

# FRANCHISE DISCLOSURE DOCUMENT

## PROJECT FUNCTION™

PF Franchising, Inc.  
a Nevada Corporation  
64 North Pecos Road #112  
Henderson, NV 89074  
619-966-7563  
[franchise@projectfunction.com](mailto:franchise@projectfunction.com)

PF Franchising, Inc. offers individual unit franchises for the development and operation of a Project Function™ business (“Gym”) offering monthly memberships and personal training opportunities that use gym facilities equipped with proprietary machines and staffed with trainers who are certified in our specialized training courses.

The total investment necessary to begin operation of a Project Function™ business ranges from \$256,750 to \$337,250 for new Project Function™ franchises and \$185,805 to \$242,565 for conversion franchises. This includes \$106,400 to \$134,900 for new Project Function™ franchises and \$91,400 to \$115,900 for conversion franchises that must be paid to us or our affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact David Filonzi at [franchise@projectfunction.com](mailto:franchise@projectfunction.com) or 619-966-7563.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](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: March 17, 2025**

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
<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 A 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 Project Function™ 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 Project Function™ franchisee?</b>	Item 20 or Exhibit G 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 D](#).

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 the state in which the Gym is located. 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 the state in which the Gym is located than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
4. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
5. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

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## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “we” means PF Franchising, Inc., the franchisor. “You” means the person who buys the franchise. If a corporation, partnership or limited liability company buys a franchise, “you” also may refer to the shareholders of the corporation, partners of the partnership or members of the limited liability company.

#### The Franchisor

We are a Nevada Corporation formed on January 9, 2025. Our principal place of business is at 64 North Pecos Road #112, Henderson, Nevada 89074, and our telephone number is 619-966-7563. Our agents for service of process are disclosed in Exhibit D.

We grant franchises for the operation of Project Function™ Gyms under the name “Project Function” offering unique biomechanic-focused training experiences to customers of all ages through one-on-one and small group training sessions, and other related services and products. We began offering franchises for Project Function™ Gyms in March 2025. Although we have not directly operated the type of business you will operate, our affiliate, Project Function, LLC, currently operates a Project Function™ Gym as described below.

#### Our Predecessors and Affiliates

Our founder, Naudi Aguilar, created the Functional Patterns® concept in 2009 and began certifying trainers through our predecessor, Functional Patterns, LLC (“FP”), a Nevada limited liability company. In 2018, FP began offering limited licenses to certain certified trainers to use the Functional Patterns® concept (“Functional Patterns Licensees”). These Functional Patterns Licensees operate using marks different from those offered under this disclosure document and operate those businesses under a royalty-free license agreement with terms and conditions that differ significantly from the form of Franchise Agreement that you sign. Functional Patterns Licensees do not use a membership model and do not have access to the Proprietary Equipment that you will use in operating your Project Function Gym. FP is the supplier of certain accessories that are used in Project Function™ Gyms.

Our affiliate, Project Function LLC (“PF”), is a Nevada limited liability company. PF operates one Gym that is located in Las Vegas, Nevada. PF has never offered franchises in any line of business. PF shares our principal business address.

Our affiliate, Functional Patterns Innovations, LLC (“FP Innovations”), is a Nevada limited liability company. FP Innovations is the supplier of several Products and various proprietary gym equipment and machines that you must lease from FP Innovations or other suppliers we designate and that will be used in Project Function™ Gyms (the “Proprietary Equipment”). FP Innovations has never offered franchises in any line of business. FP Innovations shares our principal business address.

Our affiliate, Functional Patterns Holdings, LLC, (“FP Holdings”), is a Nevada limited liability company. FP Holdings is the owner of certain trademarks and service marks associated with the System. FP Holdings has granted us the right to use and sublicense others to use those trademarks and service marks. FP Holdings has never offered franchises in any line of business. FP Holdings shares our principal business address.

Other than as described above, we have no affiliates, predecessors or parents required to be disclosed in this Item 1.

### Franchise Offered

You will sign a “Franchise Agreement” to receive the right to own and operate a Gym at a location to which we have consented, offering the “Products” and “Services” we approve, and using our formats, designs, methods, specifications, standards, operating and marketing procedures and the Marks (as defined in Item 13), including the Mark “Project Function™” (collectively, the “System”). In addition, we also will grant Project Function™ franchises to existing Functional Patterns Licensees who desire to convert their business to a Project Function™ Gym (a “Conversion Franchise”) and sign a Franchise Agreement and a “Conversion Addendum” in the form attached hereto as Exhibit C.

### Market and Competition

Project Function™ Gyms offer monthly memberships and personal training opportunities that use gym facilities equipped with our Proprietary Equipment and other related services and products.

The market for fitness and exercise concepts is well established. Your Gym will compete with other fitness and exercise businesses, some of which may offer similar programs to those offered by a Project Function™ Gym. These competitors may include franchise systems, independent gyms, chains, and other fitness and exercise businesses offering similar programs. In addition, many of these competitors may have substantial financial, marketing and other resources and they already may be well established in your market. The ability of each Project Function™ Gym to compete depends on the market, household income levels, availability of certified trainers to deliver sessions, employee selection and training, customer service, overhead costs, changing local market and economic conditions, and many other factors both within and outside your or our control.

### Laws and Regulations

We are not aware of any laws or regulations applicable to a Project Function™ Gym that would not apply generally to fitness and exercise businesses. As a Project Function™ franchisee, you must ensure that you comply with all federal, state, county or local laws and regulations generally applicable to the fitness and exercise industry, including health, smoking restrictions, non-discrimination, employment, sexual harassment and advertising laws. In addition, many states and municipalities have laws and regulations that apply to membership contracts, including requiring specific provisions in the contract, limiting the length of the contract and termination rights. There may be other laws and regulations applicable to businesses generally with which you must comply. You should consult with your attorney or other professionals regarding these and other laws and regulations that may affect the operation of a Project Function™ Gym before you sign a Franchise Agreement. You must obtain all applicable permits and licenses necessary to operate your Gym. You must regularly investigate and satisfy all federal, state, and local laws and regulations as they vary from place to place and may change periodically.

## ITEM 2

### BUSINESS EXPERIENCE

#### CEO and Founder: Naudi Aguilar

Naudi Aguilar has been our CEO and founder since our inception in January 2025. Mr. Aguilar also has served as the founder and CEO of FP in Henderson, Nevada since 2009. In addition he has served as CEO of FP Holdings since October 2021 and FP Innovations since November 2021.

#### Director of Strategic Operations: Bruno Giannoccaro

Bruno Giannoccaro has been our Strategic Operations Director since our inception in January 2025. Mr. Giannoccaro operates from Jacarei – SP, Brazil. Mr. Giannoccaro also has served as the CEO and Founder of Functional Patterns Brasil LTDA, located in Jacarei – SP, Brazil, since February 2014.

#### Director of Franchising: David Filonzi

David Filonzi has been our Director of Franchising in Henderson, Nevada since our inception in January 2025. Mr. Filonzi also has served as a manager at FP, since November 2022. Mr. Filonzi was the owner of Functional Patterns Australia, Ltd. in Melbourne, Australia from April 2021 to November 2022. Mr. Filonzi was the owner of David Filonzi Personal Training from January 2017 to April 2021 in Melbourne, Australia.

## ITEM 3

### LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4

### BANKRUPTCY

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

## ITEM 5

### INITIAL FEES

The “Initial Franchise Fee” for a single Project Function™ Gym is \$40,000 for a new franchisee and \$25,000 for existing Functional Patterns Licensees who are granted a Conversion Franchise. If you are a new franchisee, the Initial Franchise Fee is paid to us when you sign the Franchise Agreement. If you are a Functional Patterns Licensee who is granted a Conversion Franchise, the Initial Franchise Fee must be paid to us within 6 months of signing the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstances. If you are an honorably discharged veteran who meets our qualifications for new Project Function™ franchisees, you will pay a discounted Initial Franchise Fee of \$32,500.

If you do not use our designated architect to design the Gym and submit working drawings, construction and architectural plans and specifications to us, you must pay us a fee of \$2,000 to review your Gym design plans.

In addition, you must lease from us or our designated affiliate before you open your Gym all of the strength training equipment, including any Proprietary Equipment, you will need to commence operating the Gym. We estimate that the opening lease payments for these items will range from \$48,000 to \$68,000 for franchisees opening new locations and \$48,000 to \$64,000 for franchisees converting an existing gym (“Opening Equipment Lease Payment”). The Opening Equipment Lease Payment will vary depending on the square footage of your Gym. You must also purchase from us or our designated affiliate before you open your Gym certain equipment or accessories for use in your Gym. We estimate that the cost for these purchases will range from \$18,400 to \$24,900 (“Opening Equipment and Accessory Purchases”). The Opening Equipment and Accessory Purchases will vary depending on the square footage of your Gym. The amounts paid are not refundable.

**ITEM 6**

**OTHER FEES**

<b>Type of Fee</b>	<b>Amount (See Note 1)</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	15% of “Gross Sales” derived from Membership Fees  10% of “Gross Sales” derived from Personal Training Fees. (See Notes 2 and 3)	Payable monthly on the 7 <sup>th</sup> of each month (the “Payment Date”) for the prior month by electronic funds transfer (“EFT”).	Royalty Fees are based on the Gross Sales for the preceding month, or as described in the Operations Manual. We reserve the right to require you to make any applicable reciprocity payments to other Project Function™ Gyms when a member of your Gym receives Services at another Gym.
Brand Marketing Fee	2% of Gross Sales (See Note 2)	Due and payable by EFT on the Payment Date.	We reserve the right to adjust the Brand Marketing Fee at any time during the initial term upon 60 days’ prior written notice to you, although the Brand Marketing Fee won’t exceed 4% of Gross Sales during your initial term.
Local Marketing Spend	2% of Gross Sales during the previous month	Minimum amount must be spent on approved marketing and promotional activities in your local geographic area each month	If you fail to spend this amount, we may collect the difference between what you should have spent and what you actually spent for deposit into the Brand Marketing Fund.  We may increase the minimum monthly amount you must spend on local marketing upon 60 days’ notice to you, provided the total percentage, when combined with the required Brand Marketing Fee, will not exceed 6% of Gross Sales.
Initial Launch Marketing	\$3,000	Minimum amount must be spent on approved initial launch marketing and promotion within the first 60 days after Gym operations commence.	If you fail to spend this amount, we may collect the difference between what you should have spent and what you actually spent. We may spend such amount on initial launch marketing and promotional activity as we determine on your behalf or deposit that amount in the Brand Marketing Fund.
Advertising Cooperative	Currently not collected	Established by us	We may require you to participate in local or regional advertising cooperatives in the future. Your contributions to any regional or local advertising cooperatives will be credited toward your local marketing obligations and will not exceed your Local Marketing Spend.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Technology Fee	Currently \$100 per month (See Note 2)	Due and payable by EFT on the Payment Date.	You must pay this fee beginning the first full month following the opening of the Gym. We may increase the Technology Fee no more than once every 12 months, and will not increase the monthly fee to more than \$400 during the initial term of the Franchise Agreement. See Note 4.
Equipment Lease Payments	Will vary depending on the amount of equipment leased. Currently, the upfront payment for each machine is \$4,000 and the monthly lease payment is \$50.	Due and payable by EFT on the Payment Date.	You will lease certain Proprietary Equipment from us or our affiliate pursuant to the terms of an equipment lease agreement generally in the form attached to the Franchise Agreement and pay us monthly fees for the Proprietary Equipment. The amount of the equipment lease payments will depend on the number of items you lease for your Gym. See Note 5.
Gym Management System	We may in the future charge you an initial or recurring license fee related to your use of any Designated Software that is part of our Gym Management System.	When incurred	As of the issuance date of this disclosure document, we do not charge any software licensing fees. However, we reserve the right to charge franchisees a \$10,000 initial fee and up to \$200 per month for the purchase and continued use of the Designated Software.
Initial Training Program	Our then-current fee (not to exceed \$2,500) plus other costs and expenses we incur	When incurred	If you appoint a new Certified Manager, the individual must attend our initial training program. In addition to our fees, you also must pay any related travel, room and board expenses incurred during training.
Supplemental or Refresher Training	Our then-current daily fee (currently \$400) plus other costs and expenses we incur	When incurred	We may require your Certified Manager to attend all supplemental and refresher training programs that we designate for up to 5 days each calendar year. In addition to our fees, you also must pay any related travel, room and board expenses incurred during training. We may increase the daily training fee to up to \$750 per day.
QuickStart Coaching Program	We may make available to you our intensive business coaching program (the "QuickStart Coaching Program") and charge you an additional daily fee (currently, \$1,000) for such program.	When incurred	We may increase the daily QuickStart Coaching Program fee to up to \$2,000 per day.
Additional Guidance and Coaching Fees	Currently, \$500 per person per day, plus the costs of our travel and travel-related expenses if we travel to you for this guidance and coaching.	When incurred	If you request, and we agree to provide, additional guidance, coaching or assistance separate from the QuickStart Coaching Program, we may charge you a reasonable fee for those additional services and require you to reimburse us or our designees for the costs and expenses in providing this training or assistance. We may increase the fees to up to \$2,000 per day, plus the costs of our travel and travel-related expenses if we travel to you.

<b>Type of Fee</b>	<b>Amount (See Note 1)</b>	<b>Due Date</b>	<b>Remarks</b>
Income and Sales Taxes	We may collect from you the cost of all taxes arising from our licensing of intellectual property to you in the state where your Gym is located, as well as any assessment on fees and any other income we receive from you.	When applicable, payable within 15 days after invoiced by us	Only imposed if state collects these taxes or assessments from us and we seek reimbursement.
Approved Supplier/Product Testing Fee	Our reasonable and actual costs incurred	Payable when you request our approval of a proposed supplier or product	We may require you to pay us our then-current inspection and evaluation fee, plus our cost incurred in evaluating the alternative product or supplier.
Relocation Fee	25% of our then-current standard initial franchise fee	Payable before we review the proposed new Gym site	Payable if you must relocate the Gym because the Gym was destroyed or became untenable due to fire, flood or other casualty or otherwise.
Transfer Fee	<p>You must pay us: (i) 75% of our then-current standard initial franchise fee if the transferee is a new franchisee, (ii) 50% of our then-current standard initial franchise fee if the transferee is an existing Project Function™ franchisee, or (iii) 25% of our then-current standard initial franchise fee if the transferee is an immediate family member of the Principal Owner of a controlling interest in you.</p> <p>If the transfer is from an individual to a wholly owned corporation or limited liability company, the fee will be \$1,500.</p> <p>If the transfer involves less than a “controlling interest” in you (as defined in the Franchise Agreement), the fee will be reduced to \$1,000.</p>	Before completion of transfer	You pay this fee upon the transfer of the Gym, substantially all or all of the assets of the Gym, the Franchise Agreement, or any interest in you. For the transfer of a controlling interest, we will collect \$5,000 upon your initial request for approval of such transfer and will collect the balance of the transfer fee amount upon the completion of the transfer.
Successor Fee	10% of the then-current Initial Franchise Fee	When you provide notice of your intent to renew	
Remodeling Expenses	Will vary under circumstances	When incurred	See Note 6
Costs and Attorneys’ Fees	Reasonable costs and expenses	When incurred	We may recover costs and reasonable attorneys’ fees if you lose in a dispute with us.
Audit	Cost of audit plus interest from due date	15 days after receipt of report	Payable only if audit shows an understatement of at least 2% of Gross Sales for any month.
Interest Expenses	Lesser of 18% per year or the maximum rate permitted by law	When due	Payable if you do not timely pay all Royalty Fees, Brand Marketing Fees, Technology Fees or other amounts owed to us or our affiliates.
Insufficient Fund Fee	Up to \$250 for each delinquent payment	When due	In addition to interest charges on late fee payments, you must pay to us a service charge of up to \$250 for each payment that we do not receive by the date due, or if there are insufficient funds in your bank account to collect the payment by the date due.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Insurance	Cost of insurance	Payable before opening	If you fail to obtain and maintain required insurance, we may obtain insurance and you must reimburse us for the cost of the insurance, together with late charges and an administrative fee equal to 5% of the insurance premium.
Operating Assistance	Currently ranging from \$250 to \$500 per day plus reimbursement of our related travel, room and board expenses	When incurred	We may provide you with additional operating assistance for a fee. You may request such assistance or we may require such assistance. We may increase the fees to up to \$2,000 per day, plus the costs of our travel and travel-related expenses if we travel to you.
Management Services	The greater of \$500 per day or 10% of Gross Sales received by the Gym during the period in which we provide the Management Services.	When incurred	If at any time the Certified Manager does not manage the Gym, we may appoint a manager to manage the Gym for you and charge you a reasonable fee for these management services.
Franchise Convention Fee	Up to \$500 per attendee	When incurred	You must pay the convention fee even if you do not attend.
Payment Card Industry (“PCI”) compliance program fee	We may in the future charge you a fee associated with a PCI compliance program.	Due and payable by EFT on the Payment Date.	If we establish a PCI compliance program, you must pay us any fees related to this program. We reserve the right to charge you no more than \$100 per month for the program fees.
Liquidated Damages	See Note 7	Only if incurred	If the Franchise Agreement is terminated due to your breach.

Notes:

- (1) Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed.
- (2) Except as noted below, the Royalty Fee is currently uniform for all persons buying a Project Function™ franchise. Functional Patterns Licensees who are granted a Conversion Franchise as further described in Item 1 above will pay a lower Royalty Fee percentage and different amounts for certain other fees during the initial term of the Franchise Agreement. Functional Patterns Licensees who are granted a Conversion Franchise will also receive a grace period, as determined by us, for the payment of the Royalty Fee, Brand Marketing Fee, and Technology Fee.
- (3) “Gross Sales” means the aggregate amount of all sales of all Services and Products, and other goods and services, including all Membership Fees and Personal Training Fees, whether for cash, on credit or otherwise, made or provided at or in connection with the Gym, including any off-premises sales and monies derived at or away from the Gym, as we periodically may authorize. We currently do not require you to pay certain reciprocity revenue derived from the members of other Project Function™ Gyms who received Services at your Gym; however, should we do so, then such revenue will be included in the calculation of Gross Sales. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes you pay or accrue; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee, the sale is made at the earlier of delivery of the service or product, or receipt of payment. “Membership Fees” means those certain fees that are derived from monthly membership dues received in connection with the Gym. “Personal Training Fees” means those certain fees that are derived from personal training sessions and other ancillary services that are offered to members of the Gym.

- (4) We require you to pay us a “Technology Fee” to offset our costs related to the Management System, including one or more proprietary software programs. As further described in Item 11, you will incur other expenses related to certain other components of the Management System provided by third parties.
- (5) We require you to lease a minimum of at least 14 machines, with that minimum requirement increasing based upon the size of your Gym, but you may pay additional amounts should you choose to purchase more than the minimum required number of machines. We reserve the right to increase the initial payment and per month lease payments for newly leased equipment by up to 10% per year.
- (6) You must make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Gym premises and to replace and modernize the supplies, fixtures, signs, and equipment used in your Gym so that your Gym reflects the then-current physical appearance of new Project Function™ businesses. We may require you to take such action: (1) 5 years after the date of the Franchise Agreement; (2) as a condition of transfer; (3) as a condition of renewal; and (4) otherwise during the term of the Franchise Agreement as further described in the Operations Manual. We cannot estimate the current cost for a remodeling project because remodeling requirements will vary. You may make these payments in whole or in part to various third parties.
- (7) If the Franchise Agreement is terminated early due to your breach, in addition to other amounts owed, you must pay us as liquidated damages an amount equal to your average monthly Royalty Fees, Brand Marketing Fees, and Technology Fees payable over the 12-month period immediately preceding the termination date, multiplied by the lesser of 36 or the number of months remaining in the then-current term of your Franchise Agreement.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### YOUR ESTIMATED INITIAL INVESTMENT

##### NEW FRANCHISE LOCATION

Type of Expenditure (See Note 1)	New Opening Low Amount (See Note 2)	New Opening High Amount (See Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 3)	\$40,000	\$40,000	Lump Sum	When you sign the Franchise Agreement	Us
Lease, Utility & Security Deposits (See Note 4)	\$5,000	\$7,500	As agreed upon	As incurred	Landlord
Design & Architectural Fees (See Note 5)	\$2,500	\$3,500	As agreed upon	As incurred	Various third parties
Leasehold Improvements (See Note 6)	\$35,000	\$50,000	As agreed upon	As incurred	Various third parties
Signage (See Note 7)	\$2,500	\$4,500	As agreed upon	As incurred	Landlord, various third parties
Furniture & Fixtures (See Note 8)	\$8,000	\$12,000	As agreed upon	Before opening	Various suppliers

Type of Expenditure (See Note 1)	New Opening Low Amount (See Note 2)	New Opening High Amount (See Note 2)	Method of Payment	When Due	To Whom Payment Is To Be Made
POS/Back Office System (See Note 9)	\$2,000	\$2,000	As agreed upon	Before opening	Various suppliers
Equipment (See Note 10)	\$123,750	\$161,750	As agreed upon	As ordered	Us, various suppliers
Professional Fees (See Note 11)	\$7,500	\$7,500	Lump sum	Before opening	Various suppliers
Initial Inventory (See Note 12)	\$4,000	\$5,500	As incurred	As incurred	Various suppliers
Insurance (See Note 13)	\$3,500	\$5,000	As incurred	Before opening	Various third parties
Training Expenses (See Note 14)	\$5,000	\$8,000	As incurred	As ordered	Us
Initial Launch Marketing (See Note 15)	\$3,000	\$5,000	As incurred	Before opening	Various third parties
Additional Funds (See Note 16)	\$15,000	\$25,000	As incurred	Before opening	Various third parties
<b>TOTAL</b> See Notes 17 and 18	<b>\$256,750</b>	<b>\$337,250</b>			

### CONVERSION FRANCHISE LOCATION

Type of Expenditure (See Note 1)	Conversion Low Amount (See Note 2 & 18)	Conversion High Amount (See Note 2 & 18)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 3)	\$25,000	\$25,000	Lump Sum	When you sign the Franchise Agreement	Us
Lease, Utility & Security Deposits (See Note 4)	\$1,275	\$1,725	As agreed upon	As incurred	Landlord
Design & Architectural Fees (See Note 5)	\$2,550	\$3,450	As agreed upon	As incurred	Various third parties
Leasehold Improvements (See Note 6)	\$25,500	\$34,500	As agreed upon	As incurred	Various third parties
Signage (See Note 7)	\$3,825	\$5,175	As agreed upon	As incurred	Landlord, various third parties
Furniture & Fixtures (See Note 8)	\$10,200	\$13,800	As agreed upon	Before opening	Various suppliers
POS/Back Office System (See Note 9)	\$1,700	\$2,300	As agreed upon	Before opening	Various suppliers
Equipment (See Note 10)	\$89,150	\$120,620	As agreed upon	As ordered	Us, various suppliers
Professional Fees (See Note 11)	\$5,100	\$6,900	Lump sum	Before opening	Various suppliers
Initial Inventory (See Note 12)	\$1,275	\$1,725	As incurred	As incurred	Various suppliers
Insurance (See Note 13)	\$3,400	\$4,600	As incurred	Before opening	Various third parties

Type of Expenditure (See Note 1)	Conversion Low Amount (See Note 2 & 18)	Conversion High Amount (See Note 2 & 18)	Method of Payment	When Due	To Whom Payment Is To Be Made
Training Expenses (See Note 14)	\$2,550	\$3,450	As incurred	As ordered	Us
Initial Launch Marketing (See Note 15)	\$1,530	\$2,070	As incurred	Before opening	Various third parties
Additional Funds (See Note 16)	\$12,750	\$17,250	As incurred	Before opening	Various third parties
<b>TOTAL</b> See Notes 17 and 18	<b>\$185,805</b>	<b>\$242,565</b>			

Notes:

- (1) Type of Expenditure. This Table differentiates the estimate initial investment based on whether you will be opening a new Gym or whether you will converting an already existing gym to a Project Function™ Gym. For newly developed locations, the typical size of a Project Function™ Gym is between 1,750 and 2,500 square feet. For several items discussed below, your cost will increase as the number of square feet increases. The amounts listed in the column label “New Opening Low Amount” are estimates based on opening a 1,750 square foot location. The amounts listed in the column label “New Opening High Amount” are estimates based on opening a 2,500 square foot location. Franchisees who are opening a Conversion Franchise can expect to incur less costs than franchisees opening a new location, as noted in the Table above. A variety of factors may impact the size of your Gym such as landlord, municipality or zoning board requirements or restrictions and availability and cost of leased or purchased space. This Table reflects your estimated initial investment for a single Gym operated under a Franchise Agreement and assumes that you will lease the premises for your Gym. We do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.
- (2) Amount. Except where otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable.
- (3) Initial Franchise Fee. You will pay us the Initial Franchise Fee as more fully described in Item 5.
- (4) Lease; Utility; Security Deposit. Depending on the market conditions and other factors in your geographic area, the rental expense associated with the Gym premises may vary from the estimates provided in this Item 7. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, the portion of rent representing the value of leasehold improvements at the Gym premises, the size and location of the premises for your Gym and other economic factors.
- (5) Design and Architecture Fees. If you do not use our designated architect to design your Gym and submit working drawings, construction and architectural plans and specifications to us, you must pay us a \$2,000 fee to review your architect’s Gym design plans.
- (6) Leasehold Improvements. You will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. Leasehold improvements include all internal, installed elements of the building and gym area. We anticipate that you likely will negotiate certain landlord tenant improvements as part of your rental expense to help offset the cost of leasehold improvements. The exact cost of leasehold improvements or impact on your rental

expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to make certain tenant improvements or reimburse you for those improvements, the size and location of the premises for your Gym and other economic factors. The exact amount of leasehold improvement expense will vary greatly, depending on the location of the Gym premises, the size of the premises, the portion of rent representing the value of leasehold improvements at the Gym premises, local market conditions and other factors.

- (7) Signage. We require you to purchase and install exterior and interior signage that meets our specifications. Local sign codes will dictate the type of signage permitted on certain properties and in certain areas.
- (8) Furniture and Fixtures. This amount includes estimated expenses for furniture and fixtures required at your Gym.
- (9) POS/Back Office System. This amount includes the Management System, including any Designated Software, that we currently require you to purchase or lease.
- (10) Equipment. This amount includes estimated expenses and shipping costs for the then-current strength training equipment. As described in Item 5, you must lease certain Proprietary Equipment from us and you must purchase certain equipment and other items from us, our affiliate or our designated suppliers.
- (11) Professional Fees. This amount includes expenses related to legal and financial advisor fees, and local license and permit fees.
- (12) Initial Inventory. You will need to purchase an opening inventory of gym, janitorial and promotional items and supplies. We may be an approved supplier for certain items. See Item 8 for additional information. This amount does not reflect amounts needed to replenish inventory during the initial stage of operation.
- (13) Insurance. This amount estimates the expenses you will incur for insurance premiums during the first 3 months of Gym operations.
- (14) Training Expenses. Estimated training expenses include salaries, benefits, lodging, meals and travel expenses for the Certified Manager and the Principal Owner (if the Principal Owner is not the Certified Manager) to attend the initial training program.
- (15) Initial Launch Marketing. This amount includes estimated expenses for additional print media, neighborhood marketing, and other initial marketing efforts beginning before you open the Gym and for 60 days after you open the Gym for business. We will determine the minimum required amount based on the market in which the Gym is located and whether other Project Function™ Gyms are located in the market.
- (16) Additional Funds – Three Months. This amount estimates the expenses you will incur during the first 3 months of Gym operations, including initial wages and fringe benefits (for staff only), taxes, repairs, utilities, interest payments on any business loans as well as on any interim financing or construction loans and other miscellaneous expenses. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, local economic conditions, the local market for the Project Function™

concept and services, the prevailing wage rate, competition, the amount of the initial investment you decide to finance, and the sales level reached during the initial period.

- (17) Total. The total above is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of Gym operations. This total is based on our estimate of regional average costs and prevailing market conditions, and our affiliate's operation of a company-owned Gym. You should review this amount carefully with a business advisor before deciding to purchase the franchise.
- (18) Conversion Franchises. For Functional Patterns Licensees who are granted a Conversion Franchise, the total estimate of pre-opening initial investment and expenses you will incur will depend on the upgrades you will be required to make to convert your existing business to a Project Function™ Gym.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of Products and Services throughout the System, you must maintain and comply with our quality standards.

#### Designated Products and Services

You must offer and sell at the Gym all and only the Services and Products which we have approved as being suitable for sale and meeting the standards of quality and uniformity for the System. "Services" means access to fitness training facilities that contain certain Proprietary Equipment and offer one-on-one personal training sessions, small group training sessions, and other related services that we authorize. "Products" means retail products, accessories, vending items and other products that we identify and may modify or otherwise approve for sale at the Gym. In addition, you must use in the operation of the Gym only such products, supplies, Proprietary Equipment and other equipment, and brands that we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have approved (which may include us and/or our affiliates), as stated in the Operations Manual or as we otherwise provide in writing. You may not sell any of the Products or other products or supplies at wholesale from or in connection with the Gym.

#### Proprietary Equipment

You must lease from us, our affiliates, FP and FP Innovations, or other suppliers we designate, all Proprietary Equipment that we require you to use in the operation of the Gym. As of the date of this disclosure document, you must enter into an Equipment Lease Agreement in the form attached as Exhibit E to the Franchise Agreement with PF Innovations for all Proprietary Equipment you must use in the Gym. In addition, we may require you to sign an amendment to the Equipment Lease Agreement during the term of the Franchise Agreement if we require you to lease any new or additional Proprietary Equipment. We reserve the right to periodically update or add to the list of Proprietary Equipment you must use.

#### Location of your Gym

You are solely responsible for securing, and obtaining our consent to, a site for the Gym. We will provide you with reasonable assistance in connection with the selection and evaluation of proposed Gym sites. You must submit to us for our approval a complete site evaluation form (containing any information that we may require) for the proposed Gym location. If you intend to enter into a letter of intent and/or

lease for the Gym premises, you must provide the proposed lease and, if applicable, the proposed letter of intent to us and receive our prior written approval of the proposed lease and proposed letter of intent before you sign it. In addition, you and the landlord of the Gym premises must sign a “Lease Addendum” in the form attached as Exhibit C to the Franchise Agreement. We approve locations on a case-by-case basis, considering items such as size, appearance and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics, such as rental obligations and other lease terms (including those that we require to be in the lease). You are not required to purchase, lease or sublease the Gym premises from us or our affiliate.

### Building Construction; Fixtures, Equipment, Furniture & Signs

You must satisfy our specifications and standards in constructing and developing your Gym. We recommend that you use a site location specialist to assist you in finding potential sites for your Gym, and we reserve the right to require that you use an approved site location specialist or obtain our written acceptance of the site location specialist you use. We will furnish to you prototypical drawings and specifications for your Gym, including requirements for overall dimensions, interior and exterior materials, decor, fixtures, equipment, furniture and signs. You must retain a licensed architect we designate or approve and submit working drawings, construction and architectural plans and specifications to us for our approval before you begin construction of your Gym. You also must submit all revised plans and specifications to us during the course of construction. You will contract with a qualified, licensed, insured and bonded general contractor and a qualified construction project manager (if those services are not handled by the general contractor), each of which we approve, to supervise the planning, permitting and construction of the Gym. You must ensure that the plans and specifications comply with the Americans with Disabilities Act and all other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. In developing and operating your Gym, you may purchase or lease only the types of construction and decorating materials, fixtures, equipment (including Proprietary Equipment), furniture and signs that we require and have approved as meeting our specifications and standards for quality, design, appearance, function and performance. We or our affiliate(s) may be an approved supplier of one or more of these items.

### Computer Hardware and Software

You will use the Management System, as described in Item 11, which may include Designated Software developed or customized by or for us. If we require you to use any Designated Software, you must enter into the standard form of license agreement as necessary to use such Designated Software. You must also participate in our designated PCI compliance program if we establish such a program.

### Insurance

You agree to purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (2) are primary and non-contributory; (3) will name us and our affiliates, and their respective officers, directors and employees, as an additional insured; (4) contain a waiver of the insurance company’s right of subrogation against us; (5) contain the above-mentioned insurance coverage for each Gym you operate; and (6) provide that we will receive 30 days’ prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and as we may approve). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to provide satisfactory evidence of such coverage, we, at our option, may obtain

insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to 5% of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least two weeks before you take possession and commence development of the Gym premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require.

#### Advertising and Promotional Approval

We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Gym or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Gym. You must obtain our approval in advance of conducting any initial launch marketing and promotional activity, as further described in Item 11, and we may require that you use our designated media vendor (if any) and implement our recommended media plan (if any) in satisfying the Initial Launch Marketing Requirement (as defined below).

#### Supplier, Vendor, and Product Approval

You must offer and sell at the Gym all and only the Services and Products which we have approved as being suitable for sale and meeting the standards of quality and uniformity for the System. You must also use in the operation of the Gym only such products, supplies, equipment (including Proprietary Equipment) and brands that we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and that are purchased from suppliers we have approved (which may include us and/or our affiliates), as stated in the Operations Manual or as we otherwise provide in writing. You may not sell any of the Products or other products or supplies at wholesale from or in connection with the Gym. You must use an accountant that we approve of to ensure accurate preparation of required reports and financial statements and in our desired format. We periodically may modify the lists of approved and designated products, supplies, equipment, brands, suppliers, and vendors. If you propose to offer for sale, or use in operating the Gym, any products, supplies, equipment or brand, or use any supplier or vendor that we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the proposed item, supplier, and/or vendor to permit us to determine whether the proposed item complies with our specifications and standards and/or the supplier/vendor meets our approved supplier/vendor criteria. You must pay our then-current evaluation fee for each item, supplier, or vendor you request that we evaluate, plus the costs we incur in connection with testing, inspecting and evaluating the proposed item, supplier, or vendor. We will notify you within a reasonable time whether the proposed item, supplier, or vendor is approved. We may develop procedures for the submission of a request for approved products, supplies, equipment, brands, suppliers, or vendors and obligations that approved suppliers and vendors must assume (which may be incorporated in a written agreement to be signed by the approved supplier). If we revoke our approval of a supplier, vendor, or product, you will have 30 days to stop offering, selling or using those suppliers, vendors, products or other items or services in your Gym. We may impose limits on the number of suppliers, vendors and/or brands for any products, supplies or equipment sold or used in the Gym. We may require that you use only one designated supplier or vendor for any products, supplies or equipment and that designated supplier or vendor may be us or our affiliates. We apply certain general criteria in approving a proposed supplier or vendor, including the supplier's quality and pricing of products or services, ability to provide products/services that meet our specifications, responsiveness, quickness to market with new items, financial stability, credit program for franchisees, freight costs, and the ability to provide support to the System (merchandising, field assistance, education and training respecting sales and use of products and services).

Because we began franchising in March 2025, we did not earn any revenue from required purchases in 2024. We reserve the right to earn revenue from such purchases in the future.

One or more of our officers have an interest in us and our affiliates. No officer owns a material interest in any other supplier.

Miscellaneous

We may negotiate prices for numerous products for the benefit of the System, but not for any individual franchisee. We are not aware of any purchasing or distribution cooperative in the System. We may, however, attempt to negotiate and enter into purchasing agreements for the System.

We (directly or through an affiliate) may derive revenue directly or in the form of rebates or other payments from suppliers, based directly or indirectly on sales of products, advertising materials and other items to franchisees, and from other service providers. These payments may range from less than 1% up to 15% or more of the total purchase price of those items.

We estimate that the purchase or lease of products, Proprietary Equipment and other equipment, software, signs, fixtures, furnishings, supplies, advertising and sales promotions materials and other items meeting our specifications will represent approximately 70% to 90% of the cost to develop the Gym and 30% to 60% of the cost to operate your Gym.

**ITEM 9**

**FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Sections 2, 6(A) and 6(B)	Items 7, 8, 11, and 12
b. Pre-opening purchases/leases	Section 6	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 6, 7(A) and 7(B)	Item 5, 7, and 11
d. Initial and ongoing training	Sections 3(B)(4), 7(B)-(D), 7(F), 9(N), 14(C)-(D) and 15(A)	Items 5, 7 and 11
e. Opening	Sections 6(G), 7(C) and 15(A)	Items 5 and 11
f. Fees	Sections 3(B), 4, 5, 6(B), 6(E), 6(G)-(H), 7(B), 7(D), 7(F), 9(G), 9(N), 11(C), 13(C), 14(B)-(D), and 19(D)	Items 5, 6 and 7
g. Compliance with standards and policies/ Operations Manual	Sections 3(B), 5(B)-(F), 6(B)-(H), 7(B), 7(D)-(E), 8(A)-(C), 9, 10 and 14(C), 15(A)	Items 11 and 16
h. Trademarks and proprietary information	Sections 1(E), 2, 6(D)-(F), 7(E), 8, 9(K)-(M), 9(O)-(P), 12, 13(C)-(D) and 17(A)-(C)	Items 13 and 14
i. Restriction on products/services offered	Sections 2, 6(D)-(E), 9(E), 9(G) and 9(K)	Items 8 and 16

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
j. Warranty and customer service requirements	Sections 9(G)-(J)	Items 11 and 16
k. Territorial development and sales quotas	Sections 2(B)	Items 11 and 12
l. Ongoing product/service purchases	Sections 6(C)-(E), 9(A)-(D), 9(G), 9(J)-(K) and 9(N)	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 9(A)-(D) and (K)	Items 6 and 11
n. Insurance	Section 9(O)	Items 6, 7 and 8
o. Advertising	Sections 5 and 9(K)	Items 6, 7 and 11
p. Indemnification	Sections 4(J) and 18	None
q. Owner's participation/management/staffing	Sections 9(F), 9(M) and 9(N)	Items 11 and 15
r. Records and reports	Section 10	Item 6
s. Inspections and audits	Section 11	Item 6
t. Transfer	Section 14	Items 6 and 17
u. Renewal	Section 3(B)	Items 6 and 17
v. Post-termination obligations	Sections 13(B), 13(D) and 17	Item 17
w. Non-competition covenants	Sections 13(B)-(E)	Item 17
x. Dispute resolution	Section 19	Item 17
y. Personal Guaranty	Sections 13(A) and 14(G); Exhibit D	Item 15

## **ITEM 10**

### **FINANCING**

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

## **ITEM 11**

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

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

Pre-Opening Assistance. Before you open your Gym, we will:

- (1) Provide reasonable consulting services in your evaluation and selection of a site for the Gym and consent to the Gym site if it meets our minimum standards (Franchise Agreement – Section 7(A) and Exhibit B). We will not provide some or all of these services if you are granted a Conversion Franchise (Conversion Addendum – Section 7(A)).
- (2) Provide you with prototype drawings and specifications for your Gym, reflecting our requirements for dimensions, interior design and layout, building materials, fixtures, equipment, furniture, signs and décor (Franchise Agreement – Section 7(A)). We will not provide some or all of these services if you are granted a Conversion Franchise (Conversion Addendum – Section 7(A)).

- (3) Provide you with a list of approved and designated suppliers (Franchise Agreement – Section 7(A)).
- (4) Provide the initial training program described below to your “Certified Manager” (as defined in Item 15) and your Principal Owner if your Principal Owner is not the Certified Manager (Franchise Agreement – Section 7(B)). We will not provide some or all of the training services offered under the initial training program if you are granted a Conversion Franchise (Conversion Addendum – Section 8).
- (5) Provide you with at least one of our representatives for a minimum of 4 days to assist you in the opening and initial operations of the Gym (Franchise Agreement – Section 7(C)). If you are granted a Conversion Franchise, we may (but are not obligated to) offer this opening assistance (Conversion Addendum – Section 9).
- (6) Provide you with access to the confidential Operations Manual. You must keep the Operations Manual confidential and discontinue using it when the Franchise Agreement terminates (Franchise Agreement – Section 7(E)).
- (7) Make available to you the Management System that we have selected for the System as described further below (Franchise Agreement – Section 6(E)).

We are not required to provide you any assistance with conforming your Gym to any ordinances or codes, or hiring any employees.

Ongoing Assistance. During the operation of your Gym, we may:

- (1) Provide advisory services relating to Gym operations, including Products and Services offered for sale, selecting, purchasing and marketing other approved materials and items, marketing assistance and sales promotion programs, and general administrative and operating procedures (Franchise Agreement – Section 7(D)).
- (2) Periodically modify and make available for lease the Proprietary Equipment you will use in operating the Gym (Franchise Agreement – Section 7(D)).
- (3) Make available one or more of our representatives to assist you during the initial stages of Gym operation at our then-current fees and expenses (Franchise Agreement – Section 7(D)).
- (3) Make available to you in the future at your expense our QuickStart Coaching Program where we will make available to you a business coach for periodic calls to discuss marketing, day-to-day operations, and the financial components of operating your Gym (Franchise Agreement – Section 7(D)).
- (4) Periodically provide you with updated and revised materials for the Operations Manual (Franchise Agreement – Section 7(E)).
- (5) Determine the content and use of a Project Function™ website and intranet system, and establish rules under which you may or will participate (Franchise Agreement – Section 9(P)).
- (6) Operate the Brand Marketing Fund (Franchise Agreement – Section 5(A)).
- (7) Develop and make available to you in the future local media planning assistance (Franchise Agreement – Section 5(E)).

Marketing and Advertising Programs. We establish and conduct certain marketing and advertising programs as follows:

We intend to establish and operate a production and marketing fund (the “Brand Marketing Fund”) to promote Project Function™ Gyms in the System and conduct other promotional and marketing activities. You will pay us a monthly marketing fee equal to 2% of Gross Sales during the previous calendar month (the “Brand Marketing Fee”). We will deposit the Brand Marketing Fee in the Brand Marketing Fund that we manage. (Franchise Agreement – Section 5(A)).

Disbursements from the Brand Marketing Fund will be made solely to pay reasonable expenses we incur in connection with the general promotion of the Marks and the System, including the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns; the cost of market research and analytics; and the costs of administering the Brand Marketing Fund, including the cost of employing advertising, public relations and other third-party agencies to assist us and providing promotional brochures and advertising materials to Project Function™ Gyms and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Brand Marketing Fund. We will determine the methods of advertising, media employed and the geographic scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. The Brand Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Brand Marketing Fund. (Franchise Agreement – Section 5(A)).

We are not required to spend any particular amount on marketing, advertising or production in the area in which your Gym is located. Brand Marketing Fees not spent in any fiscal year will be carried over for future use. Brand Marketing Fees will not be used for advertising principally directed at the sale of franchises. At your request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Brand Marketing Fund for the most recently completed calendar year. (Franchise Agreement – Section 5(A)).

Project Function™ Gyms that we operate in the United States will contribute to the Brand Marketing Fund at the same percentage rate as Project Function™ franchisees must pay to the Brand Marketing Fund. As the Brand Marketing Fund was established in 2025, no disbursements were made in 2024.

You must spend at least \$3,000 on initial launch marketing and promotions in your Protected Territory that meet our requirements within the first 60 days following the commencement of Gym operations (60 days following the effective date of the Franchise Agreement for Conversion Franchises) (“Initial Launch Marketing Requirement”). You must obtain our approval in advance of conducting the initial launch marketing and promotional activity and we may require that you use our designated media vendor (if any) and implement our recommended media plan (if any) in satisfying the Initial Launch Marketing Requirement. On or before the last day of the month following the end of the 60 day period, you must provide us with an accurate accounting of the Initial Launch Marketing Requirement expenses. If you fail to satisfy the Initial Launch Marketing Requirement, you must deposit with us the difference of what you actually spent and the minimum required amount, and we may spend such amount on initial launch marketing and promotional activity as we determine on your behalf or deposit that amount in the Brand Marketing Fund. (Franchise Agreement – Section 5(D)).

In addition to the Brand Marketing Fee and beginning the first full calendar quarter following completion of the Gym Opening Campaign, you must spend each calendar quarter at least 2% of the previous calendar quarter’s Gross Sales on “approved” Gym marketing and promotional activities in your local geographic area (“Local Marketing Spend”). Within 15 days following the end of each calendar

quarter, you will provide us with an accounting of your Local Marketing Spend for the preceding calendar quarter. If you fail to spend the minimum amount on approved local marketing, you must deposit with us the difference between what you should have spent on approved marketing during the calendar quarter and what you actually spent on approved marketing during the calendar quarter. We will deposit that amount in the Brand Marketing Fund. Gym marketing and promotional activities are “approved” if they comply with the Franchise Agreement and Operating Manual. We may increase the Local Marketing Spend to an amount, when combined with the Brand Marketing Fee, of up to 6% of monthly Gross Sales upon 60 days’ notice to you. (Franchise Agreement – Section 5(B)).

We may in the future require you to participate in, support and contribute a proportionate share of the cost of any regional or other geographic cooperative marketing programs we designate. Each Project Function™ Gym located within the designated area of a cooperative will be a member of the cooperative. We or members of the cooperative and their designated officials may be responsible for administering the cooperative. Project Function™ Gyms that we or our affiliates own and operate are not obligated to participate in any cooperative we form or approve. Each cooperative must adopt written governing documents, which must reflect any form documents that we provide to franchisees or are otherwise approved by us. A copy of the governing documents of the cooperative (if one has been established) for your market area will be available upon request. The cooperative will determine the amount of your contribution; provided that if the cooperative does not designate the amount of the contribution, we may designate the contribution amount. In addition, we reserve the right to establish minimum and maximum contribution amounts. We reserve the right to designate regional and other geographic marketing or advertising markets, to establish marketing cooperatives and to establish the bylaws and other rules under which such cooperatives will operate. We further reserve the right to require cooperatives to be formed, changed, dissolved or merged. Your contributions to marketing cooperatives will be credited toward your Local Marketing Spend described above. As of the issuance date of this disclosure document, we have not established any advertising cooperatives. (Franchise Agreement – Section 5(C)).

We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Gym or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Gym. If you desire to use any advertising or promotional materials in promoting the Gym which we previously have not approved, you must submit all materials to us within 10 days of your proposed use for our approval before using any such materials, which approval will not be unreasonably withheld. If we do not disapprove those advertising or promotional materials within 10 days after you submit those materials to us, then you may use the materials, although we reserve the right to disapprove those materials at any later time. If you use any advertising or promotional materials without submitting those materials to us or if you use materials we disapprove, in addition to any separate remedies we may have, any amounts spent on those materials will not be credited toward your Local Marketing Spend. (Franchise Agreement – Section 5(E)).

As of the date of this disclosure document, we do not have an advertising council composed of franchisees. We do, however, reserve the right to establish a franchise advisory council to provide advice and guidance regarding the administration of franchise-related matters. If we establish a franchise advisory council, it will serve only in an advisory capacity. We will have the power to form, change, or dissolve the council and will designate the members of the council. (Franchise Agreement – Section 7(G)).

Management System. You will use in the Gym the membership management and reporting system, including all existing or future communication or data storage systems, components thereof and associated service, which we have developed or selected for the System (the “Management System”). The Management System may include one or more proprietary or other software programs developed or customized for us (the “Designated Software”). You must use the Designated Software (if any), and the

Designated Software will remain the confidential property of us or our third-party supplier. You must enter into our or our designee's standard form software license agreement in connection with your use of any Designated Software. We reserve the right to charge you initial or recurring license fees related to your use of the Designated Software. You will pay the then-current Software License Fees (if any) for the Designated Software at or before the Designated Software is delivered to you. You may also be required to pay our then-current monthly license fee for the use of the Designated Software. We may develop or contract with a developer to develop on our behalf certain proprietary applications for use in Project Function™ Gyms. Should we do so, we reserve the right to charge you an initial implementation fee up to \$10,000 and a monthly license fee of up to \$200 for your use of the Designated Software. (Franchise Agreement – Section 6(E)).

As of the date of this Disclosure Document, you will pay us the Technology Fee (currently \$100 per month) to offset our costs related to the Management System. We may increase the Technology Fee no more than once every 12 months and will not increase the fee to more than \$400 per calendar month during the Initial Term. (Franchise Agreement – Section 4(D)).

As of the date of this disclosure document, the required Management System includes a laptop computer, Apple iPad, computer monitor, webcam, barcode scanner, and credit card processing device. You must also use QuickBooks as your bookkeeping software. We estimate that the initial cost for the Management System will range from \$1,500 to \$3,000, and the monthly expenses you will incur for these other components of the Management System obtained from approved third party suppliers will be approximately \$750. These expenses may periodically change as third-party fees increase.

You must maintain a secure technology infrastructure that meets our then-current requirements. All technology used to support the Management System must comply with the then-current regulations of the Payment Card Industry Data Security Standards (PCI-DSS) council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including the Fair and Accurate Credit Transaction Act (FACTA). You will use an e-mail address we designate for communication with us. We have the right to designate a single source from which you must purchase the Management System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future updates, supplements and modifications to the Management System, including any additions or modifications to any Designated Software. (Franchise Agreement – Section 6(E)).

We reserve the right to independently access financial information and customer data produced by or otherwise located on your Management System (collectively the "Customer Data"). During the term of the Franchise Agreement, we reserve the right to control your use of the Customer Data that is stored on the Management System, although you will be responsible for obtaining all customer consents necessary to comply with our directives and policies respecting the Customer Data, including our right to access Customer Data on the Management System for various purposes as we may identify. We will periodically establish policies respecting the Customer Data. You must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies we periodically may establish. You must notify us immediately of any suspected data breach or cyber-attack at or in connection with the Gym. You cannot use the Customer Data for any purpose other than the operation of the Gym during the term of the Franchise Agreement consistent with our standards of use. There are no contractual limitations on our right to access the information and data.

You may be required to obtain ongoing maintenance and repairs respecting the Management System, as well as upgrades or updates respecting the Designated Software. We estimate the cost of optional or required maintenance, updates and upgrades will be \$200 to be \$1,000 per year. There are no contractual limitations on the frequency and cost of additional maintenance or repair. You must incorporate

these upgrades and updates to the Management System. We, our affiliates, and third-party suppliers are not currently required to provide any ongoing maintenance, repairs, upgrades or updates to you.

Site Selection. If you already have a potential site for the Gym, you may propose the location to us. We may consent to the site after we have independently evaluated it. The site for the Gym will be identified in Exhibit A to the Franchise Agreement. If you do not have a proposed site, you will sign Exhibit B to the Franchise Agreement and will have 90 days following the date of the Franchise Agreement to identify a Gym site acceptable to us. We will provide you with our general site selection and evaluation criteria. You are solely responsible, however, for locating and obtaining a site which meets our standards and criteria and that is acceptable to us. We recommend that you use a site location specialist to assist you in finding potential sites for your Gym, and reserve the right to require that you use an approved site location specialist or obtain our written acceptance of the site location specialist you use. If you sign Exhibit B to the Franchise Agreement and we cannot agree on a site for a Gym within 120 days following the date of the Franchise Agreement, we can terminate your Franchise Agreement. (Franchise Agreement – Section 6(A)).

You must submit to us a complete site report (containing information that we may reasonably require) for the proposed Gym site. The general site and evaluation criteria which you should consider include demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses (including other Project Function™ Gyms), and other commercial characteristics, and the proposed location, size of premises, appearance and other physical characteristics. We will notify you in writing within 30 days after we receive your complete site report and other materials we request whether the proposed site satisfies our site selection criteria. Our review of a site for the Gym does not represent any recommendation or guaranty as to the success of the proposed site. If you and we are unable to agree on a site for the operation of the Gym, the opening of your Gym may be delayed. If you do not open your Gym within 7 months following the date of the Franchise Agreement, we may terminate the Franchise Agreement if you fail to cure this default. (Franchise Agreement – Sections 6(A); 6(G)). If you are granted a Conversion Franchise, we are not required to provide you with site selection assistance (Conversion Addendum – Section 4).

Development Time. The typical length of time between our acceptance of the Franchise Agreement and the opening of your Gym is expected to vary from 4 to 6 months. This period may be longer or shorter, depending on the time of year, availability of financing, local construction delays, how soon you can attend training or other factors. You must complete development and open your Gym within 7 months following the date of the Franchise Agreement, or we may terminate the Franchise Agreement (Franchise Agreement – Section 6(G)). We also may terminate the Franchise Agreement if you do not select a site for your Gym and obtain our consent within 120 days following the date of the Franchise Agreement.

Training. Before you open your Gym, your Certified Manager must attend and complete to our satisfaction the initial training program (the “Initial Training Program”). If your Certified Manager is not a Principal Owner, a Principal Owner must also attend and complete the initial training to our satisfaction. Before attending the in-person classroom instruction portion of the Initial Training Program, the Certified Manager and the Principal Owner(s) (if applicable) must complete to our satisfaction a 10-week online program (the “Online Program”). If the Certified Manager or Principal Owner have not previously completed our proprietary Human Foundations™ certification course and Human Biomechanics Specialist™ courses (the “Prerequisite Courses”), such Prerequisite Courses must also be completed before attending the in-person classroom instruction. Following the completion of the Online Program and, if applicable, the Prerequisite Courses, the Certified Manager and the Principal Owner(s) (if applicable) will attend up to fourteen (14) days of in-person training session in Henderson, Nevada, or at another location we designate (the “In-person Training”). The In-Person Training includes additional training related to

understanding equipment use and maintenance, customer service, marketing and sales programs and methods of controlling operating costs. (Franchise Agreement – Section 7(B)).

You may not open your Gym unless the Certified Manager and the Principal Owner(s) (if applicable) complete the Initial Training Program to our satisfaction. If, at any point during the Initial Training Program, we determine that the Principal Owner and/or the Certified Manager are not qualified to manage the Gym, or fail to meet our then-current requirements, we will notify you and you must select and enroll a substitute Principal Owner and/or Certified Manager in the Initial Training Program.

Functional Patterns Licensees who are granted a Conversion Franchise will undergo a different training program as compared to new franchisees attending the Initial Training Program. The reduced training program will primarily consist of certain in-person training related to equipment use and maintenance, customer services, marketing and sales programs, and methods of controlling operating costs.

The initial training program for new franchisees consists of the following:

### TRAINING PROGRAM

#### Pre-Training

Subject	Virtual Training	Hours of On-the-Job Training	Location
Online Program	10 weeks	0	Virtual
Pre-Training (Human Foundations Course) <small>*If not previously completed</small>	0	3 days	Globally / In Person (local venue where course will be hosted)
Pre-Training (Human Biomechanics Specialist Level 1 Course) <small>*If not previously completed</small>	0	4 days	In Person (local venue where course will be hosted)

#### Phase 1 – Equipment and Tools

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Using the Vector Trainer Machine	1	7	Henderson, Nevada (local venue)
Using the patented gym equipment (more than 12+ variations of machines)	2	26	Henderson, Nevada (local venue)
Equipment set up and safety requirements and considerations	2	2	Henderson, Nevada (local venue)
Using Patented Physical Products / Accessories	1	7	Henderson, Nevada (local venue)
Layout of equipment in the gym and spatial requirements	1	1	Henderson, Nevada (local venue)
<b>TOTAL</b>	<b>7</b>	<b>43</b>	

## Phase 2 – Business Operations

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to Project Function Training Program & Project Function Orientation (History, Communications & Services Provided to Franchisees)	3	0	Henderson, Nevada (local venue or virtually)
Pre-Opening Procedures	3	0	Henderson, Nevada (local venue or virtually)
People Development	3	0	Henderson, Nevada (local venue or virtually)
Business Operations	4	2	Henderson, Nevada (local venue or virtually)
Management Procedures	4	2	Henderson, Nevada (local venue or virtually)
Marketing Procedures	3	0	Henderson, Nevada (local venue or virtually)
Sales Procedures	3	2	Henderson, Nevada (local venue or virtually)
Etiquette, professional conduct, trainer / client conduct policy review	2	1	Henderson, Nevada (local venue or virtually)
<b>TOTAL</b>	<b>25</b>	<b>7</b>	

The instructional materials for all training programs include the Operations Manual, handouts and visual aids, and will include lecture, classroom discussion, hands-on demonstration and/or practice training at a Project Function™ Gym.

David Filonzi will oversee the initial training program. David has been our Director of Franchising since our inception. David previously operated Functional Patterns Australia and has over 7 years' experience in the fitness industry.

We do not charge a fee for your initial Certified Manager (and each Principal Owner, if applicable) to attend the initial training program. You are, however, responsible for travel and living expenses that your Certified Manager, Principal Owner (if applicable) and any other employee incurs while attending the initial training program. See Item 7 for additional information on travel and living expenses.

In addition, all new Certified Managers must complete our designated initial training program. We may charge you a reasonable fee (currently \$2,500 plus our expenses) for those new or additional individuals who attend the initial training program. (Franchise Agreement – Section 7(B)(2)).

We may require the Certified Manager (and the Principal Owner(s) if the Principal Owner(s) is not the Certified Manager) to attend all supplemental and refresher training programs that we designate for up to 5 days each calendar year. We may charge you our then-current fee, which currently is \$400 per day with a maximum daily fee during the initial term of the Franchise Agreement of \$750, plus any costs and expenses we incur, for these supplemental and refresher training programs, and you will reimburse us for any costs and expenses we incur. (Franchise Agreement – Section 7(B)(3)).

We may hold or sponsor, and you must attend, annual franchise conventions and meetings relating to new Services or Products, new operational procedures or programs, recognition of successful franchisees, training, business management, sales and sales promotion or similar topics. We may require your Certified Manager and/or other personnel to attend these conventions or meetings for up to 3 days per year and you

must pay our then-current registration fee for such attendance (currently, \$500 per event) for each attendee. You must pay the then-current registration fee even if you do not attend. (Franchise Agreement – Section 7(F)).

You are solely responsible for the travel, lodging and living expenses you and your employees incur in attending the initial training program, supplemental or refresher training programs, and any franchise conventions or meetings. You also are solely responsible for paying your employees and providing all necessary insurance, including worker’s compensation insurance, for you and your employees, while you and your employees attend training or any franchise conventions or meetings.

Operations Manual. During the term of the Franchise Agreement, we will allow you to access our Operations Manual (the “Operations Manual”). The current table of contents of the Operations Manual and the estimated number of pages as of the date of this disclosure document is as follows:

<b>Subject</b>	<b>Estimated Number of Pages</b>
Introduction	18
Pre-opening Procedures	35
People Development	51
Project Function Recruitment Procedures	17
Daily Operating Procedures	46
Project Function Training	16
Marketing and Promotion	24
<b>Total</b>	<b>207</b>

## ITEM 12

### TERRITORY

You will receive a “Protected Territory,” which is an area surrounding the Authorized Location of the Gym that is equal to the lesser of a two mile radius or a resident population of 30,000 people. During the term of the Franchise Agreement, if you are complying with the provisions of the Franchise Agreement, we will not establish any other franchised or company-owned Project Function™ businesses at a brick-and-mortar location within the Protected Territory.

You will not receive an exclusive territory. You may face competition from businesses that we own or from other channels of distribution or competitive brands that we control. We also may provide Services and Products to national accounts located inside and outside of the Protected Territory.

The location of the Gym and the Protected Territory will be identified in Exhibit A to the Franchise Agreement. If you do not have a site for your Gym when you sign the Franchise Agreement, you will sign Exhibit B to the Franchise Agreement and will have 90 days after the date of the Franchise Agreement to find a site for the Gym (acceptable to us) within the designated geographic area. Once we approve a location within the geographic area established in Exhibit B (within 30 days following your submission of a full site report for the proposed site), we and you will then sign Exhibit A (which identifies the Protected Territory for your Gym).

You may only relocate the Gym if it is destroyed, condemned or otherwise becomes untenable by fire, flood or other casualty, and only with our written consent. If we permit you to relocate your Gym,

you must reopen the Gym at a “new” franchise location (for which you must obtain our consent) within 6 months after you discontinue operation at the existing Authorized Location. You will pay us a relocation fee equal to 25% of our then-current initial franchise fee for services we will provide in assisting you in relocating your Gym. In addition, you will need to build out the Gym consistent with our then-current standards for new Project Function™ Gyms.

We (for ourselves and our affiliates) reserve the right, without compensation to you:

1. To directly operate, or to grant other persons the right to operate, Project Function™ Gyms at locations outside the Protected Territory;
2. To provide Services and Products to national accounts located inside and outside of the Protected Territory
3. To promote, sell and distribute anywhere the Services and the Products authorized for sale at Project Function™ Gyms under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution, including any national account program;
4. To promote, sell, distribute and license the Services and the Products authorized for sale at Project Function™ Gyms as well as ancillary services and products under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of Project Function™ Gyms), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;
5. To acquire businesses that are the same as or similar to the Gym or other Project Function™ Gyms and operate such businesses regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party operating businesses that are the same as or similar to the Gym or other Project Function™ Gyms regardless of whether such businesses are located within or outside the Protected Territory; and
6. To promote the System and Project Function™ businesses generally, including on the Internet and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

You will concentrate your marketing and advertising efforts within your Protected Territory and will not conduct any advertising or marketing that is primarily focused on the solicitation of potential customers located within the protected territory of any other Project Function™ Gym. In addition, if we establish a member reciprocity policy, then you will require to comply with the then-current member reciprocity policy. This policy may prohibit you from selling a membership that does not provide full reciprocity benefits to all your members, restrict or provide guidelines regarding membership transfers, and address other requirements or suggestions for member reciprocity. You may not offer, promote or sell any Products or Services through any other channels of distribution, including the Internet. You will not have the right to subfranchise or sublicense any of your rights under the Franchise Agreement.

We do not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

As of the date of this disclosure document, FP and FP Innovations sell certain Products and Services directly to consumers.


Except as disclosed in this section and elsewhere in this disclosure document, neither we nor any affiliate operates, franchises, or has any current plans to operate or franchise any business selling the Products and Services authorized for sale at a Project Function™ Gym under any other trademark or service mark.

### ITEM 13

#### TRADEMARKS

We grant you the right under the Franchise Agreement to operate your Gym under the name “Project Function” and other trademarks or service marks (the “Marks”).

The following schedule list only the principal Marks that you are licensed to use.

Principal Trademarks	U.S. Registration Or Serial No.	Application or Registration Date	Principal/ Supplemental Register
Project Function	Ser. No. 97361713	Application Date: Apr. 13, 2022	Principal*
	Ser. No. 98915712	Application Date: Dec. 20, 2024	Principal*
Project Function	Serial No. 99076044	Application Date: March 10, 2025	Principal*

\* - We do not have a federal registration for this Mark. Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademarks is challenged, you have to change to an alternative trademark which may increase your expense.

Our affiliate, FP Holdings, owns the Marks and has licensed us the right to use the Marks and to sublicense the use of the Marks to operate Project Function™ Gyms under a trademark license agreement dated March 1, 2025 (the “License Agreement”). The License Agreement has a 10-year term, which will renew automatically unless one of the parties elects not to renew the License Agreement. FP Holdings or we may terminate the License Agreement if the other party fails or refuses to perform any duty under the License Agreement. In addition, FP Holdings may terminate the License Agreement if our misuse of the Marks materially impairs the goodwill associated with the Marks or if we do not comply with FP Holdings’ instructions concerning the quality of the Marks. If the License Agreement is terminated, any then-existing sublicenses (franchises) will continue for the term of the sublicenses provided that the franchisees comply with all other terms of their Franchise Agreements. The License Agreement contains no other material limitations.

We have the right to periodically change the list of Marks. Your use of the Marks and any goodwill is to our and our affiliates’ exclusive benefit and you retain no rights in the Marks. You retain no rights in the Marks when the Franchise Agreement expires or terminates. You are not permitted to make any changes or substitutions respecting the Marks unless we direct in writing. You may not use any Mark or portion of any Mark as part of any corporate or any trade name, or any modified form or in the sale of any unauthorized product or service, or in any unauthorized manner. You may not use any Mark or portion of any Mark on any website without our prior written approval.

There are currently no effective material determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any

pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the principal Marks that are relevant to your use in any state. There are currently no agreements in effect that significantly limit our rights to use or license the use of any principal Marks in any manner material to the franchise.

You must immediately notify us of any apparent infringement of or challenge to your use of any Marks, and we have sole discretion to take any action we deem appropriate. We otherwise are unaware of any infringing uses or superior rights that could materially affect your use of the principal Marks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation relating to the Marks and we will have the sole right to decide to pursue or settle any infringement actions relating to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you will make these changes or substitutions at your own expense.

#### **ITEM 14**

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

There are no patents, pending patent applications or copyrights currently registered that are material to the franchise.

We do claim copyright ownership and protection for the Operations Manual as well as our advertising copy and design, written training materials and for certain other written materials we provide to assist you in operating your Gym. In addition, we treat certain portions of our training curriculum as trade secrets.

We own certain proprietary or confidential information relating to the operation of Project Function™ Gyms, including information in the Operations Manual (“Confidential Information”). You must keep confidential during and after the term of the Franchise Agreement the Confidential Information. When your Franchise Agreement expires or terminates, you must return to us all Confidential Information and all other copyright material. You must notify us immediately if you learn of an unauthorized use of the Confidential Information. We are not obligated to take any action and we will have the sole right to decide the appropriate response to any unauthorized use of the Confidential Information. You must comply with all changes to the Operations Manual at your cost. We reserve the right to control the Customer Data stored on your Management System and grant you a license to use the Customer Data during the term of your Franchise Agreement. As the Customer Data is Confidential Information, you must cease to use it when your Franchise Agreement expires or terminates. We will periodically establish policies respecting your use of the Customer Data.

#### **ITEM 15**

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

###### Franchise Agreement

You must designate an individual we approve and who successfully completes our initial training program and other required training as the Certified Manager of the Gym (“Certified Manager”). If the

Certified Manager is not a “Principal Owner” (as defined below), a Principal Owner also must attend and successfully complete the initial training program. The Certified Manager is responsible for day-to-day Gym operations, must at all times faithfully, honestly and diligently perform his/her obligations, and must continuously use his/her best efforts to promote and enhance the business of the Gym. The Certified Manager assumes his/her responsibilities on a full-time basis and may not engage in any other business or other activity that requires any significant management responsibility or time commitments, or that otherwise may conflict with his/her obligations. You must appoint a competent Certified Manager acceptable to use within a reasonable time, not to exceed 30 days, from the date the former Certified Manager is no longer managing the Gym.

Each individual who owns a 10% or greater interest in the franchisee entity is considered a “Principal Owner” and must sign the Guaranty and Assumption of Obligations attached to the Franchise Agreement. We may also require the spouse of any Principal Owner to sign the Guaranty Agreement. These people agree to discharge all obligations of the franchisee entity to us under the Franchise Agreement and are bound by all of its provisions, including maintaining the confidentiality of Confidential Information described in Item 14 and complying with the non-compete covenants described in Item 17.

If at any time the Certified Manager is not managing the Gym or no longer serves as the Certified Manager, we immediately may appoint a manager to maintain Gym operations on your behalf until you have appointed a successor Certified Manager who has attended and successfully completed our Initial Training Program.

## **ITEM 16**

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

You must offer and sell in your Gym all, and only, those products and services that we have approved. You must at all times maintain an inventory of approved Products and other items in such quantities and variety that we direct. We may add new Services or Products that you must offer at or use in your Gym. Our right to modify the Products and Services to be offered at a Gym is not limited.

You also must comply with our then-current reciprocity policy described in the Operations Manual. This policy may prohibit you from selling a membership that does not provide full reciprocity benefits to all your members, restrict or provide guidelines regarding membership transfers, and address other requirements or suggestions for member reciprocity.

**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 or Other Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 3	10 years.
b. Renewal or extension of the term	Section 3	If you are in good standing, you can renew the Franchise Agreement for up to 2 additional 5-year terms.
c. Requirements for you to renew or extend	Section 3	Provide advance notice, have complied with current franchise agreement, your Certified Manager and a Principal Owner satisfactorily complete any new/refresher training programs, sign new agreement (which may contain materially different provisions than your current Franchise Agreement), remodel, provide proof you will maintain possession of the Gym premises, pay a renewal fee, and sign a general release of claims.
d. Termination by you	Section 16	If you comply with the Franchise Agreement, and we fail to cure a material provision within 60 days after written notice or such additional time as we may reasonably need.
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 15	We may terminate the Franchise Agreement only if you default.
g. "Cause" defined – curable defaults	Sections 15(A) and (B)	<p>Curable defaults include the following: (i) the Certified Manager or Principal Owner (if applicable) fails to meet our then-current requirements or satisfactorily complete the Initial Training Program; (ii) you fail to open and commence full operations of the Gym at such time as provided in the Franchise Agreement; (iii) any of your material violations of the Franchise Agreement or any other Agreement between you and us or our affiliates; (iv) failure to comply with the material requirements of the System, or material standards of uniformity or quality for the Services and Products; (v) failure to timely pay Royalty Fees, Brand Marketing Fees, Technology Fees or any other amounts owed to us, our affiliates, or approved suppliers; (vi) you violate any federal, state or local government health code in the operation of the Gym; or (vii) an audit discloses an understatement of Gross Sales of 2% or more.</p> <p>The cure period is generally 30 days, except you have only 10 days to cure a failure to pay amounts due and only 72 hours to cure a health code violation (except as described in paragraph h below).</p>

Provision	Section in Franchise Agreement or Other Agreement	Summary
h. “Cause” defined – non-curable defaults	Sections 15(A) and (B)	Non-curable defaults include: (i) failure to comply with one or more material requirement on 3 occasions within 30 months; (ii) non-curable default; (iii) willful and repeated deception of customers; (iv) material misrepresentation or omission in the application for the Franchise; (v) you or any Certified Manager, director, officer or Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or associated goodwill, or if we have proof that such person has committed such a felony, crime or offense; (vi) insolvency; (vii) assignment for the benefit of creditors; (viii) abandonment; (ix) any act that materially impairs or is prejudicial to the goodwill associated with the Marks or System; (x) unauthorized assignment or transfer; (xi) operation, maintenance or construction of the Gym results in a threat or danger to the public health or safety; (xii) the lease for the Gym premises expires or is terminated for any reason (unless, through no fault of you, the lessor of the Gym premises refuses to renew your lease and you relocate within the Protected Territory to a site we approve within 90 days); or (xiii) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise.
i. Your obligations on termination/nonrenewal	Section 17 and 13(B)	Cease operating the Gym and use of the Marks; (ii) pay all amounts due us; (iii) stop using and return Operations Manual and other materials; (iv) assign to us the Gym telephone number and telephone listing or (at our option) disconnect the telephone number, (v) remove all signs and other materials containing any Marks; (vi) comply with all obligations under any proprietary software license/access agreements; (vii) cancel all fictitious or assumed name filings; (viii) cease using Confidential Information; (ix) return to us all leased Gym Products and Proprietary Equipment, and comply with all other post-termination obligations under any Gym equipment lease; and (x) agree not to divert Gym customers to any competing business for 18 months (also see paragraphs o and r below).
j. Assignment of contract by us	Section 14(A)	Assignee must fulfill our obligations under the Franchise Agreement.
k. “Transfer” by you-defined	Sections 14(B) and (C)	Includes transfer of the Gym or its assets, your interest in the Franchise Agreement or any ownership change in you.
l. Our approval of transfer by franchisee	Sections 14(B) and (C)	We have the right to approve all transfers, but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Sections 14(B) and (C)	<p>Transfer to wholly-owned entity – owners maintain the same proportionate ownership interest in the entity, Gym is actively managed by the Certified Manager, all Principal Owners of the assignee entity sign the Guaranty Agreement, you provide us 15 days’ written notice before the proposed assignment and provide all entity-related organizational documents, stock or membership certificates include legend as to transfer restrictions, and only occurs once.</p> <p>Transfer of controlling interest - all amounts due to us and our affiliates are paid and you are in good standing under the Franchise Agreement, transferee is approved by us and the new Certified Manager meets our standards, transferee signs our then-current Franchise Agreement and completes our Initial Training</p>

Provision	Section in Franchise Agreement or Other Agreement	Summary
		<p>Program, landlord consents to transfer of the lease (if applicable), pay the applicable transfer fee, you and each Principal Owner signs a general release, we approve the sale documents, and you agree to comply with all post-termination obligations.</p> <p>Transfer of non-controlling interest – provide 30 days’ prior written notice, any new Principal Owner signs a personal guaranty, transfer fee of \$1,000, and provide us with information we request.</p>
n. Our right of first refusal to acquire your business	Section 14(F)	We can match any offer for your Gym.
o. Our option to purchase your business	Section 17(D)	When the Franchise Agreement expires or terminates, we may purchase assets at fair market value, less the value of any goodwill associated with our Marks, any products or items that were not acquired in compliance with the franchise agreement, and other intangible assets.
p. Your death or disability	Section 14(D)	Franchise must be assigned by estate to an approved buyer within reasonable time not exceeding 12 months.
q. Non-competition covenants during the term of the franchise	Sections 13(B), 13(D) and 13(F)	No involvement in any business that offers or sells strength training, fitness training, or any other physical training services and related products, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to a Project Function™ Gym.
r. Non-competition covenants after the franchise is terminated or expires	Sections 13(B), 13(E), 13(F) and 17(A)	No involvement in any business that offers or sells strength training, fitness training, or any other physical training services and related products, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to a Project Function™ Gym within a 10-mile radius of the former site of the Gym or any other then-existing Project Function™ Gym, for 18 months following the termination or expiration of the Franchise Agreement or you cease operating the Gym (whichever is later).
s. Modification of the agreement	Section 20(F)	No modifications generally, except in writing. We may modify Operations Manual, Marks, System and goods/services to be offered to your Gym.
t. Integration/merger clause	Section 20(N)	Only the terms of the Franchise Agreement (including exhibits) are binding (subject to federal and state law). Any representations or other promises made outside the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19	Except for actions we bring for monies owed, injunctive relief, or actions involving real estate, all disputes first will be subject to non-binding mediation in the county where our headquarters is located, then (if not resolved) to binding arbitration in the county where our headquarters is located (subject to applicable law).
v. Choice of forum	Section 20(D)	Litigation (to the extent permitted) must be in state or federal court in the county where our headquarters is located at the time the suit is commenced (subject to applicable law). We also may file suit where the Gym is located (subject to applicable law).
w. Choice of law	Section 20(E)	Laws of the state of Nevada (subject to applicable law).

**ITEM 18**

**PUBLIC FIGURES**

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

**ITEM 19**

**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting David Filonzi, 619-966-7563, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NUMBER 1**  
**Systemwide Business Summary**  
**For Years 2022 to 2024**

<b>Business Type</b>	<b>Year</b>	<b>Businesses at the Start of the Year</b>	<b>Businesses at the End of the Year</b>	<b>Net Change</b>
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned*	2023	0	0	0
	2023	0	0	0
	2024	0	1	1
Total Businesses	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2024</b>	<b>0</b>	<b>1</b>	<b>1</b>

\*Our affiliate, PF, owns and operates one company-owned Gym that has commenced offering memberships as of the date of this disclosure document and anticipates opening its Gym within the next few months.

**TABLE NUMBER 2**  
**Transfers of Businesses from Franchisee to New Owners (Other than the Franchisor)**  
**For Years 2022 to 2024**

State	Year	Number of Transfers
<b>TOTAL</b>	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>
	<b>2024</b>	<b>0</b>

**TABLE NUMBER 3**  
**Status of Franchised Businesses**  
**For Years 2022 to 2024**

State	Year	Businesses at the Start of the Year	Businesses Opened	Terminations	Non-Renewals	Required by Franchisor	Ceased Operations / Other Reasons	Businesses at the End of the Year
<b>TOTAL</b>	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE NUMBER 4**  
**Status of Company-Owned Businesses\***  
**For Years 2022 to 2024**

State	Year	Businesses at the Start of the Year	Businesses Opened	Businesses Reacquired From Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at the End of the Year
<b>TOTAL</b>	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2024</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

\*Our affiliate, PF, owns and operates one company-owned Gym that has commenced offering memberships as of the date of this disclosure document and anticipates opening its Gym within the next few months.

**TABLE NUMBER 5**  
**Projected Openings As of December 31, 2024**  
**As of December 31, 2024**

State	Franchise Agreements Signed But Business Not Opened	Projected New Franchised Businesses in the Next Fiscal Year	Projected New Company-Owned Businesses in the Next Fiscal Year
California	0	6	0
Florida	0	2	0
Georgia	0	1	0
Minnesota	0	2	0
Nevada	0	1	1
New Jersey	0	2	0
Tennessee	0	1	0
Texas	0	1	0
<b>TOTAL</b>	<b>0</b>	<b>16</b>	<b>1</b>

The names, addresses and phone numbers of Project Function™ franchisees as of December 31, 2024, as well as former franchisees, or franchisees who have not communicated with us in the previous 10-week period, are listed in Exhibit G. If you buy a Project Function™ franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No current or former franchisees have signed provisions restricting their ability to speak openly about their experience with us.

There are no trademark-specific franchisee associations applicable to you, either created, sponsored or endorsed by us, or independent franchisee associations.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit A is our audited balance sheet and income statement for the period from inception (January 9, 2025) to February 20, 2025. Because we began franchising in 2025 and have not been in business for three or more years, we cannot include all the financial statements required by the FTC Franchise Rule.

## **ITEM 22**

### **CONTRACTS**

The Franchise Agreement (including the Personal Guaranty) is attached as Exhibit B. The Conversion Addendum is attached as Exhibit C. The State Addenda are attached as Exhibit E. The General Release Form is attached as Exhibit F. The Disclosure Acknowledgment Agreement is attached as Exhibit H.

## **ITEM 23**

### **RECEIPTS**

Two copies of an acknowledgment of your receipt of this disclosure document are included at the end of this disclosure document (Exhibit I). You should keep one copy as your file copy and return the second copy to us.

**EXHIBIT A**  
**FINANCIAL STATEMENTS**

**PF FRANCHISING INC**

**FINANCIAL STATEMENTS**

February 20, 2025

**PF FRANCHISING INC**  
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## INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Management  
PF Franchising Inc.  
Las Vegas, Nevada

### **Opinion**

We have audited the accompanying financial statements of PF Franchising, Inc, which comprise the balance sheet as of February 20, 2025, and the related statements of income, stockholder's equity, and cash flows for the period from inception (January 9, 2025) to February 20, 2025, 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 PF Franchising Inc. as of February 20, 2025, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 PF Franchising Inc and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 PF 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 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 PF 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 PF 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.

*Redpath and Company, LLC*

REDPATH AND COMPANY, LLC  
St. Paul, Minnesota

February 27, 2025

## **FINANCIAL STATEMENTS**

**PF FRANCHISING INC**  
BALANCE SHEET  
February 20, 2025

**Statement 1**

---

Assets	
Current assets:	
Cash	<u>\$5,000</u>
Total assets	<u><u>\$5,000</u></u>
Liabilities and Stockholder's Equity	
Stockholder's equity	
Common stock, \$1 par; 10,000 shares authorized, issued and outstanding	\$10,000
Retained earnings (deficit)	<u>(5,000)</u>
Total stockholder's equity	<u><u>5,000</u></u>
Total liabilities and stockholder's equity	<u><u>\$5,000</u></u>

The accompanying notes are an integral part of these financial statements.

**PF FRANCHISING INC**  
**STATEMENT OF INCOME**  
For the Period from Inception (January 9, 2025) to February 20, 2025

**Statement 2**

---

Revenues	\$ -
Operating expenses	<u>5,000</u>
Net loss	<u><u>(\$5,000)</u></u>

The accompanying notes are an integral part of these financial statements.

**PF FRANCHISING INC**  
**STATEMENT OF EQUITY**

For the Period from Inception (January 9, 2025) to February 20, 2025

**Statement 3**

---

	<u>Common Stock</u>		<u>Retained Earnings (deficit)</u>	<u>Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>		
Balance - January 9, 2025	-	\$ -	\$ -	\$ -
Stock issuance	10,000	10,000	-	10,000
Net loss			<u>(5,000)</u>	<u>(5,000)</u>
Balance - February 20, 2025	<u>10,000</u>	<u>\$10,000</u>	<u>(\$5,000)</u>	<u>\$5,000</u>

The accompanying notes are an integral part of these financial statements.

**PF FRANCHISING INC**

**STATEMENT OF CASH FLOWS**

For the Period from Inception (January 9, 2025) to February 20, 2025

**Statement 4**

---

Cash flows from operating activities:	
Net loss	(\$5,000)
Cash flows from financing activities:	
Stock issuance	<u>10,000</u>
Net increase in cash	5,000
Cash - beginning of period	<u>-</u>
Cash - end of period	<u><u>\$5,000</u></u>

The accompanying notes are an integral part of these financial statements.

**Note 1 ORGANIZATION AND NATURE OF ACTIVITIES**

PF Franchising Inc. (the "Company") was incorporated under the laws of the State of Nevada for the purpose of franchising the rights to open, operate, and manage fitness centers in the United States. Franchisees pay the Company an initial franchise fee to acquire the franchise.

**Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

**USE OF ESTIMATES**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities and other items, as well as the reported revenues and expenses. Actual results could differ from those estimates.

**CASH**

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Financial instruments that potentially subject the Company to credit risk consist of cash. The Company places its cash with a high-quality financial institution and do not exceed the amount of insurance provided on such deposits.

**REVENUE RECOGNITION**

Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonable assured. The determination of whether fees and fixed or determinable and collection is reasonable assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.

Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors- Revenue from Contracts with Customers (*Subtopic 952-606*): Practical Expedient' in 2021 which provides a new practical expedient that permits private company franchisors to account for preopening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. The franchise fees remaining after any pre-opening performance obligations have been satisfied are recognized on a straight-line basis over the term of the respective agreement. The Company has elected to adopt this new standard.

#### INCOME TAXES

The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be taxed as a corporation. The Company has evaluated its tax positions and related income tax under FASB's authoritative guidance regarding Accounting for Income Taxes and management has concluded that it has taken no uncertain tax positions that would require adjustment to these financial statements.

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company is not currently under examination by any taxing jurisdiction. In the event of any future penalties or interest, the Company has elected to record interest and penalties as income tax expense on the Company's statements of income.

#### COMMITMENTS AND CONTINGENCIES

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations.

#### SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 27, 2025, the date on which the financial statements were available to be issued.

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

# **PROJECT FUNCTION™**

## **PF FRANCHISING, INC. FRANCHISE AGREEMENT**

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FRANCHISEE

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DATE OF AGREEMENT

PF Franchising, Inc.  
2025 Franchise Agreement

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**EXHIBITS**

- A – GYM LOCATION AND PROTECTED TERRITORY
- B – GYM LOCATION GENERAL AREA
- C – GYM LEASE ADDENDUM
- D – GUARANTY AND ASSUMPTION OF OBLIGATIONS
- E – EQUIPMENT LEASE AGREEMENT

## PF FRANCHISING, INC. FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, between PF FRANCHISING, INC., a \_\_\_\_\_ corporation, with a principal place of business at 64 North Pecos Road # 112, Henderson, NV 89074 (“we” or “us”), and \_\_\_\_\_, a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_ (“you”).

### INTRODUCTION

A. We developed, own, and continue to improve a “System” (as defined in Section 1(K) below) relating to the development and operation of Project Function™ businesses offering monthly memberships and personal training opportunities that use gym facilities equipped with our proprietary machines and staffed with trainers who are certified in our training courses.

B. Functional Patterns Holdings, LLC owns the Project Function™ trademark, and other trademarks and service marks (the “Marks”) and has granted us a license to use the Marks in operating the System.

C. We grant qualified persons the right to develop, own and operate a Project Function™ business at a specific location.

D. You desire to obtain the right to develop and operate a Project Function™ business using the System at a specific location.

### AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

#### 1. DEFINITIONS

A. “Confidential Information” means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, Operations Manual (as defined in Section 7(E)), systems, and knowledge of and experience in the operation and franchising of Project Function™ businesses that we communicate to you or that you otherwise acquire in operating the Gym (as defined in Section 1(J)) under the System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

B. “Certified Manager” means the Principal Owner, or other person that you designate as the Gym’s certified manager, that has completed our Initial Training Program and all mandatory follow-up training programs, and meets our then-current requirements for Certified Managers (as described in the Operations Manual).

C. “Customer Data” means any name, address, email address, telephone number, date of birth, demographic data, behavioral data, customer service history, financial data, transaction data, correspondence, and other information about any potential, current or former customer whether stored in electronic, physical or other forms or formats.

D. “Gross Sales” means the aggregate amount of all sales of all Services and Products, and other goods and services, including all Membership Fees and Personal Training Fees, whether for cash, on

credit or otherwise, made or provided at or in connection with the Gym, including any off-premises sales and monies derived at or away from the Gym as we periodically may authorize. Gross Sales includes reciprocity revenue you may receive when a member at another Project Function™ Gym receives Services at your Gym. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added or retailer’s excise taxes you pay or accrue; or (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. Gross Sales will not be adjusted for uncollected accounts. For purposes of the Royalty Fee described in Section 4(B) below, the sale is made at the earlier of delivery of the service or product, or receipt of payment.

E. “Marks” means the Project Function™ trademark and service mark, the related design logo, and other trademarks, service marks, domain names, logos, slogans, and commercial symbols that we have designated, or may in the future designate, for use in the System.

F. “Membership Fees” means those certain fees that are derived from monthly membership dues received in connection with the Gym.

G. “Personal Training Fees” means those certain fees that are derived from personal training sessions and other ancillary services that are offered to members of the Gym.

H. “Principal Owner” means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in you. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a ten percent (10%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a ten percent (10%) or greater interest in such general partner.

I. “Products” means retail products, accessories, vending items and other products that we identify and periodically may modify or otherwise approve for sale at the Gym.

J. “Protected Territory” means the geographic area, identified in Exhibit A, which is an area surrounding the Authorized Location of the Gym equal to the lesser of a two (2) mile radius or a resident population of thirty thousand (30,000) people.

K. “Services” means access to fitness training facilities that contain certain Proprietary Equipment and offer one-on-one personal training sessions, small group training sessions, and other related services authorized for Project Function™ businesses, as we periodically may modify or otherwise approve for sale at the Gym.

L. “Gym” means the Project Function™ business developed and operated under this Agreement, and which offers the Services and Products.

M. “System” means the Project Function™ system which includes the sale of Services and Products to the individual consumer under the Marks at Project Function™ businesses, using certain distinctive types of décor, products, equipment (including the Management System (as defined in Section 6(D) below)), supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

## 2. GRANT OF FRANCHISE

A. Grant of Franchise, Authorized Location and Protected Territory. Subject to the provisions contained in this Agreement, we grant you a license (the “Franchise”) to own and operate a Project

Function™ business (the “Gym”) at a site we approve (the “Authorized Location”) and to use the Marks and other aspects of the System in operating the Gym. The location of the Gym and your Protected Territory are identified in Exhibit A. Alternatively, if you do not have an Authorized Location at the time you and we sign this Agreement, we and you will complete and sign Exhibit B, in which we and you agree on a geographic area in which the location of the Gym will be established, subject to our written consent, within sixty (60) days after the date of this Agreement. You do not receive any territorial rights upon designation of the geographic area in Exhibit B, and we and our affiliates have the right to operate and franchise other Project Function™ businesses within the designated area. Once we consent to a location for the Gym within the geographic area established in Exhibit B, however, we and you will sign Exhibit A and identify the Protected Territory.

B. Nature of Your Protected Territory. During the Initial Term of this Agreement (as described in Section 3), if you are in compliance with the terms of this Agreement, we will not directly operate or franchise other persons to operate any other Project Function™ business at a brick-and-mortar location within the Protected Territory. The license granted to you under this Agreement is personal in nature, may not be used at any location other than at the Gym, and does not include the right to provide or sell any Services or Products identified by the Marks at any location other than at the Gym. This Agreement does not include the right to provide or sell any Services or Products identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not open any other Project Function™ business in the Protected Territory unless we permit you to do so under a separate franchise agreement. You will not have the right to subfranchise or sublicense any of your rights under this Agreement. You will not use the Gym for any purposes other than the operation of a Project Function™ business. You will concentrate your marketing and advertising efforts within your Protected Territory and will not conduct any advertising or marketing that is primarily focused on the solicitation of potential customers located within the protected territory of any other Project Function™ business.

C. Rights Reserved to us. We (for us and our affiliates) retain the right:

1. To directly operate, or to grant other persons the right to operate, Project Function™ businesses at locations outside the Protected Territory;
2. to provide Services and Products to national accounts located inside and outside of the Protected Territory;
3. To promote, sell and distribute anywhere the Services and the Products authorized for sale at Project Function™ businesses under trademarks and service marks other than the Marks through similar or dissimilar channels of distribution, including any national account program;
4. To promote, sell, distribute and license the Services and the Products authorized for sale at Project Function™ businesses as well as ancillary services and products under the Marks through dissimilar channels of distribution (*i.e.*, other than the operation of Project Function™ businesses), including direct mail, wholesale activities, and by electronic means such as the Internet, and pursuant to conditions we deem appropriate within and outside the Protected Territory;
5. To acquire businesses that are the same as or similar to the Gym or other Project Function™ businesses and operate such businesses regardless of whether such businesses are located within or outside the Protected Territory, and to be acquired by any third party operating businesses that are the same as or similar to the Gym or other Project Function™ businesses regardless of whether such businesses are located within or outside the Protected Territory; and

6. To promote the System and Project Function™ businesses generally, including on the Internet (or any other existing or future form of one or more electronic commerce) and to create, operate, maintain and modify, or discontinue the use of websites using the Marks.

3. TERM OF FRANCHISE; RENEWAL RIGHTS

A. Term. The initial term of this Agreement (the “Initial Term”) will be for ten (10) years commencing on the date of this Agreement (the “Effective Date”).

B. Renewal Terms. You will have the right to enter into a successor agreement for the Franchise for two (2) additional renewal terms (each a “Renewal Term”) of five (5) years each, provided you satisfy the following conditions respecting each Renewal Term:

1. You have given us written notice at least one hundred eighty (180) days but no more than three hundred sixty-five (365) days before the end of the Initial Term, or the end of the Renewal Term, of your intention to enter into a successor agreement;

2. You have complied with all of the material provisions of this Agreement and all other agreements between you and us or any of our respective affiliates, including the payment of all monetary obligations you owe to us or our affiliates, and have complied with our material operating and quality standards and procedures;

3. You provide documentation satisfactory to us that you (a) have the right to maintain possession of the Authorized Location during the Renewal Term described in our then-current franchise agreement and have, at your expense, made such reasonable capital expenditures necessary to remodel, modernize and redecorate the Gym premises and to replace and modernize the décor, supplies, fixtures, signs and equipment used in operating the Gym so that the Gym reflects the then-current physical appearance of new Project Function™ businesses, or (b) can secure a new location within the Protected Territory to which we have consented (and our consent will not be unreasonably withheld) and you agree to make all required improvements to the Gym premises and install all required fixtures and equipment in compliance with our then-current standards and specifications for new Project Function™ businesses;

4. Both a Principal Owner and Certified Manager (if the Certified Manager is not a Principal Owner) must complete, to our satisfaction, any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

5. You pay to us a fee equal to ten percent (10%) of our then-current Initial Franchise Fee (the “Successor Fee”) when you provide notice of your intent to renew the Franchise Agreement;

6. You sign our then-current standard franchise agreement which may differ materially from the provisions of this Agreement; provided that you will be required to pay the Successor Fee in lieu of the Initial Franchise Fee stated in the then-current Franchise Agreement; and

7. You and each Principal Owner sign a general release, in form acceptable to us, of all claims against us and our affiliates, officers, directors, employees, and agents.

4. FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. You will pay us an “Initial Franchise Fee” of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_). The Initial Franchise Fee is payable when you sign this Agreement, is fully earned by us upon receipt of the Initial Franchise Fee, and is not refundable.

B. Royalty Fee. You will pay us a non-refundable monthly fee equal to fifteen percent (15%) of your Gross Sales that are derived from Membership Fees (the “Membership Royalty Fee”) and ten percent (10%) of your Gross Sales that are derived from Personal Training Fees (the “Personal Training Royalty Fee,” together with the Membership Royalty Fee, the “Royalty Fee”). The Royalty Fee is due and payable on or before the 7<sup>th</sup> day of the month based on Gross Sales for the preceding month, or as we otherwise describe in the Operations Manual.

C. Brand Marketing Fee. As further described in Section 5(A) below, you will pay us a non-refundable monthly fee equal to two percent (2%) of your Gross Sales (“Brand Marketing Fee”). We will deposit the Brand Marketing Fee into the Brand Marketing Fund described in Section 5(A) below. The Brand Marketing Fee is due and payable at the same time and in the same manner as the Royalty Fee. We reserve the right to adjust the Brand Marketing Fee at any time during the Initial Term upon sixty (60) days’ prior written notice to you; provided that the Brand Marketing Fee will not exceed four percent (4%) of your Gross Sales.

D. Technology Fee. Beginning on the first full month following the opening of the Gym, you will pay us a non-refundable technology fee of One Hundred Dollars (\$100) per calendar month (the “Technology Fee”) to offset our costs related to the Management System, including one or more proprietary software programs. We may increase the Technology Fee no more than once every twelve (12) months and will not increase the fee to more than Four Hundred Dollars (\$400) per calendar month during the Initial Term. The Technology Fee is due and payable on or before the 7<sup>th</sup> day of each month, or as described in the Operations Manual.

E. Electronic Transfer of Funds. We will require you to sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all Royalty Fees, Brand Marketing Fees, Technology Fees and other amounts you owe us. Your authorization will permit us to designate the amount to be transferred from your account. You must maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein. We may change the frequency with which we collect fees under this Agreement, although we will not collect fees more frequently than once a week. You agree to comply with our payment instructions as we periodically may modify them.

F. Insufficient Funds. In addition to interest charges on late fee payments, you must pay to us a service charge of up to Two Hundred Fifty Dollars (\$250) (“Insufficient Fund Fee”) for each delinquent payment that you owe to us under this Agreement. A payment is delinquent if: (1) we do not receive the payment on or before the date due; or (2) there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due.

G. Interest on Late Payments. All Royalty Fees, Brand Marketing Fees, Technology Fees and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) eighteen percent (18%) per year; or (2) the maximum contract rate of interest permitted by law in the state in which the Gym is located.

H. Application of Payments. We have discretion to apply any payments received from you to any amounts due to us or any of our affiliates. Moreover, we have discretion to apply any amounts we pay you to any amounts that may be due to you.

I. Withholding Payments Unlawful. You agree that you will not withhold payment of any Royalty Fees, Brand Marketing Fees, Technology Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under this Agreement or any other agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees, Brand Marketing Fees, Technology Fees or any other amounts due.

J. Tax Indemnification. You will indemnify us and reimburse us for all income, capital, gross receipts, sales and other taxes that the state in which the Gym is located imposes on us as a result of your operation of the Gym or the license of any of our intangible property in the jurisdiction in which the Gym is located. If more than one Project Function™ business is located in such jurisdiction, then those businesses will share the liability in proportion to their Gross Sales from the Gym, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to you. If applicable, this payment is in addition to the Royalty Fee payments described above.

## 5. ADVERTISING

A. Brand Marketing Fund. During the Initial Term, you will pay to us the Brand Marketing Fee for deposit in a marketing and promotional fund (the “Brand Marketing Fund” or “Fund”). We reserve the right to adjust the Brand Marketing Fee at any time during the Initial Term upon sixty (60) days’ prior written notice to you; provided that the Brand Marketing Fee will not exceed four percent (4%) of your Gross Sales during the Initial Term. We will place all Brand Marketing Fees we receive into the Brand Marketing Fund and will manage the Fund. We also will contribute to the Brand Marketing Fund for each Project Function™ business that we or our affiliates operate in the United States at the same percentage rate as a majority of Project Function™ businesses located in the United States must pay to the Brand Marketing Fund. Disbursements from the Brand Marketing Fund will be made solely to pay reasonable expenses we incur in connection with the general promotion of the Marks and the System, including the cost of formulating, developing and implementing advertising, marketing, promotional and public relations campaigns; the cost of market research and analytics; and the costs of administering the Brand Marketing Fund, including the cost of employing advertising, public relations and other third-party agencies to assist us and providing promotional brochures and advertising materials to Project Function™ businesses and to regional and local advertising cooperatives, as well as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Brand Marketing Fund. The Brand Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Brand Marketing Fund. We cannot ensure that you will benefit directly or on a pro rata basis from the future placement of any such advertising or marketing activities in your local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of Project Function™ businesses to the Brand Marketing Fund in that year. We may, through the Brand Marketing Fund, furnish you with approved local marketing plans and materials on the same terms and conditions as plans and materials we furnish to other Project Function™ businesses. We will determine the methods of advertising, media employed and the geographic scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. Upon written request, we will provide you an annual unaudited statement of the receipts and disbursements of the Brand Marketing Fund for the most recently completed calendar year.

B. Local Marketing and Gym Promotion. In addition to the Brand Marketing Fee due under Section 5(A) above, you must spend each month a total of two percent (2%) of Gross Sales for the previous month on “approved” Gym marketing and promotional activities in your Protected Territory. Within fifteen

(15) days following the end of each month, you will provide us with an accounting of the funds that you have spent on local marketing for the preceding calendar quarter. If you fail to spend the minimum amount required under this Section 5(B) on approved local marketing, you must deposit with us the difference between what you should have spent on approved marketing during the calendar quarter and what you actually spent on approved marketing during the calendar quarter. We will deposit that amount in the Brand Marketing Fund. For purposes of this Agreement, Gym marketing and promotional activities are “approved” if they comply with Sections 2(B) above and 5(D) below and the Operating Manual. We reserve the right to increase the minimum monthly amount you must spend on local marketing upon sixty (60) days’ notice to you; provided that the total monthly amount you spend for local marketing as described above, when combined with the required Brand Marketing Fee, will not exceed six percent (6%) of Gross Sales.

C. Cooperative Advertising. In the future, we may require that you participate in, support and contribute to the cost of regional cooperative advertising programs we designate. We reserve the right to designate regional and local advertising markets, to establish regional advertising councils and to establish the bylaws and other rules under which such councils will operate. Your contributions to regional and local advertising cooperatives will be credited toward your local marketing obligations described in Section 5(B) above. If a cooperative is formed in a market where both franchised and company-owned Project Function™ businesses exist, the company-owned business locations will contribute to and participate in the regional cooperative in the same manner as the franchised locations.

D. Initial Launch Marketing. You must spend at least Three Thousand Dollars (\$3,000) on initial launch marketing and promotions in your Protected Territory that meet our requirements within the first sixty (60) days following the commencement of Gym operations (“Initial Launch Marketing Requirement”). You must obtain our approval in advance of conducting the initial launch marketing and promotional activity and we may require that you use our designated media vendor (if any) and implement our recommended media plan (if any) in satisfying the Initial Launch Marketing Requirement. On or before the last day of the month following the end of sixty (60) day period, you must provide us with an accurate accounting of the Initial Launch Marketing Requirement expenses. If you fail to satisfy the Initial Launch Marketing Requirement, you must deposit with us the difference of what you actually spent and the minimum required amount, and we may spend such amount on initial launch marketing and promotional activity as we determine on your behalf or deposit that amount in the Brand Marketing Fund.

E. Approved Advertising, Media Plans and Gym Promotion Materials. We may develop, and make available to you, local media planning assistance. If we do so, you must use our recommended media plan in promoting the Gym or otherwise develop, and obtain our advance written approval to, an alternative media/promotion plan. In addition, you will use only our approved advertising and promotional materials in promoting the Gym. If you desire to use any advertising or promotional materials in promoting the Gym which we previously have not approved, you must submit all materials to us for our approval before your proposed use of such materials, which approval will not be unreasonably withheld. If you use any advertising or promotional materials without submitting those materials to us or if you use materials we disapprove, in addition to any separate remedies we may have, any amounts spent on those materials will not be credited toward your local marketing obligations described in Section 5(B) above.

F. Participation in Certain Programs and Promotions. You must use your best efforts to promote and advertise your Gym and must participate in all advertising and promotional programs we establish in the manner we direct. You must, at your expense, participate in, and honor all provisions of any gift card and/or loyalty program that we have established or may establish and as we may modify, as further described in the Operations Manual. You also must honor all coupons, discounts and gift certificates as we may reasonably specify in the Operations Manual or otherwise in writing. We may set minimum and maximum prices on all Services and Products provided or sold at or in connection with the Gym, subject

to applicable law. You must also participate in any mystery shopper program that we require and pay the fee charged by the vendor we designate.

6. DEVELOPMENT AND OPENING OF THE GYM

A. Site Selection; Lease for Gym Premises. You are solely responsible for securing a site for the Gym that we have approved. We will provide you with reasonable assistance in connection with the selection and evaluation of proposed Gym sites. We recommend that you use a site location specialist to assist you in finding potential sites for your Gym, and reserve the right to (a) require that you use an approved or designated site location specialist, or (b) obtain our written acceptance of the site location specialist you use. You must submit to us a complete site evaluation form (containing any information that we may require) for the proposed Gym location. We will notify you in writing within thirty (30) days after we receive your complete site evaluation form and other materials we request whether we accept or reject the proposed Gym location. If you intend to enter into a letter of intent and/or lease for the Gym premises, you must provide the proposed lease and, if applicable, the proposed letter of intent to us and receive our prior written approval of the proposed lease and proposed letter of intent (which will not be unreasonably withheld) before you sign it. In addition, you and the landlord of the Gym premises (“Landlord”) must sign a “Lease Addendum” in the form attached hereto as Exhibit C. You acknowledge that our assistance in site location and consent to the premises does not represent a representation or guaranty by us that the location will be a successful location for your Gym.

B. Your Development of the Gym. Promptly after you sign a lease or acquire the premises for the Gym, and receive from us the prototype plans and specifications for the Gym, you will:

1. with the assistance of a licensed architect we designate or approve, prepare and submit to us for approval any proposed modifications to our basic plans and specifications, which you may modify only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
2. obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;
3. construct all required improvements to the Gym premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with the plans and specifications we approve and in compliance with all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;
4. establish filing, accounting and inventory control systems complying with our requirements; and
5. follow our required inspection and approval timelines and procedures as established in the Operations Manual.

You will contract with a qualified, licensed, insured and bonded general contractor and a qualified construction project manager (if those services are not handled by the general contractor), each of which we approve, to supervise the planning, permitting and construction of the Gym. If you do not use our designated architect to design the Gym and submit working drawings, construction and architectural plans and specifications, you must pay our then-current fee to review and modify, as needed, you proposed drawings and plans.

C. Fixtures, Equipment, Furniture and Signs. You will use in constructing and maintaining the Gym only those types of construction and decorating materials, fixtures, equipment (including computer hardware, software and voice-over internet protocol systems), furniture, and signs that we have approved for Project Function™ businesses as meeting our specifications and standards for appearance, function and performance. You may purchase approved types of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier we approve or designate (which may include us and/or our affiliates). If you propose to purchase any material, fixture, equipment, furniture or sign we have not then approved, or any items from any supplier we have not then approved, you must first notify us in writing and will provide to us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the material, fixture, equipment, furniture or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria, which determination we will make and communicate in writing to you within a reasonable time.

D. Leased Equipment. You will use in operating the Gym certain proprietary equipment that you will lease from us or our affiliate before commencing business and periodically thereafter as we direct (the “Proprietary Equipment”). You will lease the Proprietary Equipment from us or our affiliate pursuant to the terms of an equipment lease agreement generally in the form attached to this Agreement as Exhibit E (the “Equipment Lease Agreement”). We may require you to sign an amendment to the Equipment Lease Agreement during the term of this Agreement to the extent we require you to lease additional Proprietary Equipment from us or our affiliate. We also may periodically develop or modify Proprietary Equipment that we or our affiliate then lease to you for use in your Gym.

E. Gym Management System. In your Gym, you will use the business management and reporting system, including all existing or future communication or data storage systems, components thereof and associated services, which we have developed or selected for the System (the “Management System”). The Management System may include one or more proprietary or other software programs and/or applications developed or customized by or for us (the “Designated Software”). You must use the Designated Software (if applicable) and the Designated Software will remain the confidential property of us or our third-party supplier. You must enter into our or our designee’s standard form software license agreement in connection with your use of any Designated Software. We reserve the right to charge you an initial license fee related to your use of the Designated Software. You will pay the then-current fee (if any) for the Designated Software at or before the Designated Software is delivered to you. You may also be required to pay our then-current monthly license fee for the use of the Designated Software. In addition, you must pay us a Technology Fee as described in Section 4(D). We reserve the right to assign our rights, title and interest in any Designated Software to a third-party we designate or to replace the Designated Software. In such event, you may be required to enter into a separate computer software license agreement specified by the third-party supplier of the Designated Software and pay any separate fees imposed under that agreement. You will take all steps reasonably possible, including obtaining customer consents, to allow us access to all customer or other data related to the Gym, to the extent such access is permitted by applicable law. You must participate in our designated Payment Card Industry (“PCI”) compliance program if we establish such a program and pay the then-current fee associated with such program. If we do not designate a separate PCI compliance program, you must take all necessary steps to comply with all applicable PCI data security standards. You must maintain a secure technology infrastructure that meets our then-current requirements. All technology used to support the Management System must comply with the then-current regulations of the Payment Card Industry Data Security Standards (PCI-DSS) council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including the Fair and Accurate Credit Transaction Act (FACTA). You will use an e-mail address we designate for communication with us. The computer hardware component of the Management System must comply with specifications we develop. We have the right to designate a single source from which you must purchase the Management System, including any software or hardware components or associated service, and we or our affiliates may be that single source. You will be required

to use and, at our discretion, pay for all future updates, supplements and modifications to the Management System. It is your responsibility to protect yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures and attacks.

F. Customer Data. You acknowledge and agree that we control the use of Customer Data related to your Gym. You will only use the Customer Data as a processor as necessary to operate your Gym for the Initial Term unless you otherwise obtain our prior written approval. You have no right to sell, transfer, sublicense or otherwise share Customer Data to or with any third party unless you obtain our prior written approval or the third party is a service provider bound to substantially similar obligations as this Section and you remain liable for their use. You will comply with all directives and terms in the Operations Manual respecting your use of the Customer Data. We may access Customer Data on the Management System and at the Authorized Location and you will allow us to audit your records to confirm compliance with these provisions. You must provide to us usernames and passwords to access the Management System. You are solely responsible for protecting Customer Data from cyber-attacks or unauthorized access, and you waive any claim you may have against us as the direct or indirect result of such attacks or unauthorized access. You must comply with all applicable federal, state, provincial and local laws and regulations concerning the storage, handling, use and protection of Customer Data. In addition, you must comply with any data protection and breach response policies we periodically may establish and must not use or disclose Customer Data in a manner that would cause us to be in violation of our published privacy policy. You must notify us immediately of any actual or suspected data breach or cyber-attack at or in connection with the Gym or Customer Data. We will periodically update the Operations Manual to the extent necessary to carry out the full intention of this section should any federal, state or other applicable privacy or related laws restrict or otherwise impose obligations respecting our rights to access Customer Data on the Management System or at the Authorized Location. Separately, each party is an independent data controller of, or, if applicable, a business in relation to, the personal data or information relating to the other party's employees, contractors and/or executives it collects and processes and each party will comply with all applicable laws and regulations in relation to the same. The parties will enter into a separate data sharing agreement or processing agreement to the extent and as required by applicable law.

G. Gym Opening. You must comply with any Gym opening requirements we periodically describe in the Operations Manual. You will not open the Gym for business without our prior written approval. You agree to complete the development and open the Gym for business within seven (7) months following the Effective Date.

H. Relocation of Gym. If you must relocate the Gym because the Gym was destroyed, condemned or otherwise became unusable due to fire, flood or other natural disaster or catastrophe, you must reopen the Gym at a "new" franchised location of the Gym for which you must obtain our prior written consent (the "New Authorized Location") in the Protected Territory within six (6) months after you discontinue operation at the existing Authorized Location. If you relocate the Gym under this Section 6(H), the New Authorized Location, including the real estate and building, must comply with all applicable provisions of this Agreement and with our then-current specifications and standards for Project Function™ businesses. In addition, we will require you to pay us a fee equal to twenty-five percent (25%) of our then-current standard initial franchise fee applicable to new Project Function™ businesses for services we will provide in connection with our review of a proposed New Authorized Location ("Relocation Fee"). The Relocation Fee is due and payable upon our approval of your New Authorized Location. There is no guarantee that an acceptable location will be available for relocation. If you cannot relocate your Gym within the Protected Territory and reopen your Gym within the time period described in this Section 6(G), this Agreement will terminate. You otherwise cannot relocate the Gym from the Authorized Location.

7. TRAINING AND OPERATING ASSISTANCE

A. Development of Gym. We will provide you with prototype drawings and specifications for the Gym, reflecting our requirements for dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and décor, and we will provide to you the list of approved and designated suppliers. We will provide you with reasonable consulting services in connection with the selection and evaluation of the proposed Gym site and development of the Gym. You acknowledge that our assistance in site location and consent to the premises does not represent a representation or guaranty by us that the location will be a successful location for your Gym.

B. Training. No less than one (1) month before the opening of the Gym, the Certified Manager must attend and successfully complete the initial training program (the “Initial Training Program”) on the operation of a Project Function™ business that will take place at a place (or virtually) and at a time we designate. If the Certified Manager is not a Principal Owner, a Principal Owner must also attend and successfully complete the Initial Training Program. The Principal Owner and the Certified Manager may be the same person so long as the Principal Owner meets the then-current requirements for Certified Managers (as described in the Operations Manual).

1. The Certified Manager (and the Principal Owner(s) if the Principal Owner(s) is not the Certified Manager) must complete to our satisfaction a 10-week online program (the “Online Program”) before attending the in-person classroom instruction portion of the Initial Training Program. Following your completion of the Online Program, the Certified Manager (and the Principal Owner(s) if the Principal Owner(s) is not the Certified Manager) will attend up to fourteen (14) days of in-person training session in Las Vegas, Nevada, or at another location we designate (the “In-person Training”). The In-Person Training includes additional training related to understanding equipment use and maintenance, customer service, marketing and sales programs and methods of controlling operating costs. If, at any point during the Initial Training Program, we determine that the Principal Owner and/or the Certified Manager are not qualified to manage the Gym, or fail to meet our then-current requirements, we will notify you and you must select and enroll a substitute Principal Owner and/or Certified Manager in the Initial Training Program.

2. In addition, all new Certified Managers must complete the Initial Training Program. We may charge you our then-current fee, which will not exceed Two Thousand Five Hundred Dollars (\$2,500) during the Initial Term plus any costs and expenses we incur, for those new or additional individuals who attend the Initial Training Program.

3. We may require the Certified Manager (and the Principal Owner(s) if the Principal Owner(s) is not the Certified Manager) to attend all supplemental and refresher training programs that we designate for up to five (5) days each calendar year. We may charge you our then-current fee, which currently is Four Hundred Dollars (\$400) per day with a maximum daily fee during the Initial Term of Seven Hundred Fifty Dollars (\$750), plus any costs and expenses we incur, for these supplemental and refresher training programs, and you will reimburse us for any costs and expenses we incur.

4. You are solely responsible for the compensation, travel, lodging and living expenses you and your employees incur in attending the Initial Training Program, as well as any supplemental or refresher training programs. You also are solely responsible for paying your employees and providing all necessary insurance, including worker’s compensation insurance, for you and your employees, while you and your employees attend training.

5. The Certified Manager (and the Principal Owner(s) if the Principal Owner(s) is not the Certified Manager) and any other personnel that we designate must meet the minimum qualifications stated in the Operations Manual, and they must complete any training programs that we periodically may require, including training programs before they may work in a managerial role, train other personnel or conduct training programs. If we learn or determine that a person is no longer complying with our minimum qualifications, standards or procedures, then we may require that person take the necessary steps to meet the minimum qualifications we state in the Operations Manual.

C. Opening Assistance. We will provide you with the services of at least one (1) of our representatives for a minimum of four (4) days to assist you in the opening and initial operations of the Gym. We will determine the number of days and the time at which our representative is available to you.

D. Operating Assistance. We will advise you on operational issues and provide assistance in operating the Gym as we deem appropriate. Operating assistance may include advice regarding the following:

1. additional Services and Products authorized for sale at Project Function™ businesses;
2. selecting, purchasing and marketing products, equipment and other approved materials and supplies;
3. marketing assistance and sales promotion programs;
4. making available one or more of our representatives to assist you during the initial stages of Gym operation at our then-current fees and expenses;
5. establishing and operating administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for the proper operation of a Project Function™ business; and
6. making available in the future our intensive business coaching program (the “QuickStart Coaching Program”) where, for an additional daily fee not to exceed Two Thousand Dollars (\$2,000) we will make available to you a business coach for periodic calls to discuss marketing, day-to-day operations, and the financial components of operating your Gym. We may adjust the frequency in which we may offer the QuickStart Coaching Program if and when we initiate that Program. The QuickStart Coaching Program is optional and we are not obligated to provide you the additional assistance.

We will provide all such guidance, in our discretion, through our Operations Manual, bulletins or other written materials, telephone conversations and/or meetings at our office or at the Gym in conjunction with an inspection of the Gym. To the extent you request, and we agree to provide, additional guidance, coaching or assistance separate from or in addition to the QuickStart Coaching Program, we may charge you a reasonable fee for such additional services (currently Five Hundred Dollars (\$500) per person per day) and require you to reimburse us or our designees for the costs and expenses, including travel expenses, in connection with providing such training or assistance.

E. Operations Manual. We will provide on loan to you, during the Initial Term, electronic (Internet) access to an Operations Manual, which may include other handbooks, manuals and written materials (collectively, the “Operations Manual”) for Project Function™ businesses. The Operations

Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for Project Function™ businesses and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not to establish any control or duty to take control over those matters that are reserved to you. We may supplement, modify or remove information to or from the Operations Manual to reflect changes in the System, the authorized Services and Products, and specifications, standards and operating procedures of a Project Function™ business. You must implement any changes to your Gym that we require in the Operations Manual in the specified time frames. The master copy of the Operations Manual that we maintain on our designated online platform, and make available to you by electronic access, will control if there is a dispute involving the contents of the Operations Manual.

F. Conventions and Meetings. We may hold or sponsor, and you must attend, annual franchise conventions and meetings relating to new Services or Products, new operational procedures or programs, recognition of successful franchisees, training, business management, sales and sales promotion or similar topics. We may require your Certified Manager and/or other personnel to attend these conventions or meetings for up to three (3) days per year and you must pay our then-current registration fee for such attendance (currently Five Hundred Dollars (\$500) per event for each attendee). You must pay the then-current registration fee even if you do not attend. You are responsible for all expenses you incur during these conventions or meetings, including your and your employees' transportation, lodging, meals and salaries. We may use the monies from the Fund for purposes related to these conventions or meetings.

G. Franchise Advisory Council. We may establish, if and when we deem appropriate in our sole discretion, a council to provide advice and guidance regarding the administration of franchise-related matters (a "Franchise Advisory Council"). If we establish a Franchise Advisory Council, it will serve in only an advisory capacity and may consist of franchisees or other management/employees that we designate. If a Franchise Advisory Council is established, We will determine the membership of any such Franchise Advisory Council, along with the policies and procedures by which it operates.

## 8. MARKS AND OTHER INTELLECTUAL PROPERTY

A. Ownership and Goodwill of Marks and Other Intellectual Property. You acknowledge that you have no interest in or to the Marks and do not have any interest in or to any artwork, designs, or other written material created by us that are used with the Marks or in association with the business ("Copyrighted Materials"). You further acknowledge that your right to use the Marks and the Copyrighted Materials is derived solely from this Agreement and is limited to your conduct of business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require during the Initial Term. You agree that the use of the Marks, the Copyrighted Materials and any goodwill established exclusively benefits us, and that you receive no interest in any goodwill related to your use of the Marks, the Copyrighted Materials or the System. You must not, at any time during the Initial Term or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks or Copyrighted Materials.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Gym, but you must identify yourself as the independent owner in the manner we direct. You must not use any Mark as part of any corporate or trade name or in any modified form, nor may you use any Mark in selling any unauthorized product or service or in any other manner we do not expressly authorize in writing. You agree to display the Marks prominently and in the manner we direct on all signs and forms. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Copyrighted Materials. You agree that all Copyrighted Materials you or any other person or entity retained or employed by you create are works made for hire within the meaning of the United States Copyright Act and are our or our affiliate's property, and we may use and license others to use the Copyrighted Materials unencumbered by any moral rights. To the extent the Copyrighted Materials are not works made for hire or the rights in the Copyrighted Materials do not automatically accrue to us or our affiliates, you agree to assign to us or our affiliates (as we request), and our respective successors and assigns, all global right, title, and interest, including all copyrights, in the Copyrighted Materials, which you and the author of such Copyrighted Materials warrant and represent as being created by and wholly original with the author. Where applicable, you agree to obtain any other assignments of rights in the Copyrighted Materials from another person or entity necessary to ensure our right in the Copyrighted Materials under this Section.

D. Restrictions on Internet and Website Use. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You have the right to access and participate in our website as further described in Section 9(O) below. Except as we may authorize in writing, however, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any Products or similar products or services on the Internet (or any other existing or future form of electronic communication) including e-mail marketing or other digital marketing; (3) create or register any Internet domain name in any connection with the Gym; (4) use any e-mail address which we have not authorized for use in operating the Gym; and (5) conduct any activity on "social media" or related social networking website other than as we have expressly authorized in writing. You will not register, as Internet domain names, any of the Marks that we now or hereafter may include as part of the System or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

E. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, Copyrighted Materials, or patent that we or our affiliates may own, or any claim by any person of any rights in any Mark or any similar trade name, trademark, service mark, or Copyrighted Materials of which you become aware. You must not communicate with any person other than us and our counsel regarding any infringement, challenge or claim. We may take any action we deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark, Copyrighted Materials or any patent that we or our affiliates may own. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks, Copyrighted Materials and all patents that we or our affiliates may own.

F. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks, Copyrighted Materials or any patent that we or our affiliates may own in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks, Copyrighted Materials or any patent that we or our affiliates may own and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks, Copyrighted Materials or any such patents. Subject to our right of indemnification (as described in Section 18(B) below), we will pay the cost and expense of all litigation we incur, including attorneys' fees, specifically relating to the Marks, Copyrighted Materials or any patent that we or our affiliates may own. We and our legal counsel will have the right to control and conduct any litigation relating to the Marks, Copyrighted Materials or any patent that we or our affiliates may own.

G. Changes to the Marks. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark,

or to use one or more additional or substitute trademarks or service marks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us.

## 9. GYM IMAGE AND OPERATING STANDARDS

A. Condition and Appearance of Gym. You agree to maintain the condition and appearance of the Gym (including adjacent parking areas and grounds), and refurbish and modify its layout, decor and general theme, as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of Project Function™ businesses, as we may modify. You will replace worn out or obsolete fixtures, equipment, furniture, or signs, repair the interior and exterior of the Gym, adjacent parking areas and grounds, and periodically update and redecorate the Gym. If at any time in our reasonable judgment, the general state of repair, appearance (including compliance with our Trade Dress (as defined below) standards), or cleanliness of the Gym premises (including parking areas and grounds) or its fixtures, equipment, furniture or signs do not meet our then-current standards, we will notify you, specifying the action you must take to correct the deficiency. Subject to Section 9.H below, if you fail to commence action and continue in good faith and with due diligence to undertake and complete any required maintenance or refurbishing within ten (10) days after receipt of notice, we may enter the Gym premises and correct the deficiencies on your behalf and at your expense, in addition to our rights under Section 15 below.

B. Remodeling of Gym. You will, at your expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Gym premises and to replace and modernize the supplies, fixtures, signs and equipment used in your Gym so that your Gym reflects the then-current physical appearance of new Project Function™ businesses. Such appearance changes may include installing new color schemes, flooring, signage or other visual/physical elements to reflect our then-current trade dress (“Trade Dress”). We may require you to take such action: (i) every five (5) years, measured from the Effective Date; (ii) as a condition to the transfer of any interest as further described in Section 14(C); (iii) as a condition of renewal; or (iv) otherwise during the Initial Term as further described in the Operations Manual. You acknowledge and agree that the requirements of this Section 9(B) are both reasonable and necessary to ensure continued public acceptance and patronage of Project Function™ businesses and to avoid deterioration or obsolescence in connection with the operation of the Gym.

C. Repair and Reconstruction of the Gym. If the Gym is damaged or destroyed by fire or any other casualty, and we do not approve the relocation of the Gym as described in Section 6(G) above, you will, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Gym premises to its original condition before the casualty. If, in our reasonable judgment, the damage or destruction is of a nature or to an extent that you can repair or reconstruct the premises of the Gym consistent with the then-current decor and specifications of a new Project Function™ business without incurring substantial additional costs, we may require, by giving written notice, that you repair or reconstruct the Gym premises in compliance with the then-current Trade Dress specifications.

D. Gym Alterations. You cannot alter the premises or appearance of the Gym, or make any unapproved replacements of or alterations to the fixtures, equipment, furniture or signs of the Gym without our prior written approval. We may, in our discretion and at your sole expense, correct any alterations to the Gym that we have not previously approved.

E. Restriction on Use of Premises. You agree that you will not, without our prior written approval, offer at the Gym any services or products that we have not then authorized for use or sale for Project Function™ businesses, nor will the Gym or the premises which it occupies be used for any purpose other than the operation of a Project Function™ business in compliance with this Agreement.

F. Your Hiring and Training of Employees. You will hire all employees of the Gym, and you will be exclusively responsible for the terms of their employment, scheduling, benefits, disciplining, compensation, and all other personnel decisions. You must complete a background check of all of your potential employees, by a vendor we have approved. You must strictly comply with and enforce our code of conduct and any other policies that we may establish (collectively, our “Code of Conduct”). You will also ensure that all Certified Managers and Gym employees strictly comply with our Code of Conduct. You will implement a training program for your Gym trainers in compliance with our requirements. We or our affiliate reserve the right to confirm whether your Gym trainers have successfully completed the training program. You will maintain at all times a staff of certified employees sufficient to operate the Gym in compliance with our standards. You must ensure that all Gym employees comply with all licenses and certifications respecting the Gym as we may require or as federal, state and/or local authorities may require. At all times, the Gym must be under the supervision of the Certified Manager. Any employees you hire will be solely your employees and will not be deemed our employees or subject to our control.

G. Authorized Products, Supplies and Equipment. You agree to offer and sell at the Gym all and only the Services and Products which we have approved as being suitable for sale and meeting the standards of quality and uniformity for the System. In addition, you agree to use in the operation of the Gym only such products, supplies, equipment and brands that we have approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers we have approved (which may include us and/or our affiliates), as stated in the Operations Manual or as we otherwise provide in writing. You may not sell any of the Products or other products or supplies at wholesale from or in connection with the Gym. We periodically may modify the lists of approved and designated products, supplies, equipment, brands and suppliers. If you propose to offer for sale, or use in operating the Gym, any products, supplies, equipment or brand, or use any supplier that we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the proposed item and/or supplier to permit us to determine whether the proposed item complies with our specifications and standards and/or the supplier meets our approved supplier criteria. You must pay our then-current evaluation fee for each item or supplier you request that we evaluate, plus the costs we incur in connection with testing, inspecting and evaluating the proposed item or supplier. We will notify you within a reasonable time whether the proposed item and/or supplier is approved. We may develop procedures for the submission of a request for approved products, supplies, equipment, brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by the approved supplier). If we revoke our approval of a supplier or products, you will have thirty (30) days to stop offering, selling or using those suppliers, products or other items or services in your Gym. We may impose limits on the number of suppliers and/or brands for any products, supplies or equipment sold or used in the Gym or otherwise related to the Franchise, and we may require that you use only one designated supplier for any products, supplies or equipment; that designated supplier may be us and/or our affiliates. You agree that certain products, supplies, equipment, and other items may only be available from one source, and we or our affiliates may be that source. Specifically, we periodically will designate Proprietary Equipment and other Gym equipment that you must purchase or lease from us, our affiliates(s), or our designated supplier(s) for use in your Gym pursuant to such terms as we periodically may designate. You must lease from us or our designated affiliate(s) all Proprietary Equipment generally under the terms of the Equipment Lease Agreement. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING PRODUCTS, EQUIPMENT (INCLUDING ANY REQUIRED COMPONENTS OF THE MANAGEMENT SYSTEM), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM.

H. Health and Safety Standards. You must comply with all applicable governmental safety, health and sanitary standards in operating and maintaining your Gym. You also must comply with any higher standards that we prescribe, including taking any immediate remedial action we may require to resolve any safety concern or other noncompliance with our standards. In addition to complying with such standards, if the Gym will be subject to any governmental safety, health or sanitary inspection under which it may be rated in one or more than one classification, the Gym will be maintained and operated so as to be rated in the highest available health and sanitary classification respecting each such inspection. If you fail to be rated in the highest classification or receive any notice that you are not in compliance with all applicable safety, health and sanitary standards, you must immediately notify us of such failure or noncompliance, and we may take any action as permitted under this Agreement and pursuant to applicable law.

I. Gym Operation. Once you commence operating the Gym, you must operate your Gym during the times we designate in the Operations Manual.

J. Standards of Service. You must at all times give prompt, courteous and efficient service to your customers. You must, in all dealings with your customers, suppliers and the public, satisfy the highest standards of honesty, integrity and fair dealing.

K. Specifications, Standards and Procedures. You acknowledge that each and every detail of the appearance and operation of the Gym is important to us and other Project Function™ businesses. You agree to maintain the highest standards of quality and service and comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of a Project Function™ business, including:

1. type and quality of Services and Products and Product procurement;
2. methods and procedures relating to marketing and customer service;
3. the safety, maintenance, cleanliness, function and appearance of the Gym premises, including the workout area, gym floor, locker rooms and shower facilities, and its fixtures, equipment, furniture, Trade Dress, décor and signs;
4. qualifications, dress, general appearance and demeanor of Gym employees. Each of your employees will wear only those uniforms which we have approved in writing;
5. the style, make and/or type of equipment (including any computer equipment and/or security system) used in operating the Gym;
6. use and illumination of exterior and interior signs, posters, displays, standard formats and similar items; and
7. Gym advertising and promotion.

L. Compliance with Laws and Good Business Practices. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Gym, and must operate the Gym in full compliance with all applicable laws, ordinances and regulations, including all labor and employment laws. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, or award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial

condition of you or the Gym. You will not conduct any business or advertising practice which injures our business, the System or the goodwill associated with the Marks and other Project Function™ businesses.

M. Management of the Gym/Conflicting Interests. The Certified Manager will be responsible for the day-to-day supervision of the Gym, must at all times faithfully, honestly and diligently perform his or her obligations, and must continuously use their best efforts to promote and enhance the business of the Gym. The Certified Manager must assume his/her responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise may conflict with your obligations. You must appoint a competent Certified Manager acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date the former Certified Manager is no longer managing the Gym.

N. Temporary Gym Manager. If at any time the Certified Manager is not managing the Gym consistent with our standards or no longer serves as the Certified Manager, we immediately may appoint a temporary manager to maintain Gym operations on your behalf until you have appointed a successor Certified Manager who has attended and successfully completed our Initial Training Program. Our appointment of a temporary manager of the Gym does not relieve you of your obligations under this Agreement or represent a waiver of our right to terminate the Franchise under Section 15 below. We are not liable for any debts, losses, costs or expenses you incur in operating the Gym or to any of your creditors for any products, materials, supplies or services purchased by the Gym while it is managed by our appointed manager. We may charge a reasonable fee for such management services which will be the greater of (i) Five Hundred Dollars (\$500) per day or ten percent (10%) of the Gross Sales received by the Gym during the period in which management services are provided (the “Management Services Fee”), plus any travel, food, or lodging that is incurred by those providing the management services. We may cease to provide management services at any time.

O. Insurance. You agree to purchase and maintain in force, at your expense, insurance at a minimum in the types of coverage and amounts we specify in the Operations Manual or otherwise in writing. All insurance policies will: (1) be issued by an insurance carrier(s) acceptable to us and that have an A.M. Best rating of A or higher; (2) are primary and non-contributory; (3) will name us and our affiliates, and their respective officers, directors and employees, as an additional insured; (4) contain a waiver of the insurance company’s right of subrogation against us; (5) contain the above-mentioned insurance coverage for each Project Function™ business that you operate; and (6) provide that we will receive thirty (30) days’ prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as the insurance carrier may require and as we may approve). We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If at any time you fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur, together with an administrative fee equal to five percent (5%) of the insurance premium. You will provide us with copies of the certificate of insurance, insurance policy endorsements and other evidence of compliance with these requirements as we periodically require at least two (2) weeks before you take possession and commence development of the Gym premises and at such other times as we may require. In addition, you will provide to us a copy of the evidence of the renewal or extension of each insurance policy in a form we require. Your obligation to obtain and maintain these insurance policies in the amounts specified will not be limited in any way by any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in Section 18. Your insurance procurement obligations under this Section 9(N) are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that we require you to purchase will provide you with adequate coverage. The insurance requirements

specified in this Agreement are for our protection. You should consult with your own insurance agents, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits we require.

P. Participation in Internet Website. You will participate in a Project Function™ website listed on the Internet or other online communications and participate in any intranet system we control. We will, at our discretion, determine the content and use of a Project Function™ website and intranet system and will establish rules under which you may or will participate. We will retain all rights relating to the Project Function™ website and intranet system and may alter or terminate the website or intranet system upon thirty (30) days' notice to you. Your general conduct on the Internet and any Project Function™ intranet or similar System communication, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information, including access codes and identification codes. Your right to participate in the Project Function™ website or intranet system or otherwise use the Marks or the System on the Internet will terminate when this Agreement expires or terminates.

Q. Member Reciprocity. We reserve the right to establish, and as we periodically may modify, a member reciprocity policy, as described in the Operations Manual (the "Reciprocity Policy"). In such event, you agree to comply with our then-current Reciprocity Policy. The Reciprocity Policy may (i) prohibit you from selling a membership that does not provide full reciprocity benefits to all your members, (ii) restrict or provide guidelines regarding membership transfers, (iii) include form membership agreements that you must use or follow in the operation of your Gym; and (iv) address other requirements or suggestions for reciprocity of products and services between Project Function™ businesses.

## 10. RECORDS AND REPORTS

A. Accounting and Records. During the Initial Term, you will, at your expense, establish and maintain at the Gym premises and retain for a minimum of six (6) years from the date of their preparation, an accounting and record keeping system we designate that will generate complete and accurate books, records, and accounts relating to the Gym (the "Records"). The accounting and record keeping system will include accounting and reporting software that we periodically direct. The Records must be prepared in the form and manner we direct in the Operations Manual or otherwise in writing, and must include the following: (1) daily cash reports; (2) cash receipts journal and general ledger; (3) cash disbursements journal and weekly payroll register; (4) chart of accounts; (5) monthly bank statements and daily deposit slips; (6) all tax returns relating to the Gym and each of its Principal Owners; (7) suppliers' invoices (paid and unpaid); (8) dated Management System reports (detailed and summary); (9) monthly balance sheets and profit and loss statements; (10) weekly inventories; and (11) such other records and information as we periodically may request. You must preserve the Records and submit reports electronically, consistent with our requirements described in the Operations Manual or otherwise in writing. You will ensure that we have electronic access at all times to the Records, accounting systems and other information and supporting documents as we designate. If at any time you fail to fully comply with your obligations under this Section 10, we may require that you engage, at your expense, a third-party accounting firm or other service provider that we designate to satisfy the requirements of this Section 10.

B. Reports and Tax Returns. You will allow us direct access to all accounting software used in connection with the Gym. Additionally you must deliver to us: (1) daily statements relating to Gross Sales accompanying your payment of monthly Royalty Fees; (2) monthly income statements in a format we require; (3) profit and loss statements for the Gym at such intervals as we periodically may require; (4) an annual profit and loss statement and source and use of funds statement for the Gym for the year and a

balance sheet for the Gym as of the end of the year, reviewed by an independent certified public accountant; and (5) at our request, all tax returns relating to the Gym and each of its Principal Owners. All financial statements, reports and information must be in the form we approve and that you have independently verified.

## 11. INSPECTION AND AUDITS

A. Our Right to Inspect the Gym. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the Gym and observe the provision of the Services. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the Gym and to interview employees and customers of the Gym. If we establish a compliance assessment program, we may require you to pay for the reasonable expense of the completion of any compliance assessments at your Gym.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records and state and/or federal income tax records and returns of any Principal Owner. You must maintain all Records and supporting documents at all times at the Gym premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any such information at the Gym. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Gross Sales. If any examination or audit discloses an understatement of Gross Sales, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees and any Brand Marketing Fees due on the amount of the understatement, plus interest (at the rate provided in Section 4(G) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) we determine that an examination or audit is necessary because you failed to timely provide required information; or (2) any examination or audit results in a determination that Gross Sales for any month are understated by greater than two percent (2%). The foregoing remedies are in addition to all of our other remedies and rights under applicable law.

In connection with your compliance with Section 10 and this Section 11, you will take all such steps as necessary to comply with our requests to the fullest extent permitted under applicable data privacy and other laws as described in Section 6(F) and elsewhere in this Agreement.

## 12. CONFIDENTIAL INFORMATION AND IMPROVEMENTS

A. Confidential Information. You do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Gym pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. The Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the Initial Term; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement reasonable procedures, including all such other reasonable procedures as we direct, to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Gym employees; and (5) will require the Certified Manager, and other managers, employees and agents with access to Confidential Information to sign a Confidentiality

Agreement in a form we approve. The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provide us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, products, process methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of a Project Function™ business or the System, whether copyrightable, patentable or not, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Gym, or any advertising or promotion ideas related to the Gym (collectively, the “Improvements”) that you, the Principal Owners or your employees or agents conceive or develop during the Initial Term. You and your Principal Owners, agents and employees acknowledge and agree that: (1) your rights respecting the Customer Data are limited solely to those rights during the Initial Term as stated in Section 6(F) above; and (2) any other Improvement immediately becomes our property. You and your Principal Owners, agents or employees must sign all documents necessary to evidence the assignment of each Improvement to us without any additional compensation. We may use the Improvement and disclose and/or license the Improvement for use by others. You must not introduce any Improvement or any additions or modifications of or to the System into the Gym without our prior written consent.

### 13. COVENANTS

A. Organization. You and each Principal Owner covenants that:

1. You are organized and validly exist under the laws of the state where you were formed and are qualified and authorized to do business in the jurisdiction where the Protected Territory and Gym is located;

2. Your articles of incorporation, bylaws, operating agreement or other organizational documents (collectively, “Authorizing Documents”) at all times will provide that your business activities will be limited exclusively to the ownership and operation of the Gym, unless you otherwise obtain our written consent;

3. You have the power under the Authorizing Documents to sign this Agreement and comply with the provisions of this Agreement;

4. You will provide us copies of all Authorizing Documents and any other documents, agreements or resolutions we request in writing;

5. The names of all Principal Owners are accurately stated on the Guaranty attached hereto as Exhibit D; and

6. You will maintain a current schedule of the Principal Owners and their ownership interests (including the Principal Owners’ names, address and telephone numbers) at all times and will immediately provide us with an updated ownership schedule if there is any change in ownership.

B. Non-Solicitation of Customers. You covenant that, during the Initial Term, and for a period of eighteen (18) months thereafter, you will not, directly or indirectly divert or attempt to divert any

business, account or customer of the Gym or any other Project Function™ businesses or the System to any “Competing Business” (as defined below).

C. Solicitation of Certified Managers or Other Employees. You covenant that, should you directly or indirectly divert any certified manager or other trained personnel from any other Project Function™ businesses, you must pay the party from whom the certified manager or other trained personnel was previously employed a fee of Five Thousand Dollars (\$5,000) as reimbursement for the training costs incurred by the previous employer.

D. Covenant Not to Compete During Term. You (and each Principal Owner) will not, during the Initial Term, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or business: (i) divert or attempt to divert any business or customers of the Gym to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; or (ii) own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any Competing Business (including any e-commerce or Internet-based business), except: (1) with our prior written consent; (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities; or (3) under a separate written agreement between you and us.

E. Post-Term Covenant Not to Compete. You (and the Certified Manager and each Principal Owner) will not, for a period of eighteen (18) months after this Agreement expires or is terminated or the date on which you cease to operate the Gym, whichever is later, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation: (1) divert or attempt to divert any business or customers of the Gym to any Competing Business or perform any act that would damage the goodwill associated with the Marks or the System; (2) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business which is located at the former site of the Gym; or (3) own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any Competing Business that is located within an a ten (10) mile radius of the former site of the Gym or any other then-existing Project Function™ business; provided, however, that this Section 13(E) will not apply to: (i) other Project Function™ businesses that you operate under separate Project Function™ franchise agreements; or (ii) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

F. Competing Business. “Competing Business” means any business that offers or sells strength training, fitness training, or any other physical training services and related products, or any other offerings or items similar to the Services and Products, including any other business that may be confusingly similar to a Project Function™ business.

G. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section 13, and that injunctive relief is essential for our protection. You therefore agree that, to the greatest extent permitted by applicable law, we may seek injunctive relief without posting any bond or security, and without the need to prove irreparable harm, in addition to the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section 13. The covenants stated in this Section 13 will survive the termination or expiration of this Agreement.

14. ASSIGNMENT

A. By Us. You acknowledge, understand, and agree that we may assign this Agreement without providing to you any notice and without requiring any consent from you. Any such assignment will require the assignee to fulfill all of our rights and obligations under this Agreement, and following the effective date of any such assignment, you will look solely to the transferee or assignee for the performance of all obligations under this Agreement. Separately, we may assign or delegate to an affiliate or other third party certain of our obligations under this Agreement without assigning our interest in this Agreement.

B. Transfer to a Wholly Owned Corporation or Limited Liability Company. You (as one or more individuals) may assign your interests herein to an entity that conducts no business other than the Gym (or other Project Function™ businesses under franchise agreements with us), provided:

1. You own all of the voting stock or all of the membership interests, as applicable, in the entity or, if you comprise more than one individual, each such individual has the same proportionate ownership interest in the entity as he/she held in Franchise before the contemplated transfer;

2. the Gym is actively managed by the Certified Manager;

3. all Principal Owners of the assignee entity sign the Guaranty Agreement attached hereto as Exhibit D;

4. you provide us fifteen (15) days' written notice before the proposed date of assignment of this Agreement to the entity;

5. you provide to us a certified copy of the articles of incorporation, operation agreement, organizational documents, a list of all shareholders or members having beneficial ownership, reflecting their respective interest in the assignee entity;

6. the organizational documents of the entity and all issued and outstanding stock or membership certificates will bear a legend, in form acceptable to us, reflecting or referring to the assignment restrictions stated in Section 14(C) below;

7. you pay us a transfer fee of One Thousand Five Hundred Dollars (\$1,500); and

8. A transfer under this Section 14(B) may only occur once and is not subject to our right of first refusal as described in Section 14(F) below. You will remain liable under this Agreement as if the transfer to the entity did not occur.

C. Your Assignment or Sale of Substantially all of Your Assets. You understand that we have granted the Franchise under this Agreement in reliance upon the individual or collective character, aptitude, attitude, business ability and financial capacity of your Principal Owners.

1. Controlling Interest Transfer. You (and your Principal Owners) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of (including by way of merger, consolidation or exchange), in one or more transactions, your business, the Gym, substantially all or all of the assets of the Gym, or this Agreement, and you will not permit the transfer of any controlling interest in you ("controlling interest" to include a proposed transfer, whether in one single transaction or a series of transactions occurring after the Effective Date, of fifty percent (50%) or more of the voting equity interests in a corporation, limited liability company or

partnership) unless you obtain our prior written consent. We will not unreasonably withhold our consent to an assignment of this Agreement, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

(i) All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement and all other agreements between you and us or our affiliates;

(ii) The transferee and Principal Owners (if applicable) are approved by us and the proposed Certified Manager demonstrates to our satisfaction that he/she meets our managerial, financial and business standards for new Project Function™ businesses, possesses a good business reputation and credit rating, and has the aptitude and ability to operate the Gym. You understand that we may communicate directly with the transferee during the transfer process to respond to inquiries, as well as to ensure that the transferee and Principal Owners meet our qualifications;

(iii) The transferee enters into a written agreement, in form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of the Initial Term or, at our option, signs our then-current standard form of franchise agreement (which may contain materially different terms and conditions than this Agreement) and each new Principal Owner signs a personal guaranty in the form attached to the franchise agreement;

(iv) The transferee, a Principal Owner and the new Certified Manager (if not a Principal Owner) successfully complete the Initial Training Program required of new Project Function™ businesses;

(v) If required, the lessor of the Gym premises consents to your assignment or sublease of the premises to the transferee;

(vi) You pay us a transfer fee equal to: (i) seventy five percent (75%) of our then-current standard initial franchise fee applicable to new Project Function™ franchisees if the transferee is a new Project Function™ franchisee, (ii) fifty percent (50%) of our then-current standard initial franchise fee applicable to new Project Function™ franchisees if the transferee is an existing Project Function™ franchisee, or (iii) twenty five percent (25%) of our then-current standard initial franchise fee applicable to new Project Function™ franchisees if the transferee is an immediate family member of the Principal Owner of a controlling interest in you (including specifically a spouse, parent, sibling or child (biological or adopted)). We will collect Five Thousand Dollars (\$5,000) upon your initial request for approval of such transfer and will collect the remaining transfer fee amount upon the completion of such transfer;

(vii) You (and each Principal Owner, if applicable) sign a general release, in a form and substance satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees and agents, except to the extent limited or prohibited by applicable law;

(viii) We approve the material provisions of the assignment or sale of assets, which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset; and

(ix) You (and each Principal Owners, if applicable) sign an agreement, in form satisfactory to us, in which you and each Principal Owner covenant to observe the post-termination non-solicitation covenant and covenant not to compete contained herein and all other applicable post-termination obligations.

2. Non-Controlling Interest Transfer. If the transfer involves less than a “controlling interest” in you (taking into account any prior changes of ownership or transfers), you are not required to obtain our prior written consent, provided you comply with any or all of the following conditions that we may deem necessary:

- (i) You provide us with thirty (30) days advance written notice of the transfer;
- (ii) Any new Principal Owner signs a personal guaranty in the form we designate;
- (iii) You pay us an assignment fee equal to One Thousand Dollars (\$1,000); and
- (iv) You provide us with such other information relating to the transfer as we request.

3. Additional Conditions. We may expand upon and provide more details related to the conditions for transfer and our consent as described in this Section 14(C) in the Operations Manual or otherwise in writing.

D. Death or Disability. If a Principal Owner who also serves as the Certified Manager dies or is permanently disabled, the remaining Principal Owners must appoint (if necessary) a competent Certified Manager acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed Certified Manager must satisfactorily complete our Initial Training Program. If an approved Certified Manager is not appointed within thirty (30) days after the Principal Owner’s death or permanent disability, we may, but are not required to, immediately appoint a Certified Manager to maintain Gym operations on your behalf until an approved assignee can assume the management and operation of the Gym. Our appointment of a Certified Manager does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses you incur in operating the Gym or to any creditor of yours for any products, materials, supplies or services purchased by the Gym while it is managed by our appointed manager. We may charge our Management Services Fee in providing such management services and may cease to provide management services at any time.

If the Principal Owner who also serves as the Certified Manager dies or is permanently disabled, his/her executor, administrator, or other personal representative must transfer his/her interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance, will be subject to conditions contained in Section 14(C) above.

E. Public or Private Offerings. Subject to Section 14(C) above, if you (or any of your Principal Owners) desire to raise or secure funds by the sale of securities (including common or preferred stock, bonds, debentures or general or limited partnership interests) in you or any affiliate of you, you must limit the sale of such securities to a minority ownership interest (forty-nine percent (49%) or less) in you with no control of the management of the Gym. You agree to submit any written information to us before you include that information in any registration statement, prospectus or similar offering circular or memorandum and must obtain our written consent to the method of financing before any offering or sale

of securities and reimburse us for our reasonable costs, including attorneys' fees, that we incur in reviewing such information and considering your request. Our written consent will not imply or represent our approval respecting the method of financing, the offering literature submitted to us or any other aspect of the offering. No information respecting us or any of our affiliates will be included in any securities disclosure document, unless we furnish the information in writing in response to your written request, which request will state the specific purpose for which the information is to be used. Should we, in our discretion, object to any reference to us or any of our affiliates in the offering literature or prospectus, the literature or prospectus will not be used unless and until our objections are withdrawn. We assume no responsibility for the offering.

The prospectus or other literature used in any offering must contain the following language in boldface type on the first textual page:

**“NEITHER PF FRANCHISING, INC. NOR ANY OF ITS AFFILIATES: (A) IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED, (B) ASSUMES ANY RESPONSIBILITY RESPECTING THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED HEREIN, OR (C) ENDORSES OR MAKES ANY RECOMMENDATION RESPECTING THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”**

F. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the Franchise, the Gym, an ownership interest representing (in the aggregate) fifty percent (50%) or more of the ownership in you, or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within seven (7) days following receipt of the proposed offer, to purchase the interest in the Gym or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the proposed purchaser under the terms of the offer, provided you and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again will have the right of first refusal.

G. Guaranty. All of your Principal Owners will sign the Guaranty and Assumption Agreement substantially in the form attached to this Agreement as Exhibit D (the “Guaranty Agreement”). We may also require the spouse of any Principal Owner to sign the Guaranty Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of yours under the provisions of this Section 14 or otherwise will, as a condition to becoming a Principal Owner, sign the Guaranty Agreement, and you must ensure that any proposed new Principal Owner signs the Guaranty Agreement.

## 15. OUR TERMINATION RIGHTS

A. Termination of Franchise Agreement - Grounds. You will be in default, and we may, at our option, terminate this Agreement, as provided herein, if: (1) the Certified Manager or Principal Owner (if applicable) fails to meet our then-current requirements or satisfactorily complete the Initial Training Program or you fail to open and commence full operations of the Gym at such time as provided in this Agreement; (2) you or any of your managers, directors, officers or any Principal Owner makes a material misrepresentation or omission in the application for the Franchise; (3) any of your Certified Manager, directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the

Marks or the goodwill associated therewith, or if we have proof that such person has committed such a felony, crime or offense; (4) you do not comply with the material requirements of the System or the material standards of uniformity and quality for the Services and Products as described in the Operations Manual or as we have established under the System; (5) you fail to timely pay Royalty Fees, Brand Marketing Fees, Technology Fees or any other obligations or liabilities due and owing to us or our affiliates, or other suppliers we approve as a source for required items; (6) you are insolvent within the meaning of any applicable state or federal law; (7) you make an assignment for the benefit of creditors or enter into any similar arrangement to dispose of your assets for the benefit of creditors; (8) you voluntarily or otherwise “abandon” (as defined below) the Gym; (9) you are involved in any act or conduct that materially impairs or otherwise is prejudicial to the goodwill associated with the name “Project Function” or any of the Marks, Copyrighted Materials or any patents that we or our affiliates own or the System; (10) you or a Principal Owner makes an unauthorized assignment or transfer of this Agreement, the Gym, any leased Gym equipment we or our affiliates own or an ownership interest in you; (11) the operation, maintenance or construction of the Gym results in a threat or danger to the public health or safety; (12) you violate any federal, state or local government health code in connection with the operation of the Gym; (13) your lease for the Gym premises expires or is terminated for any reason (unless, through no fault of you, the lessor of the premises in which the Gym is located refuses to renew your lease and you relocate within the Protected Territory to a site we approve within ninety (90) days thereafter); (14) the result of an audit discloses an understatement of Gross Sales of two percent (2%) or more; (15) you violate any material provision or obligation of this Agreement or any other agreement between you and us or our affiliates that is not otherwise described above, including the Equipment Lease Agreement; or (16) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise. Any report submitted under Section 10(A) will be conclusively deemed to be materially false if it understates Gross Sales by more than five percent (5%). The term “abandon” means your failure to operate the Gym during regular business hours for a period of three (3) consecutive days or ten (10) or more days in a (twelve) 12-month period without our prior written consent unless such failure is due to an event of “*force majeure*” as further described in Section 20(K) below.

B. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to us. You will have ten (10) days after your receipt from us of a written Notice of Termination, or such longer period as applicable law may require, to remedy any default under item (5) in Section 15(A) above and to provide evidence thereof to us. You will have seventy-two (72) hours, or such longer period as applicable law may require, after you receive from us a written Notice of Termination to remedy any default under item (12) in Section 15(A) above and to provide evidence thereof to us. If you fail to correct an alleged default within the applicable cure time stated above, this Agreement will terminate without further notice to you, effective immediately when the applicable cure period expires, or such longer period as applicable law may require. We may terminate this Agreement immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any thirty (30) month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods or services sold; or (4) any default under items (2), (3), (6), (7), (8), (9), (10), (11), (13) or (16) in Section 15(A) above.

C. Suspension of Rights Upon Default. If you default under this Agreement, in addition to any other rights or remedies we may have hereunder, we may suspend performing our obligations under this Agreement.

D. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

16. YOUR TERMINATION RIGHTS

You may terminate this Agreement if we violate any material obligation of us to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

17. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason, you will:

1. immediately cease operating the Gym and using the Marks and Copyrighted Materials, as well as any confusingly similar trademarks or service marks;

2. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Royalty Fees, Brand Marketing Fees, Technology Fees, any other amounts, and accrued interest due under this Agreement;

3. discontinue using, and return to us by priority United States mail with a tracking number, any hard copies of, the Operations Manuals and any other Copyrighted Materials, manuals, advertising materials, and all other printed materials relating to the operation of the Franchise;

4. assign to us or, at our discretion, disconnect the telephone number for the Gym. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;

5. remove from the Gym premises all signs, posters, fixtures, decals, wall coverings and other materials that are distinctive of a Project Function™ business or bear the name “Project Function Gym” or other Marks;

6. return to us all leased Gym Products and Proprietary Equipment, and comply with all other post-termination obligations under any Gym equipment lease;

7. comply with all post-termination obligations under any software license agreement, including the return of all materials relating to any Designated Software;

8. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;

9. immediately cease using Confidential Information (including all Customer Data) and return to us all documents in your possession that contain Confidential Information; and

10. comply with all other applicable provisions of this Agreement, including the non-compete provisions.

B. Cease Using the Marks and Other Intellectual Property. Upon termination or expiration of this Agreement for any reason, your right to use: (i) the name “Project Function” and the other Marks, Copyrighted Materials and the System will immediately terminate and you (and the Principal Owners) will not in any way associate yourself/themselves as being associated with us; and (ii) any Proprietary Equipment for which we or any of our affiliates have a patent or patent technologies will immediately cease

and you (and the Principal Owners) will not in any way copy, reverse engineer, modify, disassemble or transmit any patent technologies or related Confidential Information. If you fail to immediately remove all signs and other materials bearing the Marks or immediately return all Proprietary Equipment to us, we may do so at your expense.

C. Redecoration. If this Agreement expires or is terminated for any reason, and you either remain in possession of the premises of the former Gym to operate a separate business not in violation of Section 13 above or enter into an agreement with a third party to allow such third party to directly operate a business at the premises of the former Gym, you will, at your expense, modify both the exterior and interior appearance of the business premises so that they will be easily distinguished from the standard appearance of Project Function™ businesses. At a minimum, such changes and modifications to the premises will include: (1) repainting the premises with totally different colors; (2) removing all signs and other materials bearing the name “Project Function” and other Marks; (3) removing from the premises all fixtures which are indicative of Project Function™ businesses; (4) discontinuing use of the approved employee uniforms and refraining from using any uniforms that are confusingly similar; (5) discontinuing use of all packaging and Confidential Information regarding the operation of the Gym; and (6) taking such other action, at your expense, as we may reasonably require. If you fail to immediately initiate modifications to the premises of the former Gym or complete such modifications with any period of time we deem appropriate, you agree that we or our designated agents may enter the premises of the former Gym to make such modifications, at your risk and expense, without responsibility for any actual or consequential damages to your property or others, and without liability for trespass or other tort or criminal act.

D. Our Option to Purchase Gym. If this Agreement expires or is terminated for any reason (other than our fault), we have the option, upon thirty (30) days’ written notice from the date of expiration or termination, to purchase from you all the tangible and intangible assets relating to the Gym, including the Gym premises if you own the Gym premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) (collectively, the “Purchased Assets”) and to an assignment of your lease for (1) the Gym premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as your lease) and (2) any other tangible leased assets used in operating the Gym. If the landlord respecting the lease for the Gym premises is an affiliate of yours (i.e., controlling, controlled by or under common control with you), we will have the right to assume the lease on terms generally consistent with then-current market rates for space in the immediate area surrounding the Gym location. We may assign to a third party this option to purchase and assignment of lease separate and apart from the remainder of this Agreement.

The purchase price for the Gym will be the fair market value of the Purchased Assets; provided that: (1) we may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (2) we will exclude from fair market value any provision for goodwill or similar value attributable to intangible property (such as the Marks, any Designated Software, Customer Data and other Confidential Information). If the parties cannot agree on the fair market value within a reasonable time, we will designate an independent appraiser to determine the fair market value of the Purchased Assets. The determination of such appraiser will be binding on you and us, and the costs of such appraisal will be divided equally between you and us. The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur within a reasonable time, not to exceed sixty (60) days, after the fair market value is determined. At the closing, you will deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to us or our designee and such other documents we may reasonably request to permit us to operate the Gym without interruption. At the closing, we may set off against and reduce the purchase price by all amounts you owe to us or any of our affiliates, and we may remit portions of the purchase price to third parties to whom you owe obligations to secure the release of liens on, and thereby obtain free and clear title to, the assets we are purchasing. If we exercise our option to purchase the Gym, we may, pending the closing,

appoint a manager to maintain Gym operations. If we assume the lease for the Gym, you will pay, remove, or satisfy any liens or other encumbrances on your leasehold interest and will pay in full all amounts due the lessor under the lease existing at or before assumption. We are not liable for any obligation you incur before the date we assume the lease.

**E. LIQUIDATED DAMAGES UPON TERMINATION DUE TO YOUR DEFAULT. IF THIS AGREEMENT IS TERMINATED PRIOR TO THE END OF ITS TERM DUE TO YOUR DEFAULT, IN ADDITION TO THE AMOUNTS STATED IN SECTION 17(A)(2) ABOVE, YOU WILL PROMPTLY PAY TO US A LUMP SUM PAYMENT (AS DAMAGES AND NOT AS A PENALTY) FOR BREACHING THIS AGREEMENT AND FOR OUR LOST FUTURE REVENUE AS A RESULT OF SUCH BREACH AN AMOUNT EQUAL TO THE AVERAGE MONTHLY ROYALTY FEES, BRAND MARKETING FEES AND TECHNOLOGY FEES PAYABLE BY YOU OVER THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRECEDING THE DATE OF TERMINATION MULTIPLIED BY THE LESSER OF THIRTY-SIX (36) OR THE NUMBER OF MONTHS THEN REMAINING IN THE THEN-CURRENT TERM OF THIS AGREEMENT. YOU ACKNOWLEDGE THAT A PRECISE CALCULATION OF THE FULL EXTENT OF THE DAMAGES WE WILL INCUR IF THIS AGREEMENT TERMINATES AS A RESULT OF YOUR DEFAULT IS DIFFICULT TO DETERMINE AND THAT THIS LUMP SUM PAYMENT IS REASONABLE IN LIGHT OF THE DAMAGES WE WILL INCUR FOR YOUR MATERIAL DEFAULT CAUSING THE PREMATURE TERMINATION OF THIS AGREEMENT. THIS LUMP SUM PAYMENT WILL BE IN LIEU OF ANY DAMAGES FOR OUR LOST FUTURE REVENUE THAT WE MAY INCUR AS A RESULT OF YOUR DEFAULT, BUT IT WILL BE IN ADDITION TO ALL AMOUNTS PROVIDED ABOVE IN SECTION 17(A)(2) AND OTHER COSTS AND EXPENSES TO WHICH WE ARE ENTITLED UNDER THE TERMS OF THIS AGREEMENT. YOUR PAYMENT OF THIS LUMP SUM WILL NOT AFFECT OUR RIGHT TO RECOVER DAMAGES OTHER THAN LOST FUTURE REVENUE AND TO OBTAIN APPROPRIATE INJUNCTIVE RELIEF AND OTHER REMEDIES TO ENFORCE THIS AND OTHER APPLICABLE SECTIONS OF THIS AGREEMENT.**

F. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

## 18. RELATIONSHIP OF THE PARTIES

A. Relationship of the Parties. We and you are independent contractors. Neither you nor we are the agent, legal representative, partner, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any reason. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself at the premises of the Gym and in all dealings with customers, lessors, contractors, suppliers, public officials and others as an independent contractor, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require.

B. Control Over Operations. You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your Gym, and that we will not do so or be deemed to do so. You further acknowledge and agree that the various restrictions, prohibitions, specifications and procedures of the System which you must comply with under this Agreement, whether stated in our Operations Manual or otherwise, do not directly or indirectly represent or suggest that we control any aspect or element of the day-to-day operations of your Gym, but only represent standards you must comply with when exercising your control of the day-to-day operations of your Gym.

C. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, stockholders, members, directors, officers, employees and agents harmless against, and to reimburse us or them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Gym, and all reasonable costs of defending any claim brought against us or any of them or any action in which us or any of them is named as a party (including reasonable attorneys' fees) unless the loss, liability, damage or cost is solely due to our breach of this Agreement, gross negligence or willful misconduct. You must pay all losses, liability or damages we incur pursuant to your obligations of indemnity under this Section 18(C) regardless of any settlement, actions or defense we undertake or the subsequent success or failure of any settlement, actions or defense. Further, you agree to give us immediate notice of any such action, proceeding, demand or investigation brought against you or the Gym. We may, at our option, designate counsel, at your expense, to defend or settle such action, proceeding, demand or investigation brought against you or the Gym. This obligation does not diminish your indemnification obligations under this Section 18(C).

D. Our Indemnification Obligations. We agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our breach of this Agreement, gross negligence or willful misconduct, and all reasonable costs of defending any third party claim brought against you or them or any action in which you or they are named as a party (including reasonable attorneys' fees).

E. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement.

## 19. DISPUTE RESOLUTION

A. Mediation. Except as otherwise stated in this Section 19(A), the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between you and us, agreed upon by the parties. If the parties do not agree on a mediator or mediation services organization within fifteen (15) days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, in the county where our corporate headquarters is located. The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within sixty (60) days after conferring with the mediator, either party may submit such claim, controversy for binding arbitration as described in Section 19(B) below. We may bring an action under the applicable provisions of this Section 19, without first submitting the action to mediation under this Section 19(A), for injunctive relief or for monies you owe us.

B. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 19(C) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including validity or enforceability of this Agreement or any provisions hereof, claims of fraud in the inducement, and other claims of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 19(A) above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the county where our corporate headquarters is located. The proceedings will be conducted by a single arbitrator under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The arbitrator will have a

minimum of five (5) years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The decision of the arbitrator will be final and binding on all parties; provided, however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award that extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other Project Function™ franchisee or include any class action claims. This Section 19 will survive termination or nonrenewal of this Agreement. Judgment upon the award of an arbitrator may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement. The parties agree that all arbitration proceedings, including any arbitration award or ruling, will be confidential in nature, except as otherwise required by law or court order or as necessary to confirm, vacate or enforce the award and for disclosure in confidence to the parties' respective attorneys and tax advisors.

C. Injunctive Relief. Notwithstanding Sections 19(A) and (B) above, you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other Project Function™ businesses. Therefore, if you breach or threaten to breach any of the terms of this Agreement, then, to the greatest extent permitted by applicable law, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual or irreparable damage and without the need to post bond for security, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrator.

D. Attorneys' Fees. The non-prevailing party will pay all costs, expenses, and interest including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

## 20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us are invalid or unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach. No waiver by us of any rights under this Agreement will be valid or binding upon us unless we provide that waiver in writing and sign it.

C. Rights of Parties are Cumulative. The rights of us and you are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Venue. Subject to the provisions of Sections 19(A) and 19(B) above, any cause of action, claim, suit or demand allegedly arising from or related to this Agreement or the relationship of the parties must be brought exclusively in any state or federal court of competent jurisdiction in the county where our

corporate headquarters is located. We also have the right to file any such suit against you in the federal or state court where the Gym is located. Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action, and you and your Principal Owners waive any and all rights to proceed on a consolidated, common, or class basis. Each of us and you irrevocably consent to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue.

E. Governing Law. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act, this Agreement will be governed by and construed under the laws of the state of Nevada, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the state in which the Gym is located.

F. Binding Effect. This Agreement is binding on us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and permitted successors in interest. Subject to our right to modify the Operations Manual and the System, this Agreement may not be modified except by a written agreement signed by both our and your authorized officers. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

G. References. If you consist of two or more individuals, such individuals will be jointly and severally liable, and references to you in this Agreement will include all such individuals.

H. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have or reserve (retain) a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise reasonable business judgment in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact), will substitute their judgment for our reasonable business judgment.

**I. WAIVER OF PUNITIVE DAMAGES. YOU AND WE AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR A CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY US.**

J. **WAIVER OF JURY TRIAL.** YOU AND WE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

K. *Force Majeure.* If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

L. *Notice of Potential Profit.* We advise you that we and/or our affiliates periodically may make available to you goods, products and/or services for use in the Gym on the sale of which we and/or our affiliates may make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to you or in consideration for services provided or rights licensed to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

M. *Limitation of Actions.* Subject to any applicable statute of limitations, you and we agree that neither party will have the right to bring any claim or action against the other party unless the action or claim is commenced within one (1) year after the offended party has knowledge of the facts giving rise to the action or claim.

N. *Entire Agreement.* The Introduction, exhibit(s) to this Agreement, and Disclosure Acknowledgment Agreement signed contemporaneously with this Agreement are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

## 21. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand one (1) business day after having been sent by a recognized overnight delivery service requiring a written receipt or by such other means (such as email) which provides the sender with evidence of delivery, or of rejected delivery, and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Any notice by a means which provides the sender with evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery. Notice must be sent to the following address:

If to us, to:

PF Franchising, Inc.  
64 North Pecos Road # 112  
Henderson, NV 89074  
Email: franchise@projectfunction.com

If to you, to:

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

Attn: \_\_\_\_\_

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

22. ACKNOWLEDGEMENTS

A. Success of the Gym. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Principal Owners’) ability as an independent businessman, and your active participation in the daily affairs of the Gym as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross sales, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this Franchise and sign this Agreement.

C. Receipt of Documents. Except for filling in the blank provisions and changes made as a result of negotiations that you initiated, you acknowledge that you received a copy of the complete Franchise Agreement, and exhibits attached hereto, at least seven (7) calendar days before the date on which this Agreement was signed. You further acknowledge that you received the disclosure document required by the trade regulation rule of the Federal Trade Commission entitled “Franchise Disclosure Document” at least fourteen (14) calendar days prior to the date on which this Agreement was signed. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with any attorney or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

D. Other Franchises. You acknowledge that other Project Function™ businesses have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement.

The parties have signed this Agreement on the date stated in the first paragraph.

**WE:**

**PF FRANCHISING, INC.**

By \_\_\_\_\_

Its \_\_\_\_\_

**YOU:**

\_\_\_\_\_  
Name of corporation or limited liability  
company

By \_\_\_\_\_

Its \_\_\_\_\_

**EXHIBIT A  
TO FRANCHISE AGREEMENT**

**GYM LOCATION AND PROTECTED TERRITORY**

This Exhibit is attached to and is an integral part of the Project Function™ Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), between us and you.

1. Gym Location. We and you agree that the Gym will be located at the following premises: \_\_\_\_\_ . You acknowledge that our consent to a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a Project Function™ business.

2. Protected Territory. The Protected Territory will be the following: \_\_\_\_\_

3. Gym Opening. You agree to complete the development and open the Gym for business within \_\_\_\_\_ months after the date first stated above.

4. Certified Manager. The Certified Manager of the Gym is \_\_\_\_\_.

5. Defined Terms. All capitalized terms contained in this Exhibit and not defined herein will have the same meaning as provided in the Franchise Agreement.

**WE:**

**YOU:**

**[PROJECT FUNCTION ENTITY]**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT B  
TO FRANCHISE AGREEMENT**

**GYM LOCATION GENERAL AREA**

This Exhibit is attached to and is an integral part of the Project Function™ Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), between us and you.

1. Area for Gym Location. Within sixty (60) days following the date of the Franchise Agreement, you will select and obtain our consent to a location in accordance with the provisions of this Exhibit within the following described geographical area (the “Area”): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Consent to Location and Gym Opening. To obtain our consent to the proposed Gym premises, you must deliver to us within four (4) months following the date of the Franchise Agreement a complete site report (containing information we require) for the location at which you propose to establish and operate the Gym and which you reasonably believe will satisfy the standardized site selection criteria we have established. The proposed location must be centrally located within the Area and is subject to our prior written consent, which will not be unreasonably withheld. In evaluating the proposed location, we will consider matters we deem material, including demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses, including other Project Function™ businesses, and other commercial characteristics, the purchase price or rental obligations and other lease terms for the proposed location, and the size of premises, appearance and other physical characteristics. Within thirty (30) days following our receipt of the complete site report and other materials we request, we will consent to or reject (in writing) the location you propose for the Gym. Following our consent to a proposed location for the Gym, we will identify the Protected Territory for the Gym, which generally will be the lesser of a two (2) mile radius or a minimum resident population of thirty thousand (30,000), and we and you will complete and sign Exhibit A to the Franchise Agreement.

You agree to complete the development and open the Gym for business by \_\_\_\_\_.

3. Termination of Franchise Agreement. We have the right to terminate the Franchise Agreement, effective upon delivery of notice of termination to you, if you fail to obtain our consent to a location for the Gym within sixty (60) days after the date of the Franchise Agreement.

4. Defined Terms. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.

**WE:**  
**PF FRANCHISING, INC.**

**YOU:**  
\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT C  
TO FRANCHISE AGREEMENT**

**GYM LEASE ADDENDUM**

This Lease Addendum is entered into as of the date of the Lease Agreement by and between \_\_\_\_\_ (“Landlord”) and \_\_\_\_\_ (“Tenant”).

Landlord and Tenant are parties to that certain Lease of even date (the “Lease”) covering the premises located at \_\_\_\_\_ (the “Leased Premises”), which Tenant will use to operate a Project Function™ business under a franchise agreement (the “Franchise Agreement”) between Tenant and PF Franchising, Inc. (“Franchisor”). Landlord and Tenant desire to amend the Lease to protect the various interests of Franchisor.

In consideration of the foregoing and the promises contained in the Lease, the parties agree as follows:

1. Permitted Use. Landlord and Tenant agree that so long as the Franchise Agreement remains in effect, Tenant may use the Leased Premises only for a Project Function™ business and Tenant may offer for sale and sell at the Leased Premises only those services and products which Franchisor approves. Landlord further agrees that so long as the Lease is in effect, it will not permit any tenant within the same multi-tenant mall or building to operate any business that primarily offers, sells or distributes strength training, fitness training, or any other physical training services and related products, and other related services and products, or any other business that is competitive with a Project Function™ business, other than businesses in existence in the building as of the effective date of the Lease or upon the written consent of Franchisor and Tenant.

2. Notice of Default. Landlord will provide Franchisor, by certified US mail or a recognized overnight delivery service at the address provided in Section 8 below, a minimum thirty (30) day notice of any default under the Lease before Landlord initiates any action to terminate the Lease or exercise any remedy for such default.

3. Cure. Either Tenant or Franchisor may cure defaults under the Lease and Landlord will accept performance of obligations due under the Lease, as specified in the Lease, by either Franchisor or Tenant. Franchisor will not, however, be under any obligation to cure any default and nothing herein will require Franchisor at any time to comply with or take any action under the provisions of the Lease.

4. Rights of Franchisor After Cure. If Franchisor commences cure of any default under the Lease within the thirty (30) day notice period described in Section 2 above, and if Franchisor thereafter diligently completes cure, Franchisor may, but will not be obligated to, give notice to Landlord and become Tenant under the Lease, in which event Landlord will not be entitled to terminate the Lease.

5. Assignment and Renewal. Landlord consents to an assignment or transfer of Tenant’s rights under the Lease to Franchisor at any time during the term of the Lease; provided that such assignment or transfer is subject to Franchisor’s written agreement to accept such assignment or transfer. Landlord will give Franchisor notice of expiration of the term of the Lease at least three (3) months in advance thereof and grant Franchisor the right, but not the obligation, to exercise any then-existing renewal rights under the Lease.

6. Right of Entry and Subordination. Landlord will give Franchisor access to the Leased Premises at reasonable times on not less than twenty-four (24) hours' notice (or such shorter notice as may be reasonable when circumstances dictate) either to inspect the Leased Premises for compliance with Franchisor's requirements, to remove from the Leased Premises any items bearing Franchisor's marks or logos or to take other action permissible under the agreements between Tenant and Franchisor. Landlord specifically subordinates any lien it may have in such items to Franchisor's rights as licensor of the marks or logos displayed on items.

7. Vacating Premises. Upon vacating the Leased Premises, or termination of the Franchise Agreement or Lease (whichever occurs first), Tenant must remove all signs and materials bearing any of Franchisor's marks or logos.

8. Notices. Any notices to Franchisor hereunder will be sent (unless Franchisor provides in writing a different address to which notices will be given) to:

PF Franchising, Inc.  
64 North Pecos Road # 112  
Henderson, NV 89074  
Email: franchise@projectfunction.com

9. Benefit. Landlord and Tenant acknowledge that they enter into this Agreement for the express benefit of Franchisor and that Franchisor is an intended beneficiary hereof.

10. Supremacy. This Addendum shall control and supersede any inconsistent provision of the Lease.

The parties have signed this Agreement the day and year first above written.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

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

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

**EXHIBIT D  
TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

In consideration of the execution of that certain franchise agreement of even date herewith (the “Franchise Agreement”) by PF Franchising, Inc. (“we” or “us”), each of the undersigned (a “Guarantor”), each of whom has a significant economic stake in \_\_\_\_\_ (the “franchisee”) by virtue of holding equity interests in the franchisee, hereby personally, irrevocably and unconditionally guarantees to us, and our successors and assigns, for the term of the Franchise Agreement and thereafter as provided in the Franchise Agreement, that the franchisee will timely pay and perform each and every undertaking, agreement and covenant stated in the Franchise Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every such undertaking, agreement and covenant, and other provision in the Franchise Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any obligation or indebtedness hereunder; (3) protest, demand, presentment, notice of protest, default, notice of intent to accelerate, and notice of acceleration, to any party respecting the obligation or indebtedness hereunder; and (4) any right he or she may have to require that an action be brought against the franchisee or any other person as a condition of liability hereunder.

Each Guarantor consents and agrees that:

(1) Guarantor’s liability under this guaranty will be direct and independent of the liability of, and will be joint and several with, the franchisee and the other Guarantors of the franchisee.

(2) Guarantor’s will make any payment or perform any obligation required under the Franchise Agreement upon our demand if the franchisee fails to do so.

(3) Guarantor’s liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of the franchisee or any assignee or successor of the franchisee.

(4) Guarantor’s liability will not be diminished, relieved or otherwise affected by any extension of time or credit that we may grant to the franchisee, including the acceptance of any partial payment or performance, any delay on our part in enforcing our rights under the Franchise Agreement, or any waiver, compromise or release of any claims.

(5) We may proceed against Guarantor and the franchisee jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against the franchisee or any other Guarantor.

(6) Guarantor’s liability hereunder will be an open and continuing guarantee and will continue in force notwithstanding any subsequent amendment to the Franchise Agreement or any renewal, expiration or termination of the Franchise Agreement. Our rights hereunder are transferable without the Guarantor’s consent, and will benefit our successors and assigns.

(7) Guarantor will pay all reasonable attorneys’ fees and all costs and other expenses we incur in enforcing this guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

(8) The dispute resolution provisions contained in Section 19 of the Franchise Agreement and related enforcement provisions contained in Section 20 of the Franchise Agreement are incorporated herein

by reference. Guarantor irrevocably consents to the jurisdictional requirements outlined in such Sections and waives all rights to challenge personal jurisdiction and venue.

(9) If any provision of this Guaranty and Assumption of Obligations is construed by a court of competent jurisdiction to be unenforceable, then the offending provision will be severed from this undertaking and the remainder of this undertaking will be unaffected thereby.

The undersigned Guarantor has signed this Guaranty and Assumption of Obligations as of the following date: \_\_\_\_\_.

**GUARANTOR(S)**

**PERCENTAGE OWNERSHIP IN YOU**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT E**  
**TO FRANCHISE AGREEMENT**  
**EQUIPMENT LEASE**

**EXHIBIT E**  
**TO THE FRANCHISE AGREEMENT**  
**EQUIPMENT LEASE**

This Equipment Lease (“Lease”) is made and entered into as of [\_\_\_\_\_], 20[\_\_\_\_] (the “Effective Date”), between Functional Patterns Innovations, LLC, a Nevada limited liability company (“we” or “us”), and [\_\_\_\_\_], a [\_\_\_\_\_] (“you” or “your”).

INTRODUCTION

A. PF Franchising Inc. (“Franchisor”) and you are parties to a Project Function™ Franchise Agreement, dated [\_\_\_\_\_], 20[\_\_\_\_] (the “Franchise Agreement”) in which Franchisor granted you the right to own and operate a franchised Project Function™ business (the “Gym”) under the terms of the Franchise Agreement.

B. Pursuant to the terms of the Franchise Agreement, you must lease certain proprietary equipment, as described in Exhibit A to this Agreement (the “Proprietary Equipment”), from us for use in your Gym, and we agree to lease to you the Proprietary Equipment upon the same terms and conditions.

AGREEMENT

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

1. Lease. Subject to provisions of this Lease, we lease the Proprietary Equipment to you and you take and rent the Proprietary Equipment from us.

2. Term. Subject to earlier termination as provided in Sections 10 and 15 below, the term of this Lease will commence on the Effective Date and will continue for a period of five (5) years. Thereafter, subject to Sections 10 and 15 below, you may renew this Lease for an additional term of five (5) years; provided that, as a condition to renewal, we reserve the right to require you to sign our then-current form of equipment lease agreement for the Proprietary Equipment. Each term of this Lease is referred to as the “Lease Term.”

3. Initial Installment and Monthly Rent. Upon signing this Agreement, you will pay us an initial installment of Four Thousand Dollars (\$4,000) for each item of Proprietary Equipment you lease. In addition, you will pay us a monthly Lease payment of Fifty Dollars (\$50) for each item of Proprietary Equipment (“Rent”), commencing on or before the seventh (7<sup>th</sup>) day of each month following the Effective Date and continuing through the duration of the Lease Term. Rent must be paid to us via electronic transfer of funds. You must sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize your bank to transfer Rent amounts due, either electronically or through some other method of payment that we designate, directly to our account. Your authorization will permit us to designate the amount to be transferred from your account. You must maintain a balance in your accounts sufficient to allow us to collect the amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein. You agree to comply with our payment instructions as we periodically may modify them. All Rent and other amounts which you owe to us or our affiliates will bear interest after the due date at the lesser of: (1) eighteen percent (18%) per year; or (2) the maximum contract rate of interest permitted by law in the state in which the Gym is located.

4. Taxes. You must pay all personal property taxes, and other governmental taxes, duties and charges which will or may, during the Lease Term, be charged, assessed, or imposed on the Proprietary

Equipment. You will reimburse us within thirty (30) days after we invoice you for any such taxes that we must pay respecting the Proprietary Equipment.

5. Use. You must use the Proprietary Equipment in a careful and proper manner and must comply with all laws and each of our or Franchisor's Proprietary Equipment policies relating to the possession, use or maintenance of the Proprietary Equipment. You must operate and maintain the Proprietary Equipment only in accordance with the applicable manuals or instructions, together with any additional instructions as described in Franchisor's Operations Manual, and will allow the Proprietary Equipment to be only under the supervision of your competent and qualified personnel. You must use the Proprietary Equipment only within the confines of the Gym and may not move the Proprietary Equipment from the Gym without our prior written consent.

6. Maintenance. You must, at your sole expense, keep and maintain the Proprietary Equipment in good operating condition as of the commencement of the Lease Term and must make all repairs necessary to keep the Proprietary Equipment in such condition, irrespective of the event or circumstance which may have necessitated such repairs. You must comply with our required daily, weekly and monthly maintenance schedules, as we periodically may modify and provide to you in writing. You must participate, at your expense, in our then-current preventative maintenance program described in the Operations Manual (if applicable) and use our designated or approved vendor in connection with the maintenance of or any repairs to the Proprietary Equipment. We have the right to enter your Gym during normal business hours to inspect the Proprietary Equipment and mandate any repairs that we reasonably deem appropriate. You must use our approved vendors to make any repairs. In addition to other obligations described above, we or our agents reserve the right to conduct an annual inspection of the Proprietary Equipment and recommend repairs, adjustments and improvements thereto. You will promptly make all repairs, adjustments and improvements to the Proprietary Equipment that we reasonably recommend. You will not make or allow any addition, subtraction or alteration to, from or in the Proprietary Equipment without our prior written consent. You will not, without our prior written consent, part with possession or control of the Proprietary Equipment or attempt to sell, pledge, mortgage or otherwise encumber any of the Proprietary Equipment or otherwise dispose of or encumber any interest under this Lease. If you fail to comply with the terms of this Section, in addition to our right to terminate this Lease and/or the Franchise Agreement, and exercise any other remedies hereunder, you will reimburse us for the reasonable costs of all subsequent inspections and related remedial measures.

7. Insurance. You must, at your sole expense, obtain and maintain insurance on the Proprietary Equipment in the forms and amount specified in the Franchise Agreement, Operations Manual, or otherwise in writing.

8. Risk Of Loss And/Or Damage. Except to the extent arising from our negligence involving any significant repairs, adjustments or improvements to the Proprietary Equipment that we require, you assume all risks and liability, whether or not covered by insurance, for loss of or damage to the Proprietary Equipment, for injuries to or death of persons, and for damage to property, however arising from or incident to the installation, operation, use or maintenance of the Proprietary Equipment. If the Proprietary Equipment is damaged or destroyed by any cause, except for defects in the material or workmanship at the time the Proprietary Equipment was delivered, you must, at your sole expense and at your option: (a) repair the Proprietary Equipment, returning it to its condition immediately preceding such damage or destruction; or (b) replace the Proprietary Equipment with new Proprietary Equipment of equivalent value and acceptable to us, which Proprietary Equipment will be subject to the provisions of this Lease; provided, however, in either event the insurance proceeds with respect to such casualty will first be used to pay us the then-present value of any remaining lease payments respecting such Proprietary Equipment and the remaining balance will be your property, free and clear of any claim from us. You expressly agree and acknowledge that unless and until this Lease is terminated in accordance with its terms, no damage or destruction of or to the Proprietary Equipment, irrespective of the cause, will relieve you of your duties and obligations hereunder.

9. Obsolescent Proprietary Equipment. For any Proprietary Equipment which you have leased under this Lease, and for which we have authorized use of an updated version of such Proprietary Equipment, we may, upon ninety (90) days written notice, require that such “outdated” Proprietary Equipment be replaced with the updated Proprietary Equipment. In such event, Exhibit A will be modified to reflect the addition of updated Proprietary Equipment and the removal of the “outdated” Proprietary Equipment.

10. Lease Termination Option. We will have the option to terminate this Lease as to any future Proprietary Equipment to be leased hereunder if we decide to discontinue offering the Proprietary Equipment generally leased hereunder and designate a third-party supplier to supply such Proprietary Equipment. In such event, you may: (i) lease such Proprietary Equipment generally under the terms then-offered by our designated third-party lessor; or (ii) finance the lease of the Proprietary Equipment through a third-party that you select, provided we will retain title to the Proprietary Equipment, and will have the right to assume your financing arrangement or pay off the unpaid portion of such arrangement without penalty if you default under such financing arrangement (referred to as the “Third Party Financing Option”). You acknowledge, however, that, subject to our termination rights and designation of a third-party supplier under this Section 10, we may terminate this Lease respecting the Proprietary Equipment before the end of the Lease Term only as described in Section 15 below.

11. Return Of Proprietary Equipment. Upon the expiration of the Lease Term, or as otherwise provided in this Lease, you must immediately relinquish use and possession of the Proprietary Equipment. Any and all repairs, additions or improvements made to the Proprietary Equipment by you will be deemed to be a part of the Proprietary Equipment. You will bear the cost of returning the Proprietary Equipment to us at our designated location. In addition to the foregoing, you may elect to amend this Lease with respect to any Proprietary Equipment if you reasonably determine that you no longer need such item(s). In such case, you will return the applicable Proprietary Equipment, pay any outstanding balance Rent balance due to us for returned Proprietary Equipment and this Exhibit A to this Lease will be amended to reflect the remaining Proprietary Equipment only and the Rent herein respecting such remaining Proprietary Equipment.

12. Title. At all times during the Lease Term, we will maintain title to the Proprietary Equipment. We may, at our option, cause this Lease to be filed or recorded or may cause such financing statements as we may deem appropriate to be filed respecting the Proprietary Equipment. You agree to deliver to us all documents or instruments that we deem necessary for any such recording or filing.

13. Warranty. All Proprietary Equipment will be under any applicable manufacturer’s warranty (including any warranty provided by the manufacturer that, under normal use and service, an item will be merchantable). We will assist you in correcting such defect by repair, replacement or adjustment pursuant to the guidelines provided by the manufacturer. We will provide you with copies of any written warranties provided by the manufacturer. We are not required to assist you if the Proprietary Equipment is subject to misuse, abuse or neglect.

By accepting the Proprietary Equipment, you acknowledge that you have examined the Proprietary Equipment as fully as desired, and, except as otherwise provided in this Section, you lease and accept the Proprietary Equipment AS IS. WE AND OUR AFFILIATES (INCLUDING FRANCHISOR) MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING THE PROPRIETARY EQUIPMENT THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT FRANCHISOR APPROVES FOR USE IN THE SYSTEM.

14. Intellectual Property Rights.

A. Ownership. You acknowledge and agree that:

i. We retain all intellectual property rights (the “Intellectual Property Rights”) used to create, embodied in, used in, and otherwise relating to the Proprietary Equipment and any of its component parts;

ii. any and all of our Intellectual Property Rights are the sole and exclusive property of ours and/or our licensors;

iii. you will not acquire any ownership interest in any of the Intellectual Property Rights under this Lease;

iv. any goodwill derived from your use of the Intellectual Property Rights solely benefits us or our licensors, as the case may be;

v. if you acquire any Intellectual Property Rights relating to any of the Proprietary Equipment leased under this Lease (including any rights in any Marks, derivative works or patent improvements relating thereto), by operation of law or otherwise, such rights are deemed and are irrevocably assigned to us or our licensors, as the case may be, without further action by either party; and

vi. you will only use the Intellectual Property Rights only in accordance with this Lease or as we otherwise state in writing.

B. Prohibited Acts. You will not:

i. take any action that interferes with any of our rights in or to the Intellectual Property Rights, including our ownership or exercise thereof;

ii. challenge any of our right, title or interest in or to the Intellectual Property Rights;

iii. make any claim or take any action adverse to our or our licensors ownership of the Intellectual Property Rights;

iv. engage in any action that tends to disparage, dilute the value of or reflect negatively on the Intellectual Property Rights or Proprietary Equipment; or

v. alter, obscure or remove any of our Marks or trademark or copyright notices or any other proprietary rights notices placed on the Proprietary Equipment.

15. Default and Termination. You will be in default, and we may at our option, terminate this Lease, as provided herein, if: (a) you violate any provision of this Lease; (b) you breach or violate, or any event of default (however defined) occurs under, any other agreement between you and us or any affiliate of ours, including the Franchise Agreement; (c) you terminate the Gym or otherwise cease to function as a going concern; (d) you make an assignment for the benefit of creditors or authorize, initiate or consent to the initiation against you of any proceeding for a moratorium or for relief under the United States Bankruptcy Code or any similar state law or otherwise obtain a stay of enforcement against you of creditors remedies generally; or (e) the Franchise Agreement terminates. Except as described below, you will have thirty (30) days after your receipt from us of a written Notice of Termination within which to remedy any default

hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time, this Lease will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period. We may terminate this Lease immediately upon delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you have received a written Notice of Termination from us for failure to comply with one or more material requirements of this Lease on three (3) separate occasions within any twelve (12) month period; (2) the nature of your breach makes it not curable; or (3) any default under items (c), (d) or (e) above.

16. Remedies. Upon termination of this Lease, all of your rights to possess or use the Proprietary Equipment will terminate and you will immediately relinquish possession and use of the Proprietary Equipment pursuant to our instructions. If you refuse to fully and promptly cooperate with us, you agree that we have the right, without demand or legal process and at your expense, to enter the premises where the Proprietary Equipment is located and take possession of and remove the Proprietary Equipment. Our remedies hereunder are cumulative and may, to the extent permitted by law, be exercised concurrently or separately, together with any other remedies that may be available to us at law or in equity. No failure or delay on our part to exercise any right or remedy will operate as a waiver thereof; nor will any single or partial exercise of any right or remedy preclude any further exercise of any right or remedy that we may have. You will be liable to us for all costs and expenses, including court costs and reasonable attorneys' fees, that we incur in connection with the enforcement of any provision of this Lease or the exercise of any right or remedy to which we are entitled.

17. Indemnification And Release. Without limiting any other provision of this Lease:

A. You will indemnify us and hold us harmless from and against any and all losses, costs, expenses and damages, including reasonable attorneys' fees, that we incur or are asserted against us arising out of or relating to (i) your breach of any provision of this Lease, or (ii) the operation, use, maintenance or possession of the Proprietary Equipment except to the extent arising from our negligence involving any significant repairs, adjustments or improvements to the Proprietary Equipment that we require; and

B. You agree that, except to the extent arising from our breach of this Lease, or our negligence involving any significant repairs, adjustments or improvements to the Proprietary Equipment required by us, we will not be liable for, and you release us from any claims or causes which you or any other party may have or claim to have relating to (i) damage or injury to real or personal property, (ii) death of or injury to persons, (iii) loss of or damage to business, or (iv) any other matter relating to or arising from the operation, use, maintenance or possession of the Proprietary Equipment or the fitness, merchantability or performance of the Proprietary Equipment.

18. Operating Location. The address at which the Proprietary Equipment will be located is \_\_\_\_\_.

19. Notices. All written notices permitted or required to be delivered hereunder are deemed so delivered when delivered by hand one (1) business day after having been sent by a recognized overnight delivery service requiring a written receipt or by such other means (such as email) which provides the sender with evidence of delivery, or of rejected delivery, and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party. Notice must be sent to the following address:

If to us, to:

Functional Patterns Innovations LLC  
64 North Pecos Road #112  
Las Vegas, Nevada 89108  
Email: [\_\_\_\_\_]

If to you, to:

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

20. Assignment. Subject to the following, you cannot pledge, sell or otherwise assign this Lease or any rights granted hereunder to any third party. You may assign this Lease only to the extent you assign the Franchise Agreement to a third party approved by us. This Lease may be assigned and transferred by us and will benefit our successors and assigns. Any such assignment or transfer will require the assignee to fulfill our obligations under this Lease.

21. Governing Law; Jurisdiction; Venue. The dispute resolution provisions stated in the Franchise Agreement, including those relating to mediation, arbitration, litigation, governing law and venue, are incorporated by reference herein.

22. Entire Agreement. This Lease supersedes any and all prior agreements, either oral or in writing, between the parties hereto and contains the entire agreement respecting the subject matter hereof.

23. Miscellaneous. This Lease does not and will not be deemed to create any rights of or obligations to any third party. This Lease can be amended only in writing signed by the parties hereto. This Lease will be binding upon and benefit the parties named herein and their respective successors and assigns. Should any part of this Lease be declared invalid, such decision will not affect the validity of the remaining portion, which remaining portion will remain in full force and effect as if this Lease had been executed with the invalid portion thereof eliminated. Any capitalized terms not defined in this Lease will have the meaning given to them in the Franchise Agreement.

24. Counterparts; Facsimile Signatures. This Lease may be executed in any number of counterparts, each of which will be deemed an original.

The parties have signed this Lease as of the Effective Date.

**US:**

**YOU:**

**FUNCTIONAL PATTERNS  
INNOVATIONS LLC**

\_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT C**  
**CONVERSION ADDENDUM TO FRANCHISE AGREEMENT**

**EXHIBIT C  
TO THE FRANCHISE DISCLOSURE DOCUMENT**

**PF FRANCHISING, INC.**

**CONVERSION ADDENDUM TO FRANCHISE AGREEMENT**

This Conversion Addendum (the “Addendum”) to the Project Function™ franchise agreement is made and entered into as of \_\_\_\_\_, 20[\_\_\_\_\_] (the “Effective Date”) between PF FRANCHISING, INC. (“we” or “us”) and \_\_\_\_\_ (“you” or “your”).

INTRODUCTION

A. You and our affiliate, \_\_\_\_\_ (“Affiliate”) are parties to a Functional Patterns License Agreement dated \_\_\_\_\_ (the “License Agreement”) pursuant to which you were granted the right to identify as a Functional Patterns® licensed entity and/or practitioner at the location identified in Exhibit A (the “Location”).

B. You and Affiliate desire to terminate the License Agreement and convert the Location to a franchised Project Function™ branded gym, and we have agreed to grant you such right, subject to your execution of a Project Function™ franchise agreement and this Addendum.

C. Contemporaneously with the execution of this Addendum, we and you are entering into that certain franchise agreement dated as of the Effective Date (the “Franchise Agreement”) to operate a Project Function™ branded gym at the Location (the “Gym”).

D. Affiliate and you desire to terminate the License Agreement, and we and you desire to amend the terms of the Franchise Agreement, pursuant to the provisions stated below.

AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

1. Construction. Any capitalized term not defined within this Addendum will have the meaning given to it in the Franchise Agreement.

2. Termination of the License Agreement. The provisions of the License Agreement, and any rights and obligations thereunder, will terminate as of the Effective Date.

3. Grant of Franchise; Authorized Location. Section 2(A) of the Franchise Agreement is amended to acknowledge that the franchise is granted for the conversion of your Gym (the “Conversion Franchise”) at the Location under the terms and conditions of the Franchise Agreement and this Addendum.

4. Initial Franchise Fee. The last sentence of Section 4(A) of the Franchise Agreement is deleted and replaced with the following:

The first \$[\_\_\_\_\_] of the Initial Franchise Fee is due within three (3) months of the Effective Date of this Agreement and the remaining amount of the Initial Franchise Fee is due within six (6) months of the Effective Date. The Initial Franchise Fee is fully earned by us upon receipt of the Initial Franchise Fee, and is not refundable.

5. Fee Payment. All relevant sections of the Franchise Agreement are amended to provide that the payment of the Royalty Fees, Technology Fees, and Brand Marketing Fee will begin the earlier of (i) the Conversion Date (as defined below) or (ii) three (3) months from the Effective Date.

6. Initial Launch Marketing. Section 6(D) of the Franchise Agreement is amended to provide that you must spend the Initial Launch Marketing Requirement within the first sixty (60) days following the Effective Date.

7. Development and Opening of the Gym.

A. Site Selection; Lease for Gym Premises. Section 6(A) of the Franchise Agreement is deleted as you intend to operate the Gym at the Location. You agree to use your best efforts to enter into a Lease Addendum with the landlord of the Gym premises

B. Your Development of the Gym. Section 6(B) of the Franchise Agreement is amended by replacing the introductory phrase in such Section with the following:

Promptly after signing this Agreement and your receipt from us of the prototype plans and specifications for the Gym, you will:

C. Gym Opening. Section 6(F) of the Franchise Agreement is deleted in its entirety and replaced with the following:

The Gym is considered to have opened as a Project Function™ gym as of the Effective Date. All modifications required under this Section 6 and elsewhere in this Agreement that are required to bring the Gym and its operations into compliance with the standards and specifications in the Operations Manual must be completed within [\_\_\_] (\_\_) months of the Effective Date (such date of completion is defined as the “Conversion Date”).

8. Training. You and we acknowledge and agree that you are operating the Gym as a Conversion Franchise and both the Principal Owner, and the Certified Manager(s) of the Gym have successfully completed certain training programs related to the operation of the Gym. Therefore, the opening paragraph of Section 7(B) and Section 7(B)(1) of the Franchise Agreement [are deleted in their entirety][are amended to require you to attend an initial training program (the “Initial Training Program”), as we determine, which will not exceed [\_\_\_\_\_] days, and which will include certain in-person training related to equipment use and maintenance, customer services, marketing and sales programs, and methods of controlling operating costs]. For purposes of clarity, nothing in this Section 8 will be construed to delete the requirements stated in Sections 7(B)(2)-(4) of the Franchise Agreement. Additionally, you acknowledge and agree that, should you hire a new Certified Manager at any point during the term, and if, at any point during the Initial Training Program in which that Certified Manager is participating, we determine that the Certified Manager is unqualified to manage the Gym, or fails to meet our then-current requirements for managing the Gym, we will notify you and you must select and enroll a substitute Certified Manager in the Initial Training Program.

9. Opening Assistance. Section 7(C) of the Franchise Agreement is deleted in its entirety and replaced with the following:

We reserve the right, in our sole discretion, to provide you with the services of at least one (1) of our representatives for a minimum of [\_\_\_\_\_] (\_\_\_\_\_) days to assist you in the opening and initial operations of the Gym. We will determine the number of days and the time at which our representative is available to you.

10. Your Hiring and Training of Employees. Section 9(F) of the Franchise Agreement is supplemented to state that you acknowledge and agree that all employees currently employed by your Conversion Franchise have successfully passed a background check that complies with the requirements stated in the Operations Manual.

11. Termination of Franchise Agreements – Grounds. Section 15(A) of the Franchise Agreement is amended to include the following as a default, upon which we may, at our option, terminate the Franchise Agreement:

You fail to modify the Gym to our satisfaction within the timeframe described in Section 6(F) of this Agreement.

12. Mutual Release of Claims.

A. Definitions. For purposes of this Section 12, the terms below have the following meanings:

(i) “Claims” means all claims, suits, debts, liabilities, demands, losses, rights, damages, costs, expenses (including actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect.

(ii) “Affiliate Parties” means Affiliate and each of its subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, partners, managers, directors, employees, successors, predecessors, assigns, heirs and personal representatives.

(iii) “Licensee Parties” means You, and each of your respective affiliates and their respective officers, directors, owners, stockholders, members, partners, managers, directors, employees, successors, predecessors, assigns, heirs and personal representatives.

(iv) “Parties” means, collectively, the Affiliate Parties and the Licensee Parties.

B. Release of Licensee Parties. Except as described in Section 12(D) and 12(E) below, the Licensee Parties, jointly and severally, release and forever discharge, and covenant not to sue, the Affiliate Parties of and from all Claims that they may now have, or at any time previously had, or hereafter may have or claim to have, against any of the Affiliate Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the Effective Date relating to the License Agreement, the development or operation of the Location, or any agreement between any of the Licensee Parties and any of the Affiliate Parties. The Licensee Parties represent that they have not assigned or transferred any Claim released by them under this Section 12(B) to anyone other than Affiliate.

C. Release of Affiliate Parties. Except as described in Section 12(D), 12(E) and 12(H) below, the Affiliate Parties, jointly and severally, release and forever discharge, and covenant not to sue, the Licensee Parties of and from all Claims that they may now have, or at any time previously had, or hereafter may have or claim to have, against any of the Licensee Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the Effective Date relating to the License Agreement, the development or operation of the Location, or any agreement between any of the Affiliate Parties and any of the Licensee Parties.

D. The release of claims granted herein will not represent a waiver or release of any claims either party has or may have to enforce the terms of this Addendum, including those provisions of the Franchise Agreement specifically referenced herein.

E. The release of Claims will not represent a waiver of any Claim for contribution or indemnification that any Party has or may have under the License Agreement, which provision survives the termination of the License Agreement against any Party involving Claims by third parties for injuries or property damage relating to the operation of the Location at any time before or after the Effective Date of this Addendum.

F. The Parties specifically and expressly acknowledge and agree that the consideration accepted under this Addendum is accepted in full satisfaction of any and all injuries and/or damages or Claims that have previously arisen and which may hereafter arise respecting any of the Claims being released.

G. In entering into this Addendum, each Party represents that it has had the opportunity to consult an attorney of its own choice, and that the undersigned have read, understand and voluntarily accepted the terms of the Agreement.

*[Include the following for individuals whose businesses are located in or who reside California]*

H. In entering into this Addendum, each Party represents that it has had the opportunity to consult an attorney of its own choice, that the undersigned have read the terms of the Agreement, and that the terms of this Agreement are understood and voluntarily accepted by each Party. The Parties expressly waive all rights or benefits that they have or may have under Section 1542 of the California Civil Code, which section provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

13. Effectiveness of Addendum. Except as amended by this Addendum, all provisions of the Franchise Agreement will remain in full force and effect.

**US:**

**YOU:**

**PF FRANCHISING, INC:**

\_\_\_\_\_

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

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

**AFFILIATE:**

\_\_\_\_\_

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

**EXHIBIT D**

**LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner (Agent) North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-4712
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT E**  
**STATE ADDENDA**

## CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The Disclosure Document is supplemented by the following language.

Neither we nor any person or franchise broker identified in Item 2 of the 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 such persons from membership in that association or exchange.

2. The Disclosure Document is supplemented by the following language.

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

3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U S C A Sec 101 et seq.).
4. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the agreement. This provision may not be enforceable under California law.
5. The Franchise Agreement requires you to waive your right to a trial by jury. This provision may not be enforceable under California law.
6. The California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.
7. You must sign a general release if you transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
8. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution of competitive brands that we control.
9. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT.
10. OUR WEBSITE (<https://projectfunction.com/>) 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).
11. The Disclosure Document is supplemented by the following language.

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.

CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT

**THIS ADDENDUM** is made and entered into by and PF FRANCHISING, INC. a Nevada corporation with our principal business address at 64 North Pecos Road #112, Henderson, NV 89074 (“Franchisor,” “we,” “us,” or “our”) and [FRANCHISEE], having its principal business address at [ADDRESS] (“Franchisee,” “you,” or “your”).

1. The following paragraph is added to the end of the Franchise Agreement and supersedes any conflicting provisions in 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.

The parties have signed this Addendum on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

**FRANCHISOR:**

**FRANCHISEE:**

**PF FRANCHISING, INC.**

**[NAME OF INDIVIDUAL OR ENTITY]**

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

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

## MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

### State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of 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 Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

### Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

### Item 6, Additional Disclosure:

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

### Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

### Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

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

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

Exhibit H, Additional Disclosure:

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.

## MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrue.

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**PF FRANCHISING, INC.**

**[NAME OF INDIVIDUAL OR ENTITY]**

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

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

**EXHIBIT F**  
**GENERAL RELEASE FORM**

**FORM RELEASE OF CLAIMS**

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL  
BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT.  
THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, PF Franchising, Inc. (“we” or “us”), \_\_\_\_\_ (“you”) and \_\_\_\_\_ (“Guarantors”) enter into this Release of Claims (“Agreement”).

**RECITALS**

- A. We and you entered into a Project Function™ Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the “Franchise Agreement”).
- B. [NOTE: Describe the circumstances relating to the release.]

**AGREEMENTS**

- 1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
- 4. **Release of Claims.**

- A. Definitions.

- 1. Franchisor Parties: We and each of our subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives.

- 2. Franchisee Parties: You and each of the Guarantors and all persons or entities acting on their behalf or claiming under them including each of their respective past and present corporate parents, subsidiaries, affiliates, owners, heirs, executors, administrators, managers, directors, officers, employees, trustees, agents, partners, business entities, attorneys, insurers, successors and assigns.

- B. The Franchisee Parties irrevocably and unconditionally waive, release and forever discharge, and covenant not to sue, the Franchisor Parties of and from any and all claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including actual attorneys’ fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence (collectively, “Claims”), that they may now have, or at any time heretofore had, or hereafter may have, against each or any of the Franchisor Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the [Effective Date] relating to the Franchise Agreement(s), the development or operation of the Gym(s), the franchise relationship between the parties, the offer or sale of any franchise, or any agreement between any of the Franchisee Parties and any of the Franchisor Parties.

C. The Franchisee Parties specifically and expressly acknowledge and agree that the consideration accepted under this Agreement is accepted in full satisfaction of any and all injuries and/or damages that have previously arisen and which may hereafter arise respecting any of the claims being released.

D. The Franchisee Parties acknowledge that they have had a reasonable opportunity to consult with an attorney prior to signing this release and they have executed this release voluntarily. Also, the Franchisee Parties represent that they have not assigned or transferred to anyone any claims released by them under Section 4(B) above.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of \_\_\_\_\_ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

**YOU:**

\_\_\_\_\_

**WE:**

**PF Franchising, Inc.**

BY: \_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

ITS: \_\_\_\_\_

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

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

**PERSONAL GUARANTORS:**

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT G**  
**LIST OF CURRENT FRANCHISEES**  
**as of December 31, 2024**

None.

**LIST OF FORMER FRANCHISEES  
as of March 1, 2024**

None.

**EXHIBIT H**  
**DISCLOSURE ACKNOWLEDGMENT AGREEMENT**

**DISCLOSURE ACKNOWLEDGMENT AGREEMENT**

Applicant \_\_\_\_\_  
(If corporation) State of Incorporation \_\_\_\_\_  
Address of Applicant \_\_\_\_\_  
Location (Territory) Applied For \_\_\_\_\_

1. I have received all appropriate disclosure documents for the State(s) of \_\_\_\_\_ at least fourteen (14) calendar days, exclusive of the day I received them and the day I signed them, before signing the Franchise Agreement and/or payment of any monies.

2. I have signed and returned to PF Franchising, Inc. (you or your) the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Franchise Agreement thoroughly and understand all of your covenants and obligations and my obligations as a franchisee of the Project Function™ system. I understand that the Franchise Agreement contains all obligations of the parties and that you do not grant to me under either agreement any right of first refusal.

4. I understand that this franchised business may be impacted by risks largely outside your or our control such as local, national or global economic, political or social disruption.

5. I understand that this franchised business, as in all business ventures, involves other risks and, despite assistance and support programs, the success of my business will depend largely upon me and my ability.

6. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement or related agreement was signed.

7. I understand that you have established a marketing fund (the Brand Marketing Fund) which is not directed towards any specific franchise territory but is intended to benefit the entire Project Function™ system nationwide. I further understand that amounts from the Marketing Fund (if established) will be used to offset any in-house expenses you incur in providing marketing services, production art and other activities.

8. I have had no promises, guarantees or assurances made to me and no information provided to me relative to earnings, revenues, profits, expenses or projected revenues for this franchise, except as disclosed in the disclosure document. If I believe that I have received any such promises, guarantees, assurances or information, I agree to describe it below (otherwise write "None").

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

**APPLICANTS' ACKNOWLEDGMENT:**

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

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

**EXHIBIT I**  
**STATE EFFECTIVE DATES AND RECEIPT PAGES**

### **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
Minnesota	Pending

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

**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 PF Franchising, Inc. offers you a franchise, PF Franchising, Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, PF Franchising, Inc. or its affiliate in connection with the proposed franchise sale.

If PF Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit D.

Issuance Date: March 17, 2025

The franchisor is PF Franchising, Inc., located at 64 North Pecos Road #112, Henderson, Nevada 89074. Its telephone number is 619-966-7563.

PF Franchising, Inc.'s franchise sellers involved in offering and selling the franchise are David Filonzi, 64 North Pecos Road #112, Henderson, NV 89074, 619-966-7563 and \_\_\_\_\_.

PF Franchising, Inc. authorizes the respective state agencies identified on Exhibit D to receive service of process for PF Franchising, Inc. in the particular state.

I have received a disclosure document with an issuance date of March 17, 2025, that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement (and Exhibits)
- C. List of State Administrators, Agents for Service of Process
- D. Conversion Addendum
- E. State Addenda
- F. General Release Form
- G. List of Franchisees
- H. Disclosure Acknowledgment Agreement
- I. State Effective Dates and Receipt Pages

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Entity))

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

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

Signature \_\_\_\_\_

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Individuals))

Signature \_\_\_\_\_

**Copy for Franchisee**

**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 PF Franchising, Inc. offers you a franchise, PF Franchising, Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, PF Franchising, Inc. or its affiliate in connection with the proposed franchise sale.

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- G. List of Franchisees
- H. Disclosure Acknowledgment Agreement
- I. State Effective Dates and Receipt Pages

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Entity))

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

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

Signature \_\_\_\_\_

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Individuals))

Signature \_\_\_\_\_

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to David Filonzi at [franchise@projectfunction.com](mailto:franchise@projectfunction.com).

**Copy for PF Franchising, Inc.**