
| <b>Total Other Current Liabilities</b>       | <b>\$20,547.23</b>   |
| <b>Total Current Liabilities</b>             | <b>\$36,139.49</b>   |
| Long-Term Liabilities                        |                      |
| Contract Liabilities - Long Term             | 23,160.00            |
| <b>Total Long-Term Liabilities</b>           | <b>\$23,160.00</b>   |
| <b>Total Liabilities</b>                     | <b>\$59,299.49</b>   |
| Equity                                       |                      |
| Retained Earnings                            | -78,313.01           |
| Shareholders' equity                         |                      |
| Contributions                                | 3,985.00             |
| Distributions                                | -426.75              |
| <b>Total Shareholders' equity</b>            | <b>3,558.25</b>      |
| Net Income                                   | 43,110.02            |
| <b>Total Equity</b>                          | <b>\$ -31,644.74</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>          | <b>\$27,654.75</b>   |

# Unaudited: Vertica Fitness Franchising, Inc.

## Profit and Loss January - March, 2024

|  | TOTAL               |
|--|---------------------|
| Income                                       |                     |
| Sales  | 119,777.50          |
| Services                                     | 26,159.03           |
| <b>Total Income</b>                          | <b>\$145,936.53</b> |
| GROSS PROFIT                                 | <b>\$145,936.53</b> |
| Expenses                                     |                     |
| Advertising & marketing                      | 4,100.00            |
| Social media                                 | 884.40              |
| <b>Total Advertising &amp; marketing</b>     | <b>4,984.40</b>     |
| Business licenses                            | 118.33              |
| Choreography                                 | 1,900.00            |
| Contract labor                               | 56,731.52           |
| Dues & subscriptions                         | 6,200.00            |
| General business expenses                    |                     |
| Bank fees & service charges                  | 785.00              |
| Continuing education                         | 15,685.00           |
| <b>Total General business expenses</b>       | <b>16,470.00</b>    |
| Interest paid                                | 1,119.70            |
| Legal & accounting services                  |                     |
| Accounting fees                              | 1,900.00            |
| Legal Fees                                   | 1,551.00            |
| <b>Total Legal &amp; accounting services</b> | <b>3,451.00</b>     |
| Meals  |                     |
| Travel meals                                 | 46.90               |
| <b>Total Meals</b>                           | <b>46.90</b>        |
| Office expenses                              |                     |
| Software & apps                              | 3,438.39            |
| <b>Total Office expenses</b>                 | <b>3,438.39</b>     |
| Royalty Payment                              | 4,188.08            |
| Supplies                                     | 2,888.50            |
| Travel                                       |                     |
| Airfare                                      | 1,057.47            |
| Hotels                                       | 40.60               |
| Vehicle rental                               | 191.62              |
| <b>Total Travel</b>                          | <b>1,289.69</b>     |
| <b>Total Expenses</b>                        | <b>\$102,826.51</b> |
| NET OPERATING INCOME                         | <b>\$43,110.02</b>  |
| NET INCOME                                   | <b>\$43,110.02</b>  |

**Vertica Fitness Franchising, Inc.**

**Independent Auditor's Report  
And  
Financial Statements  
December 31, 2023 and 2022**

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## **Metwally CPA PLLC**

### **CERTIFIED PUBLIC ACCOUNTANT**

1312 Norwood Dr STE 100, Bedford, Texas 76022

Cell: 214-200-5434 (Mohamed Metwally) Mmetwally@metwallycpa.com

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## **Independent Auditor's Report**

To the Stockholders' of  
Vertica Fitness Franchising, Inc.

### **Opinion**

We have audited the accompanying financial statements of Vertica Fitness Franchising, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vertica Fitness Franchising, Inc. 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 Vertica Fitness Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vertica Fitness Franchising, Inc.'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 Vertica Fitness Franchising, Inc.'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.

*Metwally CPA PLLC*

Metwally CPA PLLC  
Bedford, Texas  
April 11, 2024

**Vertica Fitness Franchising, Inc.**

**Balance Sheets**

**December 31, 2023 and 2022**

|   | <b>2023</b>       | <b>2022</b>       |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| <b>Current Assets</b>                                       |                   |                   |
| Cash and cash equivalents                                   | \$ 26,723         | \$ 114,429        |
| Accounts receivable   | 136,583           | -                 |
| Deferred commission - current portion                       | 12,211            | -                 |
| <b>Total Current Assets</b>                                 | <b>175,517</b>    | <b>114,429</b>    |
| <b>Non-Current Assets</b>                                   |                   |                   |
| Deferred commission - net of current portion                | 98,436            | -                 |
| <b>Total Non-Current Assets</b>                             | <b>98,436</b>     | -                 |
| <b>Total Assets</b>   | <b>\$ 273,953</b> | <b>\$ 114,429</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>       |                   |                   |
| <b>Current Liabilities</b>                                  |                   |                   |
| Accounts payable  | \$ 23,711         | \$ 4,250          |
| Accrued liabilities   | 36,540            | 7,493             |
| Due to related parties                                      | 43,359            | 142,556           |
| Deferred revenue, current portion                           | 27,110            | 2,895             |
| <b>Total Current Liabilities</b>                            | <b>130,720</b>    | <b>157,194</b>    |
| <b>Long-Term Liabilities</b>                                |                   |                   |
| Deferred revenue, net of current portion                    | 213,987           | 23,160            |
| <b>Total Long-Term Liabilities</b>                          | <b>213,987</b>    | <b>23,160</b>     |
| <b>Total Liabilities</b>                                    | <b>344,707</b>    | <b>180,354</b>    |
| <b>Stockholders' Equity (Deficit)</b>                       |                   |                   |
| Common stocks - no par value                                |                   |                   |
| 1,000 shares authorized, none issued or outstanding         | -                 | -                 |
| Additional paid-in capital                                  | 3,558             | -                 |
| Accumulated deficit   | (74,312)          | (65,925)          |
| <b>Total Stockholders' Equity (Deficit)</b>                 | <b>(70,754)</b>   | <b>(65,925)</b>   |
| <b>Total Liabilities and Stockholders' Equity (Deficit)</b> | <b>\$ 273,953</b> | <b>\$ 114,429</b> |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**  
**Statements of Operations**  
**Years Ended December 31, 2023 and 2022**

|                                 | <u>2023</u>       | <u>2022</u>        |
|---------------------------------|-------------------|--------------------|
| <b>Revenues</b>                 |                   |                    |
| Initial franchise fees          | \$ 132,112        | \$ 23,895          |
| Royalties                       | 26,969            | -                  |
| Other income                    | 6,000             | -                  |
| <b>Total Revenues</b>           | <u>165,081</u>    | <u>23,895</u>      |
| <b>Operating Expenses</b>       |                   |                    |
| General and administrative      | 67,819            | 71,750             |
| Advertising and marketing       | 52,111            | -                  |
| Consulting fees                 | 24,000            | -                  |
| Legal and professional          | 18,077            | 18,070             |
| Commissions                     | 11,461            | -                  |
| <b>Total Operating Expenses</b> | <u>173,468</u>    | <u>89,820</u>      |
| <b>Net Income / (Loss)</b>      | <u>\$ (8,387)</u> | <u>\$ (65,925)</u> |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**  
**Statements of Stockholders' Equity (Deficit)**  
**Years Ended December 31, 2023 and 2022**

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|                                     | Common Stock - No Par Value |        | Additional<br>Paid-In Capital | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity (Deficit) |
|-------------------------------------|-----------------------------|--------|-------------------------------|------------------------|--|
|                                     | Shares                      | Amount |                               |                        |  |
| <b>Balance At April 14, 2022</b>    | <b>1,000</b>                | \$ -   | \$ -                          | \$ -                   | \$ -                                       |
| Net income (loss)                   | -                           | -      | -                             | (65,925)               | (65,925)                                   |
| <b>Balance At December 31, 2022</b> | <b>1,000</b>                | \$ -   | \$ -                          | \$ (65,925)            | \$ (65,925)                                |
| Stockholders' contributions         | -                           | -      | 7,135                         | -                      | 7,135                                      |
| Stockholders' distributions         | -                           | -      | (3,577)                       | -                      | (3,577)                                    |
| Net income (loss)                   | -                           | -      | -                             | (8,387)                | (8,387)                                    |
| <b>Balance At December 31, 2023</b> | <b>1,000</b>                | \$ -   | \$ 3,558                      | \$ (74,312)            | \$ (70,754)                                |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

|  | <u>2023</u>      | <u>2022</u>       |
|--|------------------|-------------------|
| <b>Cash Flows From Operating Activities:</b>   |                  |                   |
| Net income   | \$ (8,387)       | \$ (65,925)       |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                  |                   |
| <b>Change in assets and liabilities:</b>   |                  |                   |
| Accounts receivable  | (136,583)        | -                 |
| Deferred commission  | (110,647)        | -                 |
| Accounts payable   | 19,461           | 4,250             |
| Accrued liabilities  | 29,047           | 7,493             |
| Due to related parties   | (99,197)         | 142,556           |
| Deferred revenue   | 215,042          | 26,055            |
| <b>Net Cash Provided By (Used In) Operating Activities</b>                               | <b>(91,264)</b>  | <b>114,429</b>    |
| <b>Cash Flows From Investing Activities</b>  |                  |                   |
| <b>Net Cash Provided By (Used In) Investing Activities</b>                               | -                | -                 |
| <b>Cash Flows From Financing Activities</b>  |                  |                   |
| Stockholders' contributions  | 7,135            | -                 |
| Stockholders' distributions  | (3,577)          | -                 |
| <b>Net Cash Flows Provided By (Used In) Financing Activities</b>                         | <b>3,558</b>     | <b>-</b>          |
| <b>Net Change In Cash And Cash Equivalent During The Year</b>                            | <b>(87,706)</b>  | <b>114,429</b>    |
| Cash and cash equivalent - beginning of the year   | 114,429          | -                 |
| <b>Cash And Cash Equivalent - End of The Year</b>  | <b>\$ 26,723</b> | <b>\$ 114,429</b> |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**  
**Notes To Financial Statements**  
**December 31, 2023 and 2022**

**1. COMPANY AND NATURE OF OPERATIONS**

Vertica Fitness Franchising, Inc. (the “Company”) was established in the state of Arizona in 2022, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their private business. The Company offers qualified individuals the right to operate a business that offers franchises for the right to establish and operate a fitness studio that provides Pole Fitness and other exercise under “Vertica Fitness” mark. The Company offers individual studio franchises and area development franchises for the development of multiple studios within a designated territory.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

**A. Basis of Accounting**

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**B. Cash and Cash Equivalents**

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

**C. Concentration of Credit Risk**

The Company maintains cash and cash equivalents with major financial institutions. At various times during the year, the total amount on deposit might exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

**D. Accounts Receivable**

Accounts Receivable arise primarily from initial franchise fees and royalties and are carried at their estimated collectible amounts, net of any estimated allowances for doubtful accounts. The Company provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other relevant factors. The Company has determined that no allowance for doubtful accounts was necessary on December 31, 2023 and 2022.

**E. Federal Income Taxes**

The Company has elected to be taxed for U.S. Federal, and to the extent applicable, U.S. State purposes under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, federal income tax liabilities relating to the Company’s profits are the stockholders’ responsibility; therefore, no provision has been made for federal income taxes.

## **F. Use of Estimates**

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs, and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

## **G. Revenue Recognition**

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

### Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

#### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license. The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable monthly.

#### Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized to expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

### **H. Advertising and Marketing**

Advertising and marketing costs are charged to operations in the period incurred.

### **I. Reclassification**

Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation. There were no changes to previously reported stockholders' equity (deficit) or net income as a result of the reclassifications.

### **J. Recent Accounting Pronouncements**

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.

### 3. CASH AND CASH EQUIVALENTS

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2023 and 2022, the Company's cash balance didn't exceed the FDIC insurance limit.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents. The Company had approximately \$26,723 and \$114,429 in cash at their operating bank account as of December 31, 2023 and 2022, respectively.

### 4. ACCOUNTS RECEIVABLE

At the years ended December 31, 2023 and 2022, accounts receivable consists of the following:

|                                   | <u>2023</u>       | <u>2022</u> |
|-----------------------------------|-------------------|-------------|
| Initial franchise fees receivable | \$ 132,366        | \$ -        |
| Royalties' receivable             | 4,218             | -           |
|                                   | <u>\$ 136,583</u> | <u>\$ -</u> |

### 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the years ended December 31:

|                                       | <u>2023</u>       | <u>2022</u>      |
|---------------------------------------|-------------------|------------------|
| Revenue recognized over time          | \$ 132,112        | \$ 23,895        |
| Revenue recognized at a point in time | 32,969            | -                |
| <b>Total Revenue</b>                  | <b>\$ 165,081</b> | <b>\$ 23,895</b> |

#### Contract Balances

The following table provides information about the change in the franchise deferred expenses balances during the years ended December 31:

|   | <u>2023</u>      | <u>2022</u> |
|---|------------------|-------------|
| Beginning balance                                   | \$ -             | \$ -        |
| Additional deferred expenses                        | 122,108          | -           |
| Expenses recognized – additional deferred expenses  | (11,461)         | -           |
| <b>Deferred expenses</b>                            | <b>110,647</b>   | -           |
| Less: current maturities                            | (12,211)         | -           |
| <b>Deferred expenses, net of current maturities</b> | <b>\$ 98,436</b> | <b>\$ -</b> |

The following table provides information about the change in the franchise contract liability balances during the years ended December 31, 2023 and 2022. Franchise contract liability is included in deferred revenue on the accompanying balance sheets:

|  | <u>2023</u>       | <u>2022</u>      |
|--|-------------------|------------------|
| Beginning balance                                  | \$ 26,055         | \$ -             |
| Additional deferred revenue                        | 347,154           | 49,950           |
| Revenue recognized – additional deferred revenue   | <u>(132,112)</u>  | <u>(23,895)</u>  |
| <b>Deferred revenue</b>                            | <b>241,097</b>    | <b>26,055</b>    |
| Less: current maturities                           | <u>(27,110)</u>   | <u>(2,895)</u>   |
| <b>Deferred revenue, net of current maturities</b> | <b>\$ 213,987</b> | <b>\$ 23,160</b> |

## 6. RELATED PARTY TRANSACTIONS

At December 31, 2023 and 2022, the Company had a due to its stockholder in the amounts of \$43,359 and \$142,556 respectively. The loan amount was used to pay for the Company's operating expenses.

## 7. STOCKHOLDERS' EQUITY

Under the articles of incorporation, the total number of common shares of stock that the Corporation shall have authority to issue is 1,000 shares with no par value, none were issued and outstanding. On December 31, 2023 and 2022, the Company had \$3,558 and \$0 respectively in additional paid in capital.

## 8. ADVERTISING EXPENSES

Advertising costs for the years ended December 31, 2023 and 2022, were \$52,111 and \$0 respectively. These costs were expensed as incurred.

## 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 11, 2024, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

**Vertica Fitness Franchising, Inc.**

**Independent Auditor's Report**

**And**

**Financial Statements**

**Period From April 14, 2022 (Inception) to December 31, 2022**

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## **Metwally CPA PLLC**

### **CERTIFIED PUBLIC ACCOUNTANT**

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## **Independent Auditor's Report**

To the Stockholders of  
Vertica Fitness Franchising, Inc.  
Tucson, Arizona

### **Opinion**

We have audited the accompanying financial statements of Vertica Fitness Franchising, Inc. (an Arizona Corporation), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, stockholders' equity (deficit), and cash flows for the period from April 14, 2022 to December 31, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vertica Fitness Franchising, Inc. For The Period from April 14, 2022 to December 31, 2022, and the results of its operations and its cash flows for the period from April 14, 2022 to December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Vertica Fitness Franchising, Inc. And to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vertica Fitness Franchising, Inc.'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 Vertica Fitness Franchising, Inc.'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.

*Metwally CPA PLLC*

Metwally CPA PLLC

Fort Worth, Texas

May 25, 2023

**Vertica Fitness Franchising, Inc.**

**Balance Sheet**

**December 31, 2022**

|   | <b>2022</b>           |
|---|-----------------------|
| <b>ASSETS</b>   |                       |
| <b>Current Assets</b>   |                       |
| Cash and cash equivalents                                       | \$ 114,429            |
| <b>Total Current Assets</b>                                     | <b>114,429</b>        |
| <br><b>Total Assets</b>   | <br><b>\$ 114,429</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>           |                       |
| <b>Current Liabilities</b>                                      |                       |
| Accounts payable  | \$ 4,250              |
| Deferred revenue, current portion                               | 2,895                 |
| Accrued expenses  | 7,493                 |
| Due to related parties  | 142,556               |
| <b>Total Current Liabilities</b>                                | <b>157,194</b>        |
| <br><b>Non-Current Liabilities</b>                              |                       |
| Deferred revenue, net of current portion                        | 23,160                |
| <b>Total Non-Current Liabilities</b>                            | <b>23,160</b>         |
| <br><b>Total Liabilities</b>                                    | <br><b>180,354</b>    |
| <br><b>Stockholders' Equity</b>                                 |                       |
| Common stocks - no par value                                    |                       |
| 1000 shares authorized, none issued or outstanding              | -                     |
| Accumulated deficits  | (65,925)              |
| <b>Total Stockholders' Equity (Deficit)</b>                     | <b>(65,925)</b>       |
| <br><b>Total Liabilities and Stockholders' Equity (Deficit)</b> | <br><b>\$ 114,429</b> |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**  
**Statement of Operations**  
**Period From April 14, 2022 to December 31, 2022**

---

|  | <u>2022</u>        |
|--|--------------------|
| <b>Revenues</b>                          |                    |
| Initial franchise fees                   | \$ 23,895          |
| <b>Total Revenues</b>                    | <u>23,895</u>      |
| <br>                                     |                    |
| <b>Operating Expenses</b>                |                    |
| Contract labor                           | 56,215             |
| General and administrative               | 15,535             |
| Legal and professional                   | 18,070             |
| <b>Total Operating Expenses</b>          | <u>89,820</u>      |
| <b>Income (Loss) Before Income Taxes</b> | <u>(65,925)</u>    |
| <br>                                     |                    |
| <b>Net Income (Loss)</b>                 | <u>\$ (65,925)</u> |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**  
**Statement of Stockholders' Equity (Deficit)**  
**Period From April 14, 2022 to December 31, 2022**

---

|                                     | Common Stock - No Par |             | Additional<br>Paid-In Capital | Accumulated<br>Deficits | Total<br>Stockholders'<br>Equity (Deficit) |
|-------------------------------------|-----------------------|-------------|-------------------------------|-------------------------|--|
|                                     | Value                 | Value       |                               |                         |  |
|                                     | Shares                | Amount      |                               |                         |  |
| <b>Balance At April 14, 2022</b>    | <u>1,000</u>          | <u>\$ -</u> | <u>\$ -</u>                   | <u>\$ -</u>             | <u>\$ -</u>                                |
| Net income (loss)                   | -                     | -           | -                             | (65,925)                | (65,925)                                   |
| <b>Balance At December 31, 2022</b> | <u>1,000</u>          | <u>\$ -</u> | <u>\$ -</u>                   | <u>\$ (65,925)</u>      | <u>\$ (65,925)</u>                         |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**  
**Statement of Cash Flows**  
**Period From April 14, 2022 to December 31, 2022**

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|  | <b>2022</b>       |
|--|-------------------|
| <b>Cash Flows From Operating Activities</b>  |                   |
| Net (loss) / income  | \$ (65,925)       |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                   |
| <b>Change in operating activities</b>  |                   |
| Change in accounts payable   | 4,250             |
| Change in accrued expenses   | 7,493             |
| Change in due to related parties   | 142,556           |
| Change in deferred revenue   | 26,055            |
| <b>Net Cash (Used In) Provided By Operating Activities</b>                               | <b>114,429</b>    |
| <b>Cash Flows From Investing Activities</b>  |                   |
| <b>Net Cash Flows (Used In) Provided By Investing Activities</b>                         | -                 |
| <b>Cash Flows From Financing Activities</b>  |                   |
| <b>Net Cash Flows (Used In) Provided By Financing Activities</b>                         | -                 |
| <b>Net Change In Cash And Cash Equivalent During The Period</b>                          | <b>114,429</b>    |
| Cash and cash equivalent - beginning of the period                                       | -                 |
| <b>Cash And Cash Equivalent - End of The Period</b>                                      | <b>\$ 114,429</b> |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**  
**December 31, 2022**  
**Notes To Financial Statements**

**1. COMPANY AND NATURE OF OPERATIONS**

Vertica Fitness Franchising, Inc. (the “Company”) was established in the state of Arizona on April 14, 2022, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their private business. The Company offers qualified individuals the right to operate a business that offers franchises for the right to establish and operate a fitness studio that provides Pole Fitness and other exercise under “Vertica Fitness” mark. The Company offers individual unit franchises and area development franchises for the development of multiple units within a designated territory.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

**A. Basis of Accounting**

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**B. Cash and Cash Equivalents**

For purposes of the Statement of cash flows, cash equivalents include bank accounts and cash in transit for bank deposits with maturities of three months or less to be cash equivalents.

**C. Federal Income Taxes**

No provision has been made for federal income taxes since the Company has elected to be taxed as an “S” Corporation. As such, the Company does not pay income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on the Company’s taxable income. A similar election has been made for state income taxes.

**D. Use of Estimates**

The preparation of our Company’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ significantly from those estimates. Significant estimates include our provisions for bad debts, franchisee rescissions and refunds, and legal estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

## **E. Concentration of Credit Risk**

The Company maintains cash and cash equivalents with major financial institutions. At various times during the year, the total amount on deposit didn't exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

## **F. Revenue Recognition**

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

### Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the Company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-steps revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay a monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

#### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license. The Company collects funds from franchisees to manage the brand level advertising, marketing, and development program. The fee is based on a percentage of the gross sales less any amount paid towards sales tax, payable weekly.

#### Contracts Assets and Liabilities Balances

The Company incurs costs that are directly attributable to obtaining a contract, for example, commission fees, broker fees, and referral fees. Under ASC 606, costs that are directly associated with obtaining a contract are to be capitalized and recognized over the term of the agreement. Capitalized costs are included in deferred expenses on the accompanying balance sheet. As such, direct franchise license costs are recognized over the franchise and renewal term, which is the performance obligation, and is typically the franchise agreement's term. If a customer is terminated, the remaining deferred expense will be recognized to expenses.

Deferred revenue consists of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Deferred revenue is a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

### **G. Advertising and Marketing**

Advertising and marketing costs are charged to operations in the year incurred.

### **H. Recent Accounting Pronouncements**

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.

## **3. CASH AND CASH EQUIVALENT**

The Company maintains cash and cash equivalents with major financial institutions. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2022, the Company's cash balance doesn't exceed the FDIC insurance limits.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents.

As of December 31, 2022, the Company has approximately \$114,429 in cash at their operating bank account.

#### 4. RELATED PARTIES TRANSACTIONS

At December 31, 2022, the Company has a payable to its stockholders in the amounts of \$142,556 to pay for operating expense. The loan is interest free and repayable on demand.

#### 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

##### Disaggregation of Revenue

Information regarding revenues disaggregated by the timing of when goods and services are transferred consist of the following for the period from April 14, 2022 to December 31, 2022:

|                                       | <b>2022</b>     |
|---------------------------------------|-----------------|
| Revenue recognized over time          | \$23,895        |
| Revenue recognized at a point in time | -               |
| <b>Total Revenue</b>                  | <b>\$23,895</b> |

##### Contract Balances

The following table provides information about the change in the franchise contract liability balances during the period ended December 31, 2022. Franchise contract liability is included in deferred revenue on the accompanying balance sheets.

|  | <b>2022</b>     |
|--|-----------------|
| Beginning balance                                  | \$-             |
| Additional deferred revenue                        | 49,950          |
| Revenue recognized – additional deferred revenue   | <u>(23,895)</u> |
| <b>Deferred revenue</b>                            | <b>26,055</b>   |
| Less: current maturities                           | <u>(2,895)</u>  |
| <b>Deferred revenue, net of current maturities</b> | <b>\$23,160</b> |

#### 6. STOCKHOLDER'S EQUITY

Under the articles of incorporation, the total number of common shares of stock that the Corporation shall have authority to issue is 1000 shares with no par value, none were issued or outstanding. At December 31, 2022, the entity had \$0 in additional paid in capital and accumulated deficits by \$67,159.

#### 7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 25, 2023, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

**Vertica Fitness Franchising, Inc.**

**05/10/2022**

**Independent Auditor's Report  
And  
Balance Sheet Statement**

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# Metwally CPA PLLC

## CERTIFIED PUBLIC ACCOUNTANT

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### **Independent Auditor's Report**

May 18, 2022

To the members of  
Vertica Fitness Franchising, Inc.  
11834 N, Silver Village Place  
Tucson, AZ 85737

### **Report on the Audit of the Financial Statement**

#### **Opinion**

We have audited the accompanying balance sheet of Vertica Fitness Franchising, Inc. (Arizona S Corporation) as of May 10, 2022, and the related notes to the Financial Statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Vertica Fitness Franchising, Inc. as of May 10, 2022, in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial 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 Vertica Fitness Franchising, Inc.'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 Vertica Fitness Franchising, Inc.'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.

*Metwally CPA PLLC*

Metwally CPA PLLC

Watauga TX

May 18, 2022

**Vertica Fitness Franchising, Inc.**  
**Statement of Balance sheet**  
**As of May 10, 2022**

**Assets**

***Current Assets***

|                                    |                         |
|------------------------------------|-------------------------|
| Cash                               | \$110,000               |
| <b><i>Total Current Assets</i></b> | <b><u>\$110,000</u></b> |

**Liabilities and Stockholders' Equity**

|   |                         |
|---|-------------------------|
| <b>Total Liabilities</b>  | <b><u>\$0</u></b>       |
| Common Stock, no par value, 1000 shares authorized,<br>issued and outstanding | 110,000                 |
| <b>Total Liabilities and Stockholders' Equity</b>                             | <b><u>\$110,000</u></b> |

*The accompanying notes are an integral part of the financial statements.*

**Vertica Fitness Franchising, Inc.**

May 10, 2022

**Notes to Financial Statement**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**A. Organization and Description Of Business**

Vertica Fitness Franchising, Inc. (the "Company") was established in the state of Arizona on April 10, 2022, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their private business. Vertica Fitness offers franchises for the right to establish and operate a fitness studio that provides Pole Fitness and other exercise. The company offers individual unit franchises and area development franchises for the development of multiple units within a designated territory.

**B. Basis of Accounting**

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

**C. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, cash equivalents include Partnership bank accounts and cash in transit for bank deposits. The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**D. Federal Income Taxes**

Federal income taxes are not payable by, or provided for, the Partnership. Partners are taxed individually on their share of Partnership earnings. Partnership's net revenue is allocated on a pro-rata basis in accordance with Partnership interests to the partners after allowing for partner guaranteed payments. The company has elected to be taxed as an S Corporation. The Company was established in April 2022; therefore, its tax return is not due to filing till April of the following year. The Company is subject to franchise and income tax filing requirements in the States of Arizona.

**E. Use of estimates**

The preparation of our Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ significantly from those estimates. Significant estimates include our provisions for bad debts, franchisee rescissions and refunds, and legal estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

**F. Debt**

The entity accounts for debt as current if the debt is due within one year of the balance sheet date or is cancelable or callable. The company accounts for debt as noncurrent if the obligation does not expire or is due within one year.

**G. Revenue Recognition**

Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Company adopted ASU 2021-02 Franchisors - Revenue from Contracts with Customers (Subtopic 952-606) effective with the application of ASC Topic 606. The ASU provides a practical expedient to ASU2014-09 Revenue from contracts with Customers (Topic 606). The new guidance allows franchisors to simplify the application of the guidance about identifying performance obligations for franchisors that perform pre-opening services by allowing a franchisor to account for pre-opening services as distinct if they are consistent with those included in a predefined list of pre-opening services.

Franchise Fees

The franchise arrangement between the Company and each franchise owner is documented in the form of a franchise agreement and, in select cases, a development agreement. The franchise arrangement requires the Company as franchisor

to perform various activities to support the brand and does not involve the direct transfer of goods and services to the franchise owner as a customer. Activities performed by the Company before opening are distinguished from the franchise license. Therefore, the company recognizes franchise fees as two performance obligations. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the brand's intellectual property over the term of the franchise arrangement.

The transaction price in a standard franchise arrangement consists of (a) franchise/development fees; (b) Marketing, brand development and royalties Fees and (c) IT Fees; (d) Annual Conference Fees. The Company utilize ASC 606 five-stops revenue recognition model as follows:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

The terms of the Company's franchise agreement will be as follows:

- The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- The franchisee is obligated to pay a non-refundable initial franchise fee.
- The franchisee is obligated to pay a monthly royalties, marketing, IT, and annual conference fees. Certain other fees are also outlined in the agreement.

Franchise revenues are recognized by the Company from the following different sources: The Company recognizes franchise fees as two (2) performance obligations. The first, pre-opening services, including access to manuals, assistance in site selection, and initial training, have been determined to be distinct services offered to franchisees. Pre-opening services are earned over a period of time using an input method of completion based on costs incurred for each franchisee at the end of each year.

The second, access to the franchise license, has been determined to be distinct. The amount allocated to the franchise license is earned over time as performance obligations are satisfied due to the continuous transfer of control to the franchisee. Franchise and development fees are paid in advance of the franchise opening, typically when entering into a new franchise or development agreement. Fees allocated to the franchise license are recognized as revenue on a straight-line basis over the term of each respective franchise agreement. Initial franchise agreement terms are typically 10 years while successive agreement terms are typically 10 years.

#### Variable Considerations

Franchise agreements contain variable considerations in the form of royalty fees and brand development (advertising). These fees are based on franchisee sales and are recorded as revenue and recognized as these services are delivered because the variable payment relates specifically to the performance obligation of using the license.

#### Contract Assets and Liabilities

Contract assets will consist of franchise contract costs paid to facilitate the franchise sale and will be amortized over the expected life of the franchisee. Contract liabilities consist of the remaining initial franchise fees to be amortized over the life of the franchise agreements. Contract liabilities are a result of the collection of the initial franchise fee at the time of the signing of the franchise agreement and will fluctuate each year based on the number of franchise agreements signed.

The company didn't generate any revenue as of the balance sheet date but will be implementing ASC 606 to recognize its revenue once a sale has been made.

## **2. STOCKHOLDERS' EQUITY**

Under the articles of incorporation, the total number of common shares of stock that the Corporation shall have authority to issue is 1000 shares with no par value, the stocks are issued to the company's officers. As of May 18, 2022, the entity had \$110,000 in common stocks.

## **3. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 18, 2022, which is the date the financial statements were available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

## EXHIBIT H

### TABLE OF CONTENTS OF OPERATIONS MANUAL

#### **PREFACE – ORGANIZATION AND POLICY CHANGES = 8 PAGES**

- 1 How the Manual is Organized
- 3 Statement of Confidentiality
- 4 Manual Revisions
- 5 Sample Notice of Policy/Procedure Change
- 6 Submitting Suggestions to the Franchisor
- 7 Suggested Policy/Procedure Change
- 8 Limitations of the Manual

#### **SECTION A – INTRODUCTION & COMPANY INFORMATION = 13 PAGES**

- 7 Letter from the President
- 8 History and Philosophy of Vertica Fitness
- 10 Meet Our Team
- 12 Legal Advisory and Franchisor's Management Support
- 12 Purpose, Principles & Promises
- 12 Purpose Statement
- 13 Company Principles
- 14 Promise to the Employee
- 14 Promise to the Customer
- 15 Critical Success Factors
- 17 Franchise Support Resources
- 17 Franchise Support Matrix
- 18 Services of the Franchisor Organization
- 18 Site Selection
- 18 Sources of Supply
- 18 Training and Assistance
- 18 Advertising Materials and Sales Aids
- 19 Operations Consulting
- 19 Regional Advisory Franchisee Council
- 19 Helpline
- 19 Web Site
- 20 Visits from Vertica Fitness Franchising, Inc.
- 20 Your Franchise Single Point of Contact (SPOC)

#### **SECTION B – ESTABLISHING A VERTICA FITNESS BUSINESS = 45 PAGES**

- 23 Introduction

|    |  |
|----|--|
| 23 | Your Status as an Independent Contractor |
| 23 | Business Name                            |
| 23 | Checks, Stationery and Business Forms    |
| 24 | Signage                                  |
| 25 | Required Insurance Coverages             |
| 26 | Required/Recommended Bank Accounts       |
| 26 | Accounts to Open                         |
| 26 | Licenses and Permits                     |
| 27 | Securing and Equipping Your Studio       |
| 28 | Leasing Space – Required Inclusions      |
| 29 | Contracting Utilities and Services       |
| 30 | Selecting the Right Phone Service        |
| 31 | Required Inventory and Supplies          |
| 31 | First Year Setup Supplies                |
| 32 | Studio Supplies                          |
| 33 | The Vertica Fitness Logo Specification   |
| 33 | Sample Logo                              |
| 46 | Setting Up Your Office                   |
| 46 | Office Equipment and Supplies            |
| 47 | Advertising your business                |
| 47 | Marketing Manual Overview                |
| 48 | Traditional Local Marketing              |
| 51 | Digital Marketing Program                |
| 54 | Digital Marketing Schedule               |
| 54 | Client Acquisition Plan                  |
| 56 | Sample Launch Plan                       |
| 63 | Corporate Setup & Paying Taxes           |
| 63 | Employer Identification Number           |
| 64 | Federal Taxes                            |
| 66 | State Taxes                              |
| 66 | County or Local Taxes                    |
| 67 | Paying Additional Fees                   |

## **SECTION C – PERSONNEL = 28 PAGES**

|    |  |
|----|--|
| 70 | The Vertica Fitness Policy on Fair Employment Practices        |
| 70 | Complying with Laws that Prohibit Discrimination               |
| 71 | The Role of the Equal Employment Opportunity Commission (EEOC) |
| 71 | Avoiding Discriminatory Practices in Hiring                    |
| 72 | Inappropriate Pre-Employment Inquiries                         |

|    |   |
|----|---|
| 75 | Wage and Labor Laws   |
| 75 | Required Posters  |
| 75 | The Fair Labor Standards Act                                  |
| 77 | Employee Resignations   |
| 78 | Complying with the Immigration Reform and Control Act of 1986 |
| 79 | Policy on Sexual Harassment                                   |
| 80 | Job Descriptions  |
| 80 | Pole Fitness Coach  |
| 81 | Studio Administrator  |
| 82 | Recruitment and Selection Process                             |
| 83 | Sample Letter of Acceptance                                   |
| 84 | Protecting the Vertica Fitness System                         |
| 84 | Sample Non-Disclosure and Non-Competition Agreement           |
| 85 | New Employee Packet   |
| 85 | Orientation and Training of Personnel                         |
| 85 | Tour Studio Location  |
| 85 | Complete Employee-Related Forms                               |
| 86 | Review Salary, Hours and Personnel Policies                   |
| 86 | Establish a Training Agenda                                   |
| 86 | Employee Training Outline                                     |
| 87 | The Trial Period  |
| 88 | Additional Personnel Policies                                 |
| 93 | Establishing Personnel Policies                               |
| 96 | Evaluating Employees  |
| 97 | Discipline and Termination                                    |

## **SECTION D – STUDIO PROCEDURES = 9 PAGES**

|     |   |
|-----|---|
| 99  | Introduction                                    |
| 99  | Suggested Studio Hours                          |
| 101 | Daily Operations                                |
| 101 | Class Scheduling System                         |
| 101 | Invoicing the Customer                          |
| 101 | Franchise Reporting Requirements and Procedures |
| 101 | Monthly Reports                                 |
| 101 | Annual Reports                                  |
| 103 | Sample Statement of Gross Sales                 |
| 104 | Sample Advertising Activity Report              |
| 105 | Preparing Financial Statements                  |
| 105 | Sample Financial Statement                      |

- 106 Handling Customer Complaints
- 107 Pricing Vertica Fitness Offerings

## **SECTION E – STUDIO OFFERINGS & CURRICULUM = 27 PAGES**

- 108 Introduction
- 108 Class Offerings
- 109 Class Sizes
- 110 Registration Process
- 110 Sample Initial Class Schedule for a studio with 13 poles.
- 112 Sample Intermediate Class Schedule for a studio with 13 poles.
- 114 Sample Mature Class Schedule for a studio with 13 poles.
- 116 Sample Forms and Flyers
- 120 Curriculum
- 122 Class Descriptions
- 122 Fit Classes
- 122 Flirt Classes
- 123 Fly Classes
- 124 Open Pole:
- 124 V101 Trial Class
- 125 Parties
- 125 Workshops and Events
- 125 Types of Workshops/Events
- 127 Series Classes
- 127 Choreography Series Classes
- 129 Showcase Choreography Series Classes
- 130 Competition Prep Series
- 132 Team Vertica
- 133 Launching Team Vertica
- 134 Student Showcases

## **SECTION F – UNDERSTANDING RETENTION = 3 PAGES**

- 136 Introduction
- 136 Monitor Onboarding of New Members
- 136 Utilize the Software for Automations
- 136 Fully Participate and Promote Brand Promotions
- 136 Help your Clients Progress through our Programs and Track Their Progress
- 137 Recognize and Celebrate Your Clients
- 137 Reward Your Clients through the Rewards Program
- 138 Surprise and Delight
- 138 Client Connection

- 138 Client Communication
- 138 Handle Client Concerns
- 138 Utilize the Membership Hold Function

## **SECTION G – CROSS LOCATION PROTOCOLS = 2 PAGES**

- 139 General Intention
- 139 Regions and Territory
- 139 Pricing Protocols
- 139 Membership Protocols
- 139 Membership Usage
- 139 Membership Pre-Sales
- 140 Membership Sales
- 140 Cross-Location Visit Payments

## **SECTION H – THE VERTICA BOUTIQUE = 2 PAGES**

- 141 Introduction
- 141 Selling Merchandise
- 141 Inventory
- 141 Boutique Items
- 141 Water/Drinks
- 141 Snacks or Snacks Machines
- 142 Vertica Pole Clothes
- 142 Additional Pole Clothes/Accessories
- 142 Poles

## **SECTION I – THE VERTICA CIRCLE NETWORK = 1 PAGE**

- 143 Introduction
- 143 Our Main Circle
- 143 Vertica Groups
- 143 Vertica Courses

## **SECTION J – WELLNESS LIVING = 1 PAGE**

- 144 Introduction
- 144 Onboarding with Wellness Living
- 144 Payment Processing
- 144 Hardware
- 144 Learning Wellness Living

## **SECTION K – TRAINING OVERVIEW = 2 PAGES**

- 145 Trainings
- 145 Franchisee Trainings
- 145 Digital Trainings/Onboarding

|     |                                |
|-----|--------------------------------|
| 145 | CEO Training                   |
| 145 | In Person Trainings            |
| 145 | On-Going Trainings             |
| 145 | Admin Trainings                |
| 145 | Digital Trainings/Onboarding   |
| 145 | All Dream Team Member Training |
| 146 | In Person Trainings            |
| 146 | On-Going Trainings             |
| 146 | Coach Trainings                |
| 146 | Digital Trainings/Onboarding   |
| 146 | All Dream Team Member Training |
| 146 | Official Training Manual       |
| 146 | In Person Trainings            |
| 146 | On-Going Trainings             |

**SECTION L – APPENDIX VERTICA FITNESS DETAILED CURRICULUM  
= 1 PAGE**

|     |                      |
|-----|----------------------|
| 147 | Supplemental Manuals |
|-----|----------------------|

**TOTAL PAGES = 147**

**EXHIBIT I**  
**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   | Pending               |
| Illinois     | Pending               |
| Maryland     | Pending               |
| Michigan     | July 14, 2023         |
| Minnesota    | Pending               |
| New York     | Pending               |
| Rhode Island | Pending               |
| Virginia     | Pending               |
| Washington   | Pending               |
| Wisconsin    | May 23, 2024          |

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

**EXHIBIT J  
RECEIPT**

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 Vertica Fitness Franchising, Inc. offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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 we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor is Vertica Fitness Franchising, Inc. located at 11834 N. Silver Village Place, Oro Valley, AZ 85737. Its telephone number is (520) 216-7651.

Issuance Date: May 16, 2024

The franchise seller for this offering is:

|   |   |
|---|---|
| X | Katrina Wyckoff; 11834 N. Silver Village Place, Oro Valley, AZ 85737; (520) 216-7651  |
| X | Dennis Mulgannon; 11834 N. Silver Village Place, Oro Valley, AZ 85737; (520) 216-7651 |
| X | Sean Hansen; 11834 N. Silver Village Place, Oro Valley, AZ 85737; (520) 216-7651      |
|   |   |

We authorize the respective state agencies identified in Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document dated May 16, 2024 that included the following Exhibits:

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
- C. Franchise Agreement
  - Schedule 1-Territory
  - Schedule 2-Automatic Bank Draft Authorization

- Schedule 3-Telephone Number Assignment
- Schedule 4-Lease Rider
- Schedule 5-State Addenda to the Franchise Agreement

- D. Release
- E. List of Current Franchisees
- F. List of Former Franchisees
- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
- J. Receipts

**PROSPECTIVE FRANCHISEE:**

\_\_\_\_\_  
**Date you received this Disclosure Document**

**If an individual:**

**If a business entity:**

\_\_\_\_\_  
**Name of Business Entity**

\_\_\_\_\_  
**Signature**

**By:** \_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

\_\_\_\_\_  
**(Telephone number)**

Please sign, date, and retain this copy for your records.

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Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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 we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

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- D. Release
- E. List of Current Franchisees
- F. List of Former Franchisees
- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
- J. Receipts

**PROSPECTIVE FRANCHISEE:**

\_\_\_\_\_  
**Date you received this Disclosure Document**

**If an individual:**

**If a business entity:**

\_\_\_\_\_  
**Name of Business Entity**

\_\_\_\_\_  
**Signature**

**By:** \_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Printed Name/Title**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**Address**

\_\_\_\_\_  
**(Telephone number)**

\_\_\_\_\_  
**(Telephone number)**

Please sign, date, and return this copy to us