

## FRANCHISE DISCLOSURE DOCUMENT



9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING™  
A South Carolina limited liability company  
847 NE Main Street  
Simpsonville, South Carolina 29681  
Direct Line: (864) 962-4600  
[www.ILoveKickboxing.com](http://www.ILoveKickboxing.com)  
[facebook.com/ilovekickboxing](https://facebook.com/ilovekickboxing)  
[instagram.com/ilovekickboxing](https://instagram.com/ilovekickboxing)  
[twitter.com/ilovekickboxing](https://twitter.com/ilovekickboxing)  
[youtube.com/ilovekickboxing](https://youtube.com/ilovekickboxing)  
[linkedin.com/company/ilovekickboxing-com](https://linkedin.com/company/ilovekickboxing-com)

You will operate a fitness center that offers a boxing and kickboxing physical fitness training program through scheduled classes in a group environment with instructional staff and which includes a proprietary system of challenging workouts.

A “Standard Center” is a brick and mortar I LOVE KICKBOXING Center that only offers I LOVE KICKBOXING classes.

A “Lightweight Center” is an existing fitness facility that offers the goods and services of that existing fitness facility as well as I LOVE KICKBOXING classes.

The total investment necessary to begin operation of a Standard I LOVE KICKBOXING™ unit offering is \$100,149.00 to \$370,700.00. This includes \$22,350.00 to \$51,750.00 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin operation of a Lightweight I LOVE KICKBOXING™ unit offering is \$7,400.00 to \$64,900.00. This includes \$3,200.00 to \$13,000.00 that must be paid to us or an affiliate.

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

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

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: Shannon Hudson, 847 NE Main Street, Simpsonville, South Carolina 29681, (864) 962-4600.

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: July 31, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
<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 B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only ILKB 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 an ILKB franchisee?</b>	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation or litigation only in South Carolina. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in South Carolina than in your own state.
2. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
4. **Turnover Rate.** During the last three years, a high percentage of franchised outlets were terminated or transferred. This franchise could be a higher risk investment than a franchise system with a lower turnover rate.

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.

**NOTICE REQUIRED BY  
STATE OF MICHIGAN**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that litigation be conducted outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Section, 525 W. Ottawa Street, G. Mennen Williams Building, 1<sup>st</sup> Floor, Lansing, Michigan 48913, telephone (517) 373-7117.

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

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- EXHIBIT C – Standard Franchise Agreement, Lightweight Franchise Agreement, Sample Renewal Addendum, and State-Specific Addenda
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**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this disclosure document, “we” or “us” means 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, the franchisor. “You” means the person or entity that buys the franchise. If the franchisee is a corporation, partnership or other entity, the term “you” does not include the franchisee’s owners unless otherwise stated. Certain provisions of the Franchise Agreement will apply to your owners and will be noted in this disclosure document.

The Franchisor, its Parent and Affiliates

We are a South Carolina limited liability company formed on December 22, 2023. We acquired the I LOVE KICKBOXING™ franchise system on February 28, 2024, making us the franchisor for the I LOVE KICKBOXING™ brand. We have the principal business address of 847 NE Main Street Simpsonville, South Carolina 29681. Our agents for service of process are disclosed in Exhibit A to this disclosure document.

Our parent company, 9Round Franchising, LLC (“9Round”), is a South Carolina limited liability company formed on December 15, 2008, and currently offers franchise opportunities for the 9Round brand in the United States. It currently does business only under its corporate name and under the trade name “9ROUND”. Its principal business address is 847 NE Main Street, Simpsonville, South Carolina 29681.

9Round’s subsidiary, 9Round International, LLC (“9Round International”), a South Carolina limited liability company, offers master franchise opportunities for the 9Round brand outside the United States and Canada. 9Round International’s principal business address is 847 NE Main Street, Simpsonville, South Carolina 29681.

9Round’s former subsidiary, 9Round Franchising of Canada, Inc. (“9Round Canada”), a Canadian corporation, offered franchises of the type described in this disclosure document in Canada from February 2014 to December 2018. On January 1, 2019, 9Round Canada amalgamated into 9Round’s current subsidiary, 9RFranchising Canada, ULC (“9RFranchising Canada”) 9RFranchising Canada’s registered address is 220 HSBC Building, 885 West Georgia Street, Vancouver, BC V6C 3E8, Canada. 9RFranchising Canada has offered 9ROUND franchises since January 1, 2019. 9Round and our affiliate 9RFranchising Canada are currently exploring opportunities to enter into a master franchise agreement for the territory of Canada, which will include transferring existing and future rights to offer and develop 9ROUND centers in the territory of Canada to a new master franchisee.

Other than as described above, neither we nor any of our affiliates have ever offered franchises in any other line of business. None of our affiliates provide products or services to our franchisees. Other than the noted above, we have never operated a business of the type described in this disclosure document.

Predecessors

We have a predecessor, ILKB TOO LLC, a Florida limited liability company with a principal business address of 211 E Main Street, Lakeland, FL 33801 that was formed on or about June 23, 2020. ILKB TOO LLC offered the same type of franchised business as is offered through this disclosure document from 2022 to 2023. ILKB TOO LLC does not operate outlets of the type offered through this disclosure document. On February 28, 2024, we entered into an asset purchase agreement with ILKB TOO LLC and purchased certain assets of the franchised business.

ILKB TOO LLC had a predecessor, ILKB, LLC, a New York limited liability company with a principal business address of 1844 Lansdowne Avenue Merrick, New York 11566, that was formed on or about January 18, 2012. ILKB, LLC offered the same type of franchised business as is offered through this disclosure document, from 2012 to 2020. ILKB, LLC did not offer franchises in any other line of business. ILKB, LLC does not operate outlets of the type offered through this disclosure document. On June 26,

2020, ILKB TOO LLC entered into an asset purchase agreement with ILKB, LLC and purchased the assets of the franchised business.

Other than as described above, neither of our predecessors nor any of their affiliates have ever offered franchises in any other line of business. None of their affiliates provide products or services to our franchisees. Other than the noted above, our predecessors have never operated a business of the type described in this disclosure document.

### The Franchise Offered

We have developed a proprietary business format and system (“System”) for operating a fitness center (“Center”) that features a specialized boxing and kickboxing physical fitness training program through scheduled classes in a group environment with instructional staff and which includes a proprietary system of challenging workouts. The I LOVE KICKBOXING program combines strength and cardiovascular exercises for the entire body to achieve results.

Our System includes a distinct interior layout, design, décor, color scheme, graphics, fixtures, and furnishings, operating and customer service standards and procedures including proprietary workout routines, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures, that we designate (collectively, the “Standards”). Centers operating under the System are identified by the trade name and service mark “I LOVE KICKBOXING” or “ILKB” and other trademarks, service marks, and trade identifiers that we designate (the “Marks”). During hours of operation, you will offer instructional staffed classes to members.

For reference purposes throughout this Franchise Disclosure Document, we refer to the locations in our System as “Standard Centers” or “Lightweight Centers”. We refer to the I LOVE KICKBOXING location you will operate as the “Center”. When we reference the I LOVE KICKBOXING franchise in this Franchise Disclosure Document we are referring to both concepts unless we specifically refer to one or the other.

A “Standard Center” is a brick and mortar I LOVE KICKBOXING Center that only offers I LOVE KICKBOXING classes.

A “Lightweight Center” is an existing fitness facility that offers the goods and services of that existing fitness facility as well as I LOVE KICKBOXING classes.

We grant qualified candidates the right to operate one (1) or more I LOVE KICKBOXING Centers according to our Franchise Agreement (see [Exhibit C](#)) and our Standards which will be communicated to you via our confidential operating manuals (the “Manual”) (see Item 11).

### The Market and Competition

The market for fitness and workout centers and clubs is well developed and very competitive. You will compete with other fitness clubs offering similar services, including national franchise systems and other regional and local chains. You also will compete to a certain extent with public recreation centers and not-for-profit community organizations, such as the YMCA. Before selecting a site for your Center, you should survey the area for existing competitors and be aware that a competitor may enter the market at any time.

Typically, our services are sold to individuals and are not seasonal, although you may experience peak months and membership fluctuations. For example, January is typically a busier month for health clubs.

### Laws and Regulations

In addition to laws and regulations that apply to businesses generally, your Center will be subject to various federal, state, and local government regulations, including those relating to site location and building construction, such as the Americans with Disabilities Act.

The physical fitness industry, particularly providing services through for-profit clubs, is subject to extensive regulation at the local, state, and federal levels. Many states have enacted specific laws (1) regulating

membership contract length and terms, advertising, and limitations on pre-opening sales, and (2) requiring bonding, buyer's remorse cancellation rights for limited periods (usually three (3) to ten (10) days after the sale), and cancellation and partial refund rights for medical or relocation reasons. At the federal level, health clubs who sell memberships on credit may be subject to the federal Truth-In-Lending Act and Regulation Z and various other credit-related statutes like the Equal Credit Act and Fair Debt Collection Practices Act.

Some states have laws that require and regulate the content of service contracts or that require the presence of at least one (1) person trained in administering CPR or the use of an external defibrillator. Many states also require that certain types of fitness centers be equipped with working defibrillators.

It is solely your responsibility to comply with all applicable laws and regulations and to obtain and keep in force all necessary licenses and permits required by public authorities. Before purchasing the franchise, we strongly urge you to hire an attorney to review local, state, and federal laws that may affect your operations or impact your operating costs.

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**ITEM 2**  
**BUSINESS EXPERIENCE**

Chief Executive Officer, and Manager (Director): Shannon Hudson

Shannon is the creator and founder of the 9ROUND business model and system and has served as the CEO and Manager (Director) of 9Round Franchising, LLC since 9Round's inception in December 2008 and the CEO and Manager (Director) of I LOVE KICKBOXING since February 2024. Shannon opened the first 9ROUND Center in March 2008, which currently operates in Greenville, South Carolina. Since July 2008, he also has served as Manager of 9RSC, which operated a 9ROUND Center in Greenville, South Carolina through June 30, 2019. Since December 2013, Shannon has served as Manager of H&S, which operated 9Round Centers through June 30, 2019.

Chief Operations Officer and Manager (Director): Heather Hudson

Heather has served as the COO and Manager (Director) of 9Round Franchising, LLC since 9Round's inception in December 2008 and the COO and Manager (Director) of I LOVE KICKBOXING since February 2024. Since July 2008, Heather also has served as Manager of 9RSC, which operated a 9ROUND Center in Greenville, South Carolina through June 30, 2019. Since December 2013, Heather has served as Manager of H&S, which operated 9Round Centers through June 30, 2019.

Sr. Director of Operations: Drew Stauffacher

Drew has served as the Senior Director of Operations of 9Round Franchising, LLC since June of 2023 and as our Senior Director of Operations since February 2024. Prior to that, Drew served as Director of Fitness Programming for 9Round Franchising, LLC since January 2019. Drew was an owner of two (2) 9ROUND Centers from August of 2014 to March 2020.

Sr. Director of Franchise Resales: Brian Burke

Brian currently serves as Senior Director of Franchise Resales for 9Round Franchising, LLC and has served our franchise development department since February 2024. Prior to that, Brian served as 9Round's Senior Director of Operations from June 2023 to December 2023. From September 2021 until June 2023, Brian served as 9Round's Director of Franchise Resales. Brian served as Director of Ongoing Franchise Business Support for 9Round Franchising, LLC from November 2018 until September 2021. Brian began working with 9Round Franchising, LLC in November 2016 as a franchise business coach. Brian is a prior 9ROUND franchisee who operated up to three (3) Centers between December 2010 and May 2020.

Sr. Director of Marketing and Creative: Anna Lynch

Anna has served as 9Round's Senior Director of Marketing and Creative since June 2023 and as our Senior Director of Marketing and Creative since February 2024. Prior to that, Anna served as 9Round's Director of Marketing, leading the 9Round marketing team, since November 2015. Anna has been designated as a Certified Franchise Executive by the International Franchise Association since February 2020.

Manager (Director): Kenneth S. Esterow

Kenneth Esterow has been on the board of managers of 9Round Franchising, LLC since April 2021. Kenneth has been a Partner in TZIP Group Portfolio Operations Group since February 2018 and serves on the Board of Directors for Triangle Home Fashions, LLC., Pyramid Hotel Group, LLC, and Lift Brands, Inc. From January 2014 to November 2017, Kenneth was President and Chief Executive Officer and Director of Bankrate, Inc. (NYSE: RATE), until the sale of Bankrate to Red Ventures.

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**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.

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## **ITEM 5 INITIAL FEES**

### **STANDARD CENTERS**

You will pay us an Initial Franchise Fee when you sign a Franchise Agreement, which secures your Preliminary Designated Area. If you are acquiring franchise rights for a new, single Center, the Initial Franchise Fee is \$19,900, which is nonrefundable.

The Initial Franchise Fee is payable in full when the Franchise Agreement is signed and is nonrefundable. The Initial Franchise Fee is uniform for all new franchisees but may differ for franchisees under prior existing agreements.

Of the Grand Opening Marketing fees, if you acquire the rights to a new license, you will pay us a sum of \$17,500, which is nonrefundable, within one (1) week of signing the lease for your Center, and if you acquire the rights to an existing Center that is open and operating, you will pay us a sum of \$8,000 when you sign a Franchise Agreement, for your initial print materials and event starter kit and for digital marketing advertising and management fees.

Of the Opening Equipment and Inventory Package, you will pay us a sum of approximately \$5,350, which is nonrefundable. The Opening Equipment and Inventory Package includes the exercise equipment and floor mats necessary to operate the Center (including items such as punching bags and high-end industrial quality floor mats), interior signage, entry furniture and displays, and your initial opening inventory of retail items (including gloves, hand wraps, and apparel).

For the Coaching Screen System, you will pay us \$2,500 to \$5,000, which is nonrefundable.

Of the shipping and handling for the Grand Opening Marketing Materials, Opening Equipment and Inventory Package and the Coaching Screen System, you will pay us a sum of \$1,500 to \$4,000, which is nonrefundable, before you open your Center.

#### Veteran's Program

If you are a veteran or a former member of the U.S. Armed Forces and were honorably discharged (you must provide us with a copy of your DD214), we will reduce your Initial Franchise Fee for your first Center only by twenty percent (20%) for an Initial Franchise Fee of \$15,920 for your first Standard Center ("Veteran Discount"), which is nonrefundable.

#### Resales Programs

##### *Existing Franchisees:*

Unless otherwise provided in the original franchise agreement, a \$5,000 Initial Franchise Fee, which is nonrefundable, will be utilized for existing Franchisees purchasing an existing franchise location with a new, then-current Franchise Agreement that has a new ten (10)-year term.

##### *New Franchisees to the System:*

A \$10,000 Initial Franchise Fee, which is nonrefundable, will be utilized for new Franchisees purchasing an existing location with a new, then-current Franchise Agreement that has a new ten (10)-year term.

##### *Manager/Trainer to Owner Program:*

A one-time Initial Franchise Fee of \$7,500, which is nonrefundable, will be utilized for an existing manager or trainer who has worked for an existing Franchisee for at least six (6) months at an existing Center, and who meets our then-current criteria, purchasing an existing franchise location with a new, then-current Franchise Agreement that has a new ten (10)-year term. The Initial Franchise Fee under the Manager/Trainer to Owner Program is separate to the discounts under the Market Accelerator Program, should you choose to participate in the Market Accelerator Program.

### Market Accelerator Program

If you later would like to acquire franchise rights as part of our Step Up Program, the total Initial Franchise Fee for the second Center, and for each additional Center, is \$15,000 (a discount of \$4,900 for each Center), which is nonrefundable.

<b>Step Up Program</b>	<b>Amount</b>
Initial Franchise Fee for first Center	\$19,900
Each additional Center Initial Franchise Fee	\$15,000

### **LIGHTWEIGHT CENTERS**

This program will allow a Franchisee to offer I LOVE KICKBOXING™ classes inside of an existing fitness facility.

You will pay us an Initial Franchise Fee when you sign a Franchise Agreement, which secures your Authorized Location. A \$2,500 Initial Franchise Fee, which is nonrefundable, will be utilized for the first Lightweight Center and for each additional Center, is \$1,000, which is nonrefundable. A \$1,250 Initial Franchise Fee, which is nonrefundable, will be utilized for any Franchisee purchasing an existing franchise location with a new, then-current Franchise Agreement.

<b>Lightweight Program</b>	<b>Amount</b>
Initial Franchise Fee for first Lightweight Center	\$2,500
Each additional Lightweight Center Initial Franchise Fee	\$1,000
Initial Franchise Fee for Resale of an existing Lightweight Center	\$1,250

If you choose to purchase the Grand Opening Marketing items and services from us, you will pay us a sum of approximately \$0 to \$5,000, which is nonrefundable.

Of the Opening Equipment and Inventory Package range for a Lightweight Center, you will pay us a sum of approximately \$1,800 to \$2,500, which is nonrefundable. The opening Equipment and Inventory Package includes a minimum of your initial opening inventory of retail items (including gloves, speed wraps, and apparel). You may need to purchase interior signage and additional equipment, including but not limited to, free standing punching bags and floor mats to meet our then-current standards.

For the Coaching Screen System, you will pay us \$300 to \$2,000, which is nonrefundable.

Of the shipping and handling for the Opening Equipment and Inventory Package and the Coaching Screen System, you will pay us a sum of \$100 to \$1,000, which is nonrefundable, before you open your Center.

### Veteran's Program

If you are a veteran or a former member of the U.S. Armed Forces and were honorably discharged (you must provide us with a copy of your DD214), we will reduce your Initial Franchise Fee for your first Center only by fifteen percent (15%) for an Initial Franchise Fee of \$2,125, which is nonrefundable, for your first Lightweight Center ("Veteran Discount").

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**ITEM 6**

**OTHER FEES FOR STANDARD FRANCHISEES**

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	\$750 or 6% of Gross Sales, whichever is greater, per month.	Monthly.	Subject to increase. The fee may be collected through billing software.
Brand Building Fund Fee	\$300 or 2% of Gross Sales, whichever is greater, per month.	Monthly.	Subject to increase. The fee may be collected through billing software. See Item 11 for more information about Gross Sales and the Brand Building Fund.
Local Advertising Spend, Local Marketing Fund, or Cooperative Advertising <sup>2</sup> Contribution	The higher of 8% of gross revenue or \$6,000 per rolling three (3)-month period. <sup>3</sup>	Monthly.	See Item 11 for more information about our right to set up and require participation in a Local Marketing Fund or an advertising cooperative.
Technology Fee <sup>4</sup>	\$199 per month.	Monthly.	Subject to increase. The fee may be collected through billing software.
Digital Marketing Services <sup>5</sup>	\$750 per month desired ad spend; \$300 per month management fee for mid-tier services.	Monthly.	Subject to increase or change. The fee may be collected through billing software.
Heart rate monitor system ( <i>Optional</i> )	\$139 per month	Monthly.	Subject to increase or change. The fee may be collected through billing software. This fee is currently payable to us but may be payable directly to the vendor in the future.
Workout statistics measurement software ( <i>Optional</i> )	Will vary based on usage.	Monthly.	The fee may be collected through billing software. This fee is currently payable to us but may be payable directly to the vendor in the future.
Insurance	\$126 - \$240 per month.	Monthly or annually.	Subject to increase. The fee may be collected through billing software.
Audits	Cost of audit plus interest at 12% or the	Immediately upon receipt of	You pay for cost of audit only if it shows an understatement

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
	maximum rate allowable by law.	bill.	of memberships or revenue.
Annual Convention Tickets <sup>6</sup>	Will vary under the circumstances (currently \$399 per franchise owner).	Annual, upon demand.	Subject to increase. The fee may be collected through billing software and may be taken in installments, at our option.
Assignment Fee	\$500.	Upon application to assign your Franchise Agreement.	Payable when you assign your Franchise Agreement to a corporation or other business entity owned by you or when you alter the percentage ownership of any minority partner, member, or other owner of your business, other than the Principal Owner.
Graphic Design Fee <sup>7</sup>	\$50 - \$100 per hour.	As incurred.	Subject to increase. Payable upon completed work product provided to you or the applicable vendor.
Relocation Fee	\$1,500 - \$5,000.	Upon application to relocate your Center.	Payable when you relocate your Center.
Costs and Attorneys' Fees	Will vary under circumstances.	As incurred.	Payable only if your non-compliance with the Franchise Agreement causes us to incur legal expenses.
Interest	12% per annum.	Upon demand.	Payable only if you fail to pay amounts owed to us when due.
Indemnification	Will vary under the circumstances.	As incurred.	You must reimburse us if we are held liable for claims arising out of your franchise operations.
Supplier Review Fee	Our costs and expenses, which we expect will range from \$1,000 to \$5,000, but may exceed this range depending on the product.	As incurred.	See Item 8 for more information on approved suppliers.
Quality Assurance	Our out-of-pocket costs	Upon demand.	If you fail to submit a "walk-

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Inspections	which will vary.		through” video, you must reimburse us for our costs, including travel costs, that we incur related to evaluating or inspecting your Center with our personnel or third party “mystery shoppers.”
Modernization and Maintenance Costs	Our reasonable costs and expenses which will vary.	Upon demand.	You must maintain the Center premises and modernize them every five (5) years. If you fail to do so, we may complete these for you, and you must pay us our reasonable costs.
Securities Offering Costs	Will vary under the circumstances.	Upon demand.	If you engage in a private offering of securities, we must review the prospectus or other offering documents and you will pay our costs for that review.
Ongoing Training	\$99 to \$500 per person plus your travel expenses. If our representative provides additional training at your Center, we may require you to reimburse our related travel and lodging costs for our representative.	Upon demand.	Subject to increase. We may require you and other key employees of the Center to attend ongoing training, which will be held at a location that we designate.
Renewal Fee	The lesser of 25% of the then-current Initial Franchise Fee or our then-current Renewal Fee. Our current Renewal Fee is \$1,000.	Upon signing of Renewal Franchise Agreement.	See Item 17 for Renewal Term and Conditions of Renewal.
Administrative Fee	\$250 per enforcement effort (i.e. written or verbal notification and follow up).	Upon demand.	We may assess an administrative fee to compensate us for our efforts to address the failure to comply with the Franchise Agreement or Brand Standards.
Management Fee	5% of the Center’s gross revenues, plus	Upon demand.	If you are in default of the Franchise Agreement, we may

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
	reimbursement of our reasonable costs and expenses.		send our personnel to manage the Center until the default is cured.
Liquidated Damages <sup>8</sup>	<p>For ceasing operations or committing a default that results in termination of your franchise rights, the lesser of \$20,000 or the estimated present value of monthly fees through the end of the franchise term;</p> <p>For selling unauthorized products, an amount equal to 70% of gross revenues derived from the sale;</p> <p>For offering unauthorized services, an amount equal to 100% of gross revenues derived from the offering of services.</p>	Upon demand.	

“Gross Sales” is defined as the total of all revenue from the sale of services and products from all sources in connection with the business at your Center or online whether for check, cash, credit, or otherwise (and regardless of collectability), and all proceeds from any business interruption insurance, but does not include (a) the sale price of products returned in good faith by customers of the business, and (b) any sales tax or other taxes collected from customers of the business by you for remittance to the appropriate taxing authority.

Notes:

Note 1. All fees are imposed by, payable to, and collected by us unless otherwise noted. All fees are imposed uniformly and are non-refundable upon payment. As noted in the chart above, several fees paid to us are subject to adjustment over the ten (10)-year agreement term based on increases in the Consumer Price Index (CPI). Adjustments based on the CPI will be made no more than once per year.

Note 2. Each local advertising cooperative may elect to increase the monthly contribution to the cooperative if approved by a two-thirds majority of the members, and the minimum contribution is subject to adjustment by an amount not to exceed the increase in the CPI. Centers owned by us and our affiliates are also members of their respective local cooperative and each company-owned Center has the same voting rights as the franchised locations within the cooperative. If our company-owned Centers comprise the majority of a given cooperative the maximum and minimum fees for that cooperative will be consistent with the range stated in this Item 6 (subject to adjustment for increases in the CPI).

We offer optional assistance with local marketing. Fees will vary depending on availability, market size, and strategy.

Note 3. If you fail to add at least forty-five (45) new members (excluding trial memberships or memberships lasting less than a full month) during a rolling three (3)-month period, we reserve the right to audit your marketing and advertising to ensure it conforms to our standards and specifications. If you have not spent the higher of 8% of your gross revenue or \$6,000 per rolling three (3)-month period on Local Advertising, we reserve the right to collect the difference, through billing software, between how much you have spent in the applicable rolling three (3)-month period and the minimum required expenditure. Any amounts that we collect will be added to the Brand Building Fund.

Note 4. As technology and member demands change, we anticipate providing different or additional services available to members. Some of these services may include different or additional member service fees and you agree to participate in our future member service initiatives and pay the applicable fees that we impose periodically. Currently, member services include access to the online portal which provides nutritional and fitness information and recipes. The Technology Fee is \$199 per month. The Technology Fee includes online membership services, any I LOVE KICKBOXING app we design and control, the I LOVE KICKBOXING website, four (4) I LOVE KICKBOXING email addresses, and coaching screen system.

Note 5. At the end of the local grand opening marketing or new ownership marketing digital marketing services, you will automatically be transferred to our mid-tier digital marketing services, which may be provided by us or our Affiliate. The current management fee is \$300 per month and for mid-tier services, and you will commit to a desired ad spend of \$750 per month, although the actual ad spend may be greater or less based on ad interaction. You may notify us in writing to cancel the digital marketing services at the end of the local grand opening marketing or new ownership marketing digital marketing services. During ongoing digital marketing services, you may cancel or change the services by notifying us in writing. At the end of the local grand opening marketing or new ownership marketing, any remaining funds from the Grand Opening Fee that were paid to us will be used for ongoing digital marketing services. If you cancel the digital marketing services, you may later re-start the digital marketing services by signing our then-current digital marketing services agreement at the then-current management fees and then-current required minimum desired ad spend per month, provided that we are offering digital marketing services. If we stop offering digital marketing services, we will also stop charging you the monthly management fee.

Note 6. Each franchise owner is required to purchase a ticket to our annual convention, the location of which varies, but is usually held in the lower forty-eight (48) states of the US. The current ticket price is \$399 but is subject to increase. We may collect the ticket price through billing software and may be taken in installments, at our option. In addition to the ticket price, you are responsible for all costs associated with attending the annual convention, such as travel, lodging, and other incidentals. The costs may increase if you are attending with more than one (1) franchise owner, a manager, or other staff.

Note 7. Upon your request, and subject to availability, we, or our approved suppliers, may offer services to complete retail designs, window decals, create local advertising assets, update and/or promote your website, and provide other graphic design services. Our current hourly rate, depending upon the services requested, is \$50 - \$100 per hour, which is subject to change or increase. Any requests for changes or updates to the content of your website and/or any type of website promotion you wish to do must be approved by us in writing and performed by us, or our approved suppliers. We typically respond to you within ten (10) business days of our receipt of your request for all website changes. We may charge a fee of \$50 - \$100 per hour as necessary to update and/or promote your website or provide other graphic design services. Delivery time for designs will vary based on the type of request. We may collect the fees through our billing software. We will provide you with at least thirty (30) calendar days' notice of any change to our graphic design fee. Currently, we do not charge for minor updates such as changes to phone number, physical gym address, location email, or location URLs, but we may restrict the number of major and minor changes that we will make.

**Note 8.** If you prematurely cease operations, or if you commit a default that results in termination of your franchise rights, you must pay us, as liquidated damages, the lesser of \$20,000 or an amount equal to the average monthly fees paid to us over the past twelve (12) months multiplied by the number of months remaining in the then-current term, reduced to present value at a rate of 6%. If you sell any products or offer any services that we have not authorized for sale, you must pay us an amount equal to 70% of the gross revenue that you derived from the sale of unauthorized products, and 100% of the gross revenues that you derived from the offer of unauthorized services. We have the right to collect these amounts in the same way as we collect payment of Royalty Fees. We also have the right, in our sole discretion, to collect these amounts immediately or in installments, payable at 6% interest for a term of up to twenty-four (24) months.

### OTHER FEES FOR LIGHTWEIGHT FRANCHISEES

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Continuing Fee <sup>2</sup>	\$499 per month or \$599 per month.	Monthly.	Subject to increase. The fee may be collected through billing software.
Digital Marketing Services <i>(Optional)</i>	Will vary based on chosen service.	Monthly.	Subject to increase or change. The fee may be collected through billing software.
Heart rate monitor system <i>(Optional)</i>	\$139 per month	Monthly.	Subject to increase or change. The fee may be collected through billing software. This fee is currently payable to us but may be payable directly to the vendor in the future.
Workout statistics measurement software <i>(Optional)</i>	Will vary based on usage.	Monthly.	The fee may be collected through billing software. This fee is currently payable to us but may be payable directly to the vendor in the future.
Audits	Cost of audit plus interest at 12% or the maximum rate allowable by law.	Immediately upon receipt of bill.	You pay for cost of audit only if it shows an understatement of memberships or revenue.
Annual Convention Tickets <i>(Optional)</i> <sup>3</sup>	Will vary under the circumstances (currently \$399 per franchise owner).	Annual, upon demand.	Subject to increase. The fee may be collected through billing software and may be taken in installments, at our option.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Assignment Fee	\$500.	Upon application to assign your Franchise Agreement.	Payable when you assign your Franchise Agreement to a corporation or other business entity owned by you or when you alter the percentage ownership of any minority partner, member, or other owner of your business, other than the Principal Owner.
Graphic Design Fee <sup>4</sup>	\$50 - \$100 per hour.	As incurred.	Subject to increase. Payable upon completed work product provided to you or the applicable vendor.
Relocation Fee	\$1,500 - \$5,000.	Upon application to relocate your Center.	Payable when you relocate your Center.
Costs and Attorneys' Fees	Will vary under circumstances.	As incurred.	Payable only if your non-compliance with the Franchise Agreement causes us to incur legal expenses.
Interest	12% per annum.	Upon demand.	Payable only if you fail to pay amounts owed to us when due.
Indemnification	Will vary under the circumstances.	As incurred.	You must reimburse us if we are held liable for claims arising out of your franchise operations.
Supplier Review Fee	Our costs and expenses, which we expect will range from \$1,000 to \$5,000, but may exceed this range depending on the product.	As incurred.	See Item 8 for more information on approved suppliers.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Quality Assurance Inspections	Our out-of-pocket costs which will vary.	Upon demand.	If you fail to submit a “walk-through” video, you must reimburse us for our costs, including travel costs, that we incur related to evaluating or inspecting your Center with our personnel or third party “mystery shoppers.”
Modernization and Maintenance Costs	Our reasonable costs and expenses which will vary.	Upon demand.	You must maintain the Center premises and modernize them every five (5) years. If you fail to do so, we may complete these for you, and you must pay us our reasonable costs.
Securities Offering Costs	Will vary under the circumstances.	Upon demand.	If you engage in a private offering of securities, we must review the prospectus or other offering documents and you will pay our costs for that review.
Ongoing Training	\$99 to \$500 per person plus your travel expenses. If our representative provides additional training at your Center, we may require you to reimburse our related travel and lodging costs for our representative.	Upon demand.	Subject to increase. We may require you and other key employees of the Center to attend ongoing training, which will be held at a location that we designate.
Renewal Fee	25% of the then-current Initial Franchise Fee.	Before renewal, at least six (6) months but not twelve (12) months prior to end of expiring term.	See Item 17 for Renewal Term and Conditions of Renewal.
Administrative Fee	\$250 per enforcement effort (i.e. written or verbal notification and follow up).	Upon demand.	We may assess an administrative fee to compensate us for our efforts to address the failure to comply with the Franchise Agreement or Brand Standards.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Liquidated Damages <sup>5</sup>	<p>For ceasing operations or committing a default that results in termination of your franchise rights, the lesser of \$7,000 or the estimated present value of monthly fees through the end of the franchise term;</p> <p>For selling unauthorized products, an amount equal to 70% of gross revenues derived from the sale;</p> <p>For offering unauthorized services, an amount equal to 100% of gross revenues derived from the offering of services.</p>	Upon demand.	

Notes:

Note 1. All fees are imposed by, payable to, and collected by us unless otherwise noted. All fees are imposed uniformly and are non-refundable upon payment. As noted in the chart above, several fees paid to us are subject to adjustment over the agreement term based on increases in the Consumer Price Index (CPI). Adjustments based on the CPI will be made no more than once per year.

Note 2. A \$499 Continuing Fee will apply if you choose a thirty-eight (38) month franchise agreement term. A \$599 Continuing Fee will apply if you choose a twenty-six (26) month franchise agreement term.

Note 3. Each Lightweight franchise owner is encouraged to purchase a ticket to and attend our annual convention, the location of which varies, but is usually held in the lower forty-eight (48) states of the US. The current ticket price is \$399 but is subject to increase. If applicable, we may collect the ticket price through billing software and may be taken in installments, at our option. In addition to the ticket price, you are responsible for all costs associated with attending the annual convention, such as travel, lodging, and other incidentals. The costs may increase if you are attending with more than one (1) franchise owner, a manager, or other staff.

Note 4. Upon your request, and subject to availability, we, or our approved suppliers, may offer services to complete retail designs, window decals, create local advertising assets, update and/or promote your website, and provide other graphic design services. Our current hourly rate, depending upon the services requested, is \$50 - \$100 per hour, which is subject to change or increase. Any requests for changes or updates to the content of your website and/or any type of website promotion you wish to do must be approved by us in writing and performed by us, or our approved suppliers. We typically respond to you within ten (10) business days of our receipt of your request for all website changes. We may charge a fee of \$50 - \$100 per hour as necessary to update and/or promote your website or provide other graphic design services. Delivery time for designs will vary based on the type of request. We may collect the fees through our billing software. We will provide you with at least thirty (30) calendar days' notice of any change to our graphic design fee.

Currently, we do not charge for minor updates such as changes to phone number, physical gym address, location email, or location URLs, but we may restrict the number of major and minor changes that we will make.

Note 5. If you prematurely cease operations, or if you commit a default that results in termination of your franchise rights, you must pay us, as liquidated damages, the lesser of \$7,000 or an amount equal to the average monthly fees paid to us over the past twelve (12) months multiplied by the number of months remaining in the then-current term, reduced to present value at a rate of 6%. If you sell any products or offer any services that we have not authorized for sale, you must pay us an amount equal to 70% of the gross revenue that you derived from the sale of unauthorized products, and 100% of the gross revenues that you derived from the offer of unauthorized services. We have the right to collect these amounts in the same way as we collect payment of Royalty Fees. We also have the right, in our sole discretion, to collect these amounts immediately or in installments, payable at 6% interest for a term of up to twelve (12) months.

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**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT FOR A STANDARD CENTER**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>1</sup>	\$5,000 to \$19,900	Lump sum	At signing of the Franchise Agreement	Us
Computer, Technology, and Sound System <sup>2</sup>	\$2,500 to \$20,000	As arranged	Before opening as incurred	Vendors
Security System ( <i>Optional</i> ) <sup>3</sup>	\$0 to \$9,000	As arranged	Before opening	Approved Vendors
Lease Deposits, Utilities, and Insurance <sup>4</sup>	\$2,000 to \$8,000	As arranged	Before opening	Landlord, Utility Suppliers, and Insurer
Leasehold Improvements <sup>5</sup>	\$10,000 to \$110,200	As arranged	Before opening	Contractors
Leasehold Finishes and Fixtures <sup>6</sup>	\$6,000 to \$25,000	As arranged	Before opening	Contractors
Sound Proofing ( <i>Optional</i> ) <sup>7</sup>	\$0 to \$10,000	As arranged	Before opening	Contractors
Grand Opening Marketing <sup>8</sup>	\$10,000 to \$25,000	As arranged	If you have acquired a new license, partially payable before opening. If you have acquired an existing license, partially payable at signing of Franchise Agreement. Then, as incurred	Us and Approved Vendors
Opening Equipment and Inventory Package <sup>9</sup>	\$28,900 to \$38,700	As arranged	Before opening as incurred	Us and Approved Vendors
Exterior Signage <sup>10</sup>	\$2,000 to \$12,000	As arranged	Before opening	Vendors
Heart rate monitor system ( <i>Optional</i> ) <sup>11</sup>	\$0 to \$2,400	As arranged	Before opening	Approved Vendor
Workout statistics measurement hardware ( <i>Optional</i> ) <sup>12</sup>	\$0 to \$5,500	As arranged	Before opening	Approved Vendor
Coaching screen system <sup>13</sup>	\$2,500 to \$5,000	As arranged	Before opening	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Body composition analyzer <sup>14</sup>	\$349 to \$5,500	As arranged	Before opening	Approved Vendors
Shipping and Handling (for the Grand Opening Marketing Materials, Opening Equipment and Inventory Package, and coaching screen system)	\$5,500 to \$8,000	As arranged	Before opening as incurred	Us and Approved Vendors
Travel, Lodging and Meals for Initial Training Program <sup>15</sup>	\$0 to \$4,000	As arranged	As incurred	See Item 11 and Note 8
Business Licenses and Other Professional Fees <sup>16</sup>	\$400 to \$1,500	As arranged	Before opening	Appropriate Licensing Authorities and Third Parties
Additional Funds – three (3) months <sup>17</sup>	\$25,000 to \$61,000	As arranged	As incurred	Third Parties
Total <sup>18</sup>	\$100,149 to \$370,700			

These figures represent the estimated costs to develop a Center and to operate it during the initial phase – which is estimated to be three (3) months. If you purchase franchise rights for additional Centers under our Market Accelerator Program, you will incur these expenses for each Center you develop, less the applicable Initial Franchise Fee discount. In preparing your budget, you should also consider the potential effect of inflation on future costs. All fees are nonrefundable unless otherwise stated and may not include applicable taxes.

Note 1. A \$5,000 Initial Franchise Fee will be utilized for existing Franchisees purchasing an existing franchise location with a new Franchise Agreement that has a new ten (10)-year term. A \$10,000 Initial Franchise Fee will be utilized for new Franchisees purchasing an existing location with a new Franchise Agreement that has a new ten (10)-year term. An Initial Franchise Fee of \$19,900 will be utilized for new Franchisees opening a new location. See Item 5 for a description of the Initial Franchise Fees and available discounts available in our Market Accelerator Program, Resale Programs, and Veteran Discount.

Failure to pay the Initial Franchise Fee upon execution of the Franchise Agreement will result in a non-curable default of the Franchise Agreement by you and we will have the right to immediately terminate the Franchise Agreement in accordance with the relevant terms of the Franchise Agreement.

Note 2. The range includes the estimated cost for computers, software, printers, high-speed internet connection, sound system, television, telephone(s) with answering system, and hardware and installation costs for the I LOVE KICKBOXING music system.

Note 3. A security system is recommended but not required. The range includes the estimated cost for the security and surveillance system and fifty (50) door entry key fobs.

Note 4. These estimates are based on leasing a 2,000 to 3,000 square foot facility in vanilla shell condition, located in a strip center in the Greenville, South Carolina area, and include your first month's rent, security deposit, utility deposits, and insurance. The space must be enclosed and separate from other businesses with its own locking door. Except for the security deposit, lease payments generally are not refundable.

The estimated deposits for utilities include electric, gas, and water, but your deposit may vary due to policies of local utility companies.

See Item 8 for more information about our insurance requirements and our designated insurance program. This estimate includes premium for three (3) months of the insurance plan from our designated supplier. If you need additional insurance for your Center (for example, state workers' compensation or a surety bond), you may have additional costs. A surety bond may range from \$100 to \$500 per year, depending on the state. Workers' compensation coverage may range from \$450 to \$1,000 and may be more depending on the number of employees and your state requirements.

Note 5. These figures include the estimated cost of interior alterations and improvements to a location in vanilla shell condition. This cost depends on the extent of the renovations needed to convert space into separate areas, costs of labor and materials in the area, local building and other code requirements, landlord construction criteria, any allowance you negotiate with the lessor for construction, and other factors. We recommend that you find a location that needs minimal leasehold improvements or fixtures. For new locations, the range is typically \$10,000 to \$110,200. For the purchase of an existing Center, leasehold improvements are considerably less and may not be required if the Center is in good condition and meets our then-current Standards.

Note 6. Includes the cost of paint, wall paneling, mirrors, lighting, and entry and bathroom tile. These estimates do not include the cost of purchasing real property, as we do not expect that you will buy real property. These figures do not incorporate any landlord concessions, such as free rent or landlord build out of your space.

Note 7. We recommend, but do not require, that you soundproof your Center, according to our specifications. The figures included reflect these costs.

Note 8. If you acquire franchise rights for a new Center, you must spend a minimum of \$25,000, as determined by us, for local grand opening marketing, which will commence approximately twelve (12) weeks before the opening of your Center and approximately eight (8) weeks after the opening of your Center. You may spend more than the minimum amount. You will pay \$17,500 directly to us within one (1) week after you sign the lease for the Center for your print materials and event starter kit, both of which contain various promotional materials, for digital marketing advertising, and for a minimum of five (5) months of the digital marketing management fees. If you acquire the franchise rights to an existing Center, you must spend a minimum of \$10,000, as determined by us, for local new ownership marketing commencing when you launch the new ownership marketing campaign on a date agreed to by us (such date will be after you have acquired ownership of the Center) and lasting for approximately twelve (12) weeks thereafter. You may spend more than the minimum amount. You will pay \$8,000 directly to us, due at the time of signing the Franchise Agreement, for your print materials, which contains various promotional materials, for digital marketing advertising, and for a minimum of three (3) months of digital marketing management fees. The remaining amount will be paid to approved vendors for their respective products or services. At the conclusion of local grand opening marketing or local new ownership marketing, any remaining funds of the Grand Opening Marketing Fee that were paid to us will be used for the digital marketing service. Pre-opening and grand opening or new ownership marketing will consist of a variety of marketing tactics including, but not limited to, digital advertising, email marketing, local networking, participation in local community events, public relations, and other marketing and advertising initiatives or materials intended to publicize the opening of the Center.

Note 9. The Opening Equipment and Inventory Package includes the exercise equipment and floor mats necessary to operate the Center (including items such as punching bags and high-end industrial quality floor mats), interior signage, entry furniture and displays, and your initial opening inventory of retail items (including gloves, hand wraps, and apparel).

Note 10. This includes estimated purchase cost of exterior signage and related delivery and installation. You may use a local vendor.

Note 11. You may purchase a heart rate monitor system from our approved vendor. If you choose to purchase the heart rate monitor system you must also purchase all equipment required to implement and use the system at our then-current specifications. The required equipment will vary based on your Center layout and square footage.

Note 12. You may purchase workout statistics measurement hardware for your Center from our approved vendor. The current workout statistics measurement hardware and software is used to track certain workout statistics for a member. If you choose to purchase the workout statistics measurement hardware, you must also pay the ongoing monthly software subscription fee (see Item 6) required to implement and use the system at our then-current specifications.

Note 13. You must purchase hardware for our I LOVE KICKBOXING coaching screen system from us. You must purchase all equipment to implement and use the system, which currently includes up to four (4) screens to be mounted in the Center that will demonstrate the class training.

Note 14. You must purchase hardware for the body composition analyzer from an approved vendor. You must purchase all equipment to implement and use the system, which includes a body composition and other vital measurements system. The then-current cost of the required analyzer is \$349, which is subject to increase and taxes. You may purchase an analyzer from an approved vendor that has additional features, which may require a monthly subscription fee to a third-party vendor, provided that the analyzer meets the Standards.

Note 15. Initial training is currently held virtually but may be held in person at either at our corporate headquarters (currently, Simpsonville, South Carolina) or a location nearby in Greenville County, South Carolina in the future. If the initial training is held in person, you are responsible for all costs associated with attending such as travel, room and board. If training is held virtually or if you live close to our training location, or if you are an existing franchisee purchasing a Center under the Resale Program and we determine that you do not need to re-attend the initial training program, you may incur no travel, lodging, or meal costs for the initial training program. If you are a new franchisee to the System under the Resale Program and you fail to complete the initial training program as directed by us, under the terms of your Franchise Agreement, we have the right to terminate for-cause, however, in our sole discretion and as an alternative to for-cause termination, you will pay \$10,000 to cover our costs and fees for up to two (2) members of our training staff to travel to the Center to deliver the initial training program to you, and such sums shall be fully earned and non-refundable and may be collected via the point of sale system. See Item 11 for more information about training.

Note 16. We recommend that you hire an attorney to help you evaluate this franchise offering, to identify the laws and regulations that may apply to your Center, to help you set up a business entity, to review and negotiate your lease and for whatever other purpose you deem appropriate.

Note 17. The figures in the chart represent the estimated amount of additional funds you will need to cover other initial operating expenses for a period of three (3) months and are based on estimated figures to open a Center in Greenville County, South Carolina, based on our local market experience. This includes the minimum amount that you must spend on local advertising and marketing per month (minimum \$6,000 per rolling three (3) month period).

Note 18. The total estimated initial investment is an estimate only of the range of start-up expenses you may incur. We relied on our principals' combined expertise when preparing these figures.

### YOUR ESTIMATED INITIAL INVESTMENT FOR A LIGHTWEIGHT CENTER

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee <sup>1</sup>	\$1,000 to \$2,500	Lump sum	At signing of the Franchise Agreement	Us
Technology, and Sound System <sup>2</sup>	\$1,000 to \$6,000	As arranged	Before opening as incurred	Vendors
Coaching screen system <sup>3</sup>	\$300 to \$2,000	As arranged	Before opening as incurred	Approved Vendor
Heart rate monitor system ( <i>Optional</i> ) <sup>4</sup>	\$0 to \$2,400	As arranged	Before opening	Approved Vendor
Workout statistics measurement hardware ( <i>Optional</i> ) <sup>5</sup>	\$0 to \$5,500	As arranged	Before opening	Approved Vendor
Body composition analyzer ( <i>Optional</i> )	\$0 to \$5,500	As arranged	Before opening	Approved Vendors
Leasehold Improvements <sup>6</sup>	\$0 to \$10,000	As arranged	Before opening	Contractors
Grand Opening Marketing ( <i>Optional</i> ) <sup>7</sup>	\$0 to \$5,000	As arranged	Before opening as incurred	Us and Approved Vendors
Opening Equipment and Inventory Package <sup>8</sup>	\$1,800 to \$10,500	As arranged	Before opening as incurred	Us and Approved Vendors
Shipping and Handling (for the Opening Equipment and Inventory Package, and coaching screen system)	\$100 to \$3,000	As arranged	Before opening as incurred	Us and Approved Vendors
Exterior Signage <sup>9</sup>	\$300 to \$6,000	As arranged	Before opening	Approved Vendors
Business Licenses and Other Professional Fees <sup>10</sup>	\$400 to \$1,500	As arranged	Before opening	Appropriate Licensing Authorities and Third Parties
Additional Funds – two (2) months <sup>11</sup>	\$2,500 to \$5,000	As arranged	As incurred	Third Parties
Total <sup>12</sup>	\$7,400 to \$64,900			

Notes:

Note 1. A \$2,500 Initial Franchise Fee will be utilized for the first Lightweight Center and a \$1,000 Initial Franchise Fee for each additional Lightweight Center. See Item 5 for a description of the Initial Franchise Fees and Veteran Discount.

Failure to pay the Initial Franchise Fee upon execution of the Franchise Agreement will result in a non-curable default of the Franchise Agreement by you and we will have the right to immediately terminate the Franchise Agreement in accordance with the relevant terms of the Franchise Agreement.

Note 2. The range includes the estimated cost for the sound system and hardware and installation costs for the I LOVE KICKBOXING music system.

Note 3. You must have a minimum of one (1), but up to four (4), coaching screen(s) in the Center. One coaching screen can either be comprised of one monitor, that meets our then-current specifications, and one (1) mini-PC or one (1) commercial grade screen.

Note 4. You may purchase a heart rate monitor system from our approved vendor. If you choose to purchase the heart rate monitor system you must also purchase all equipment required to implement and use the system at our then-current specifications. The required equipment will vary based on your Center layout and square footage.

Note 5. You may purchase workout statistics measurement hardware for your Center from our approved vendor. The current workout statistics measurement hardware and software is used to track certain workout statistics for a member. If you choose to purchase the workout statistics measurement hardware, you must also pay the ongoing monthly software subscription fee (see Item 6) required to implement and use the system at our then-current specifications.

Note 6. These figures include the estimated cost of interior alterations and improvements to the location. This cost depends on the extent of the renovations needed, costs of labor and materials in the area, local building and other code requirements, landlord construction criteria, any allowance you negotiate with the lessor for construction, and other factors. Leasehold improvements may not be required if the Center is in good condition and meets our then-current standards, which would result in the cost being \$0.00.

Note 7. If you acquire franchise rights for a Lightweight Center, you may, but are not required to, purchase directly from us print materials, event starter kit, or digital marketing advertising services, for local grand opening marketing, prior to beginning the Lightweight program in your Center. You may spend more than \$5,000.

Note 8. The Opening Equipment and Inventory Package includes a minimum of your initial opening inventory of retail items (including gloves, speed wraps, and apparel). You may need to purchase interior signage and additional equipment, including but not limited to, free standing punching bags and floor mats to meet our then-current standards.

Note 9. You must at least have vinyl window signage, that we design, at your Lightweight Center. You may purchase additional signage such as an I LOVE KICKBOXING™ channel sign.

Note 10. We recommend that you hire an attorney to help you evaluate this franchise offering, to identify the laws and regulations that may apply to your Center and for whatever other purpose you deem appropriate.

Note 11. The figures in the chart represent the estimated amount of additional funds you will need to cover other initial operating expenses for a period of two (2) months and are based on estimated figures to open a Center in Greenville County, South Carolina, based on our local market experience.

Note 12. The total estimated initial investment is an estimate only of the range of start-up expenses you may incur. We relied on our principals' combined expertise when preparing these figures.

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## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Site Selection

You must operate the Center at a location that meets our then-current site selection requirements and that we have approved. We require that the Center offers instructional staffed classes to members.

If you are a **Standard franchisee** and you lease the location, you and the landlord must execute the standard form of lease addendum (attached to the Franchise Agreement as Attachment E).

If you are a **Lightweight franchisee** and you lease the location, you must provide written approval from the landlord to operate the Center within the Existing Business Center.

You must construct and equip your Center according to our approved design, specifications, and standards. In addition to meeting our design specifications and standards, it is your responsibility to ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state, and local laws. You must also use equipment (including hardware and software for the Technology System, as further described in Item 11), signage, fixtures, furnishings, products, supplies, and marketing materials that meet our specifications and standards.

### Approved and Designated Suppliers

Currently, we are the only approved supplier of your ongoing inventory of gloves, supportive hand wraps, certain print materials, apparel, furniture, website, and graphic design services. Other than this, neither we nor our affiliates are approved suppliers of any other products or services, and none of our officers hold an interest in any other privately-held suppliers, or a material interest in any publicly-held suppliers, to our franchise system. Occasionally, our officers may own non-material interest in publicly-held companies that may be suppliers to our franchise system.

**Standard franchisees** must purchase from approved sources, which may include us, our required opening equipment and inventory package (which includes equipment and initial inventory), grand opening advertising services, hardware for the coaching screen system, I LOVE KICKBOXING music system, point of sale system, email marketing subscription package, business text messaging service and a computer that meets our then-current criteria. You also must maintain and communicate at all times and for all business purposes through an email address provided by our approved vendor.

**Lightweight franchisees** must purchase from approved sources, which may include us, our required opening equipment and inventory package (which includes the initial inventory of retail items and any necessary equipment to meet our current standards), hardware for the coaching screen system and a computer that meets our then-current criteria.

We will provide you with a list of approved manufacturers, suppliers, and distributors (“Approved Suppliers List”) and other approved equipment, signs, stationery, supplies and other items or services that we periodically designate as necessary to operate the Center (“Approved Supplies List”). We, an affiliate, or a third-party vendor or supplier, may be the only approved supplier for certain products. The Approved Suppliers List also may include other specific products without reference to a particular manufacturer, or they may designate the specifications and standards for other approved products. We may revise the Approved Suppliers List and Approved Supplies List. We give you the approved lists as we deem advisable.

You may use in the operation of the Center only the proprietary or non-proprietary equipment that we specify, and must purchase and lease all equipment that we designate from our approved suppliers.

Except for instances where we designate a single source supplier, if you wish to purchase any products or services for which we have established approved suppliers from an unapproved supplier, you may request our consent in writing. If we request, you must submit samples and other information as we require for testing or to otherwise determine whether the product, material or supply, or the proposed supplier meets

our specifications and quality and safety standards. We generally will notify you in writing of supplier approval or disapproval within thirty (30) days of our receipt of all the information and samples we request. You must pay the cost of the inspection and evaluation and the actual cost of the test. The supplier also may be required to sign a supplier agreement. We may re-inspect the facilities and products of any supplier of an approved supplier or item and revoke our approval of any supplier or item that fails to continue to meet any of our criteria. Once approved, you may contract directly with the approved supplier. We will send written notice of any revocation of an approved supplier or item.

We apply the following general criteria in approving a proposed supplier: (1) ability to make product in conformity with our specifications; (2) reputation and integrity of supplier; (3) financial condition and insurance coverage of the supplier; and (4) system-wide strategic direction and system uniformity.

Insurance

You must maintain at your expense the types of insurance and the minimum policy limits specified in the Manual and our written directives. Where applicable law permits us to designate an insurance provider, we require our franchisees to purchase insurance from our preferred insurance provider.

Your insurance policies must be underwritten by approved insurers licensed and admitted to write coverage in the state in which the Center is located and with a rating of “A” or better. They must protect you, us, and our affiliates, and our and our affiliates’ respective, past, present, and future officers, directors, owners, members, managers, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage, or expense whatsoever arising out of or occurring upon or in with the condition, operation, management, use, or occupancy of your Center. The policy must provide for the following coverages:

Type of Insurance	Amount
General Liability including Hired Non-Owned Auto, Sexual Abuse or Sexual Molestation Liability, Medical Expense, and Business Income Coverage	\$1,000,000 per occurrence; \$5,000,000 in the aggregate
Property	\$50,000
Professional	\$1,000,000

In addition, you must carry workers’ compensation and employer liability coverage as required by the jurisdiction in which you operate the Center.

We, our affiliates, and other parties we designate must be named as additional insureds on a primary non-contributory basis under each policy, except for policies required by statute in your jurisdiction, including, but not limited to, workers’ compensation and employer’s liability insurance policies. You and your insurers must also waive rights of subrogation against us. We may require additional types of coverage or increase the required minimum amount of coverage upon reasonable notice. We recommend, and may require in the future, that you to obtain cyber liability insurance. Your obligation to obtain coverage is not limited in any way by insurance that we maintain. Upon our request or as specified in the Manual, you must provide us with certificates of insurance evidencing the required coverage. Your insurer(s) must commit not to cancel or amend the policy or policies without at least thirty (30) days’ prior written notice to us. If you fail to obtain and maintain required insurance coverage, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance plus a reasonable fee for our services in procuring the insurance.

Marketing and Promotional Materials

You may only use marketing and promotional materials that meet our standards (see Item 11 for more information on advertising and marketing).

#### Revenue Derived from Franchisee Purchases and Leases

We have an agreement with various equipment suppliers where we receive a rebate of up to 5% of the sale price of each item.

We have derived \$0 from franchisee purchases and leases since our acquisition of the I LOVE KICKBOXING brand, which amount represents 0% of our total revenue of \$816,163.27, based on our unaudited financial statements.

#### Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that your required purchases or leases (meaning purchases or leases from approved or designated sources) for a **Standard Center** will represent approximately 35%-55% of your total purchases and leases in establishing the franchised business, and approximately 15%-25% of your total purchases and leases in operating the franchised business.

We estimate that your required purchases or leases (meaning purchases or leases from approved or designated sources) for a **Lightweight Center** will represent approximately 45%-65% of your total purchases and leases in establishing the franchised business, and approximately 65%-85% of your total purchases and leases in operating the franchised business.

#### Description of Purchasing Cooperatives; Purchasing Arrangements

We negotiate purchase arrangements for the benefit of the System but not on behalf of individual franchisees. This does not guarantee that the price for these products or services will be lower than other products or services on the market. We are not aware of any purchasing or distribution cooperatives in the System as of the date of this disclosure document. We do not provide you any material benefits (such as renewal rights or the right to acquire additional franchises) based on your purchases from approved or designated suppliers.

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**ITEM 9  
FRANCHISEE’S OBLIGATIONS**

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

Obligation	Section in Standard Franchise Agreement	Section in Lightweight Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2B, 2C, 5A, and 5B	Sections 2B, 5A, and 5B	Items 8 and 11
b. Pre-opening purchases/leases	Sections 5A, 5B, 5C, 6A and 6C	Sections 5A, 5B, 5C, 6A and 6C	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 2B, 2C, 5A, 5B, 5C, 7B, and 8B	Sections 2B, 5A, 5B, 5C, 7B, and 8A	Items 5,7, 8 and 11
d. Initial and ongoing training	Sections 7B and 7C	Sections 7B and 7C	Items 5, 6, 11, 14 and 15
e. Opening	Section 5D	Section 5D	Items 5 and 11
f. Fees	Sections 5G, 5H, 6K, 7C, 8, 9, 11C(ix) and 11G	Sections 5G, 5H, 6K, 7C, 8, 9, 11C(ix) and 11G	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	Section 5E, 5F, 6 and 7	Section 5E, 5F, 6 and 7	Items 6, 7, 8, 11, 14 and 16
h. Trademarks and proprietary information	Sections 2A, 2D, 3, 6G, 6H, 6K, 10E and 10F	Sections 2A, 2C, 3, 6G, 6H, 6K, 10D and 10E	Items 13 and 14
i. Restrictions on products/services offered	Section 6	Section 6	Items 6, 7, 8, 11, and 16
j. Warranty and customer services requirements	No provisions relating to warranty requirements. Customer services, see Sections 6, 7D and 9C	No provisions relating to warranty requirements. Customer services, see Sections 6, 7D and 9C	Items 6
k. Territorial development and sales quotas	Sections 2B, 2C, 5G, and Attachment A	Sections 2B, 5G, and Attachment A	Item 12
l. Ongoing product/service purchases	Section 6	Section 6	Items 6, 7 and 8
m. Maintenance, appearance, modernization and remodeling requirements	Section 5	Section 5	Items 8 and 11
n. Insurance	Section 6P, 9C, and 10C	Section 6P, 9C, and 10C	Items 6, 7, 8 and 16
o. Advertising	Section 6I and 8	Section 6I and 8	Items 5, 6, 7, 8 and 11
p. Indemnification	Section 10B and 15K	Section 10B and 15K	Item 6

	<b>Obligation</b>	<b>Section in Standard Franchise Agreement</b>	<b>Section in Lightweight Franchise Agreement</b>	<b>Disclosure Document Item</b>
q.	Owner's participation/management/staffing	Sections 6G, 7, 9H and 15F	Sections 6G, 7, 9H and 15F	Item 15
r.	Records/reports	Sections 9H, 9I and 13A	Sections 9H, 9I and 13A	Not Applicable
s.	Inspections/audits	Sections 5A, 5D, 5E, 6E and 9I	Sections 5A, 5D, 5E, 6E and 9I	Items 6, 11 and 15
t.	Transfer	Section 11	Section 11	Items 6 and 17
u.	Renewal	Section 4B	Section 4B	Items 6 and 17
v.	Post-termination obligations	Sections 10D and 14	Section 14	Item 17
w.	Non-competition covenants	Section 10D	Not Applicable	Item 17
x.	Dispute resolution	Section 12	Section 12	Item 17
y.	Guarantee	Section 11C(v) and 15F	Section 11C(v) and 15F	Item 15

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**ITEM 10  
FINANCING**

As of the date of this disclosure document we do not offer direct or indirect financing and we do not guarantee your note, lease or obligation.

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## ITEM 11

### FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING FOR A STANDARD CENTER

**Except as listed below, 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, is not required to provide you with any assistance.**

Before you open your Center, we will:

1. Provide you with our then-current site selection criteria, and the general design for your Center (Franchise Agreement, Sections 5A and 5C).
2. Provide you with the names of approved suppliers and Approved Supplies Lists (Franchise Agreement, Section 6C).
3. Provide you with access to the Manual that details the specifications and procedures incidental to the operation of the Center. (Franchise Agreement, Section 6G). These include specifications for equipment, signs, fixtures, opening inventory, and supplies. We do not install the equipment, signs, or fixtures, but we provide installation instructions for certain items.
4. Provide the training programs described below (Franchise Agreement, Sections 7B and 7C).
5. Provide grand opening assistance (Franchise Agreement, Section 8B).

During the operation of your Center, we will:

1. Provide updates to the approved suppliers and Approved Supplies Lists (Franchise Agreement, Section 6C).
2. Evaluate your business and provide ongoing support and service as we determine necessary (Franchise Agreement, Section 6E).
3. Provide refresher training courses as we determine necessary (Franchise Agreement, Section 7C).
4. Provide best practices for pricing products and services (Franchise Agreement, Section 6.B).

#### Advertising and Marketing

If you acquire franchise rights for a new Center, approximately twelve (12) weeks before the Center opens for business and approximately eight (8) weeks after the Center opens for business, you must pay us and approved vendors for local grand opening marketing. If you acquire franchise rights to an existing location, commencing on a date as agreed by us after you have acquired the Center and lasting for approximately twelve (12) weeks thereafter, you must pay us and approved vendors for local new ownership marketing. After receiving your Grand Opening Marketing Fee we or our approved vendors will provide to you digital marketing services and grand opening or new ownership marketing materials as the case may be, and in the case of new licenses, pre-opening marketing materials, for promoting the launch of your Center.

You must use your best efforts to aggressively promote and advertise the Center in your local area and participate in any local promotional programs that we establish. On an ongoing basis, you must spend the higher of 8% of your monthly gross revenue or \$24,000 per calendar year (an average of \$2,000 per month, which may be more during peak months and less during non-peak months) on advertising or marketing that conforms to our standards and specifications. If you fail to add forty-five (45) memberships (excluding trial memberships or memberships lasting less than a full month) over any rolling three (3)-month period, we reserve the right to audit your marketing and advertising to ensure it conforms to our standards and specifications. If you have not spent the higher of 8% of your monthly gross revenue or \$6,000 per rolling three (3)-month period on Local Advertising, we reserve the right to collect the difference, through billing

software, between how much you have spent in the applicable three (3)-month rolling period and the minimum required expenditure. Any amounts that we collect will be added to the Brand Building Fund. The advertising program for the products and services offered by Standard Centers currently consists of print, direct mail, digital advertising, and special promotions designed for use by franchisees in their local markets. We are not required to spend any amount on advertising in the area or territory where your franchise is located.

Any marketing material not designed or provided by us must be pre-approved; you must submit your marketing materials to us for approval prior to using (print, electronic or other forms of media) and actively promote your Center and the system through use of approved local marketing and marketing materials. We will not unreasonably withhold approval of your marketing materials, which must be factually accurate and current, dignified, up-to-date, and in good condition, and must accurately depict the I LOVE KICKBOXING Marks.

### Brand Building Fund

You must pay us a Brand Building Fund Fee of \$300, or 2% of Gross Sales, whichever is greater, per month in the same manner and at the same time as the Royalty Fee. “Gross Sales” is defined as the total of all revenue from the sale of services and products from all sources in connection with the business at your Center or online whether for check, cash, credit, or otherwise (and regardless of collectability), and all proceeds from any business interruption insurance, but does not include (a) the sale price of products returned in good faith by customers of the business, and (b) any sales tax or other taxes collected from customers of the business by you for remittance to the appropriate taxing authority. This is a fee that you pay to us, and not a contribution to an advertising fund or any kind of group or pooled advertising program. We will place all Brand Building Fund Fees we receive in the Brand Building Fund and we will manage such Fund. The Brand Building Fund will only be used for Standard Centers. Upon written request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Brand Building Fund for the most recent calendar year. We do not perform an audit of the Brand Building Fund. Any end-of-year surpluses in the Fund in a given year will carry over to the next year. In consideration for this Fee, we provide general marketing and promotional services, and other efforts to support the generation of sales appointments, for the I LOVE KICKBOXING™ brand. These services may include any or all of the following: creative development services (such as designing new logos, graphics, and promotional pieces), public relations services, I LOVE KICKBOXING annual conference expenses, web design and hosting services, national engine optimization, marketing and brand reputation tools and services, technology investments, digital and social media content creation, digital marketing, developing and implementing promotions, tie-ins, contests, or sweepstakes, direct mail advertising, sponsorships and endorsements, trade association memberships (such as IHRSA), and reimbursing us the costs of administering the Brand Building Fund, including employee salaries and benefits. Services may be provided by in-house personnel or third-party service providers and vendors.

The Brand Building Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Brand Building Fund. We cannot ensure that any individual franchisee will benefit directly or on a pro rata basis from the future placement of any such advertising in its local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of System businesses to the Brand Building Fund in that year. We will determine the methods of advertising, media employed, and scope, contents, terms and conditions of advertising, marketing, promotional, and public relations campaigns and programs. Payments are accounted for as general operating revenue, and we do not provide a separate accounting for how this revenue is spent. Any end-of-year surpluses in the Brand Building Fund in a given year will carry over to the next year. We do not perform an audit to the Brand Building Fund nor do we make financial statements available.

We are not required to spend any particular amount on marketing, advertising, or production in the area in which your Center is located. We may make loans to the Brand Building Fund bearing reasonable interest

to cover any deficit of the Brand Building Fund and cause the Brand Building Fund to invest in a surplus for future use by the Brand Building Fund. Brand Building Fund Fees will not be used for advertising principally directed at the sale of franchises. The company-owned locations also contribute to the Brand Building Fund.

#### Local Marketing Fund or Cooperative; Franchisee Advertising Council

We have the right to designate, in our discretion, any geographical area in which at least two (2) I LOVE KICKBOXING franchises are located as a “designated advertising area” for the purposes of establishing a Local Marketing Fund that we control (“Local Marketing Fund”) or local or regional advertising cooperative controlled by its members (“Cooperative”). If a Local Marketing Fund or Cooperative is established in your market, you will be required to participate and contribute. Any amount contributed to a Local Marketing Fund or Advertising Co-op will be in addition to, and not in lieu of, the Brand Building Fund Fee. We have the right to determine the amount of contribution, in our sole judgment, provided that aggregate monthly contributions will not exceed \$750 per month (subject to adjustment for increases in the Consumer Price Index). Any contributions you make to a Local Marketing Fund or Cooperative will count toward the minimum local advertising and marketing expenditure described above.

If we have established a Cooperative in your area, you must participate in the Cooperative and its programs, execute any participating documents we require and abide by its bylaws. A Cooperative may vote to increase the required contribution amount referenced above if approved by members representing at least two-thirds of the Centers in the Cooperative. Each Center in the Cooperative will have one (1) vote. Centers owned by us and our affiliates will be a member of the Cooperative and will make the same contribution and have the same voting rights as franchised locations. Each Cooperative will be required to adopt governing bylaws that meet our approval and that we may require the Cooperative to amend from time to time. The Cooperatives must submit to us its meeting minutes on our request. All advertising cooperatives must obtain our written approval of all promotional and advertising materials, creative execution and media schedules prior to their implementation. The members of each Cooperative and their elected officers will be responsible for the administration of the Cooperative. If you wish to obtain an accounting of your local Cooperative, you may do so by submitting your request in writing to the officers of the Cooperative. We reserve the right to administer the Cooperatives’ funds and will require payment from its members via electronic funds transfer or collected through billing software with your monthly royalties. The governing documents are available for review upon reasonable request. We reserve the right to require advertising and marketing cooperatives to be formed, changed, dissolved, or merged.

In the future, we may elect to form an advertising council composed of franchisees to advise us on advertising policies. As of the date of this disclosure document, there is no advertising council in effect for the franchise system.

#### Technology System

You must acquire, maintain, and use all computer hardware and related accessories and peripheral equipment, which currently includes, but is subject to change, the point of sale system, email marketing software, any I LOVE KICKBOXING app, body composition analyzer, music, heart rate monitor system, coaching screen system, any customized managed network system, any security system and service, any cloud-based security access, any on-demand streaming service, and computer system (collectively, the “Technology System”) that we require for use by the Center, and may not use any cash registers or computer hardware, accessories, or peripheral equipment that we have not approved for use. Requirements for use may include, among other things, connection to remote servers, remote control computer software, off-site electronic repositories, high-speed internet connections, and establishment of one or more e-mail accounts.

The coaching screen system provides a screen for the member to view and mimic the curriculum. The system currently comprises of a minimum of two (2), and up to four (4), screens but is subject to change. The computers download the curriculum via cloud-based software.

You must: (i) use any proprietary software programs, system documentation manuals, and other proprietary materials that we provide to you in connection with your operation of the Center; (ii) input and maintain in your computer such data and information as we require in the Manual and other written directives; (iii) purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever we adopt such new or upgraded programs, manuals, and materials system-wide; and (iv) purchase from our approved supplier an I LOVE KICKBOXING music system which is currently approximately \$100 a month for each Center, depending on the subscription package you select; and (v) purchase from one of our approved suppliers a business text messaging service, which currently ranges from \$114 to \$249 a month for a twelve (12) month commitment, though pricing may be higher if you select month-to-month. You must enter into all software license agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner we require, and pay all fees imposed by us or any third-party software and software service providers hereunder. As technology or software is developed in the future, we may, in our reasonable business judgment, require you to: (i) add to your Technology System, hardware, memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software; and (ii) replace or upgrade your Technology System and software at your sole expense.

Subject to any applicable data protection and privacy laws or rules, the Technology System will collect and compile customer identification data and other membership data. We may independently access from a remote location, at any time, all information (including member information) input to and compiled by your Technology System or an off-site server. We may independently access from a remote location, at any time, the computer system to make remote changes. We may independently access from a remote location, at any time, any camera or the security system to view and record any images and video pursuant to Section 6.D of the Franchise Agreement.

The point-of-sale membership management equipment, including computer, printer, signature pad (optional), and credit card reader, costs between \$1,000 to \$1,500. The credit and debit card processing software is without initial charge at this time. Leasing is not available. You are obligated to repair and maintain all point of sale and computer systems necessary for the operation of your business. We estimate that this cost may be up to \$300 per year. You are required to update and upgrade all necessary point of sale and computer systems in response to changes in the Operating Manual, or changes in our policies that are communicated to you in writing. There are no restrictions on the frequency or cost of such updating and upgrades.

The coaching screen system equipment is approximately \$2,500 to \$5,000 payable to approved vendors.

#### Site Selection

You will select the site for the Center within the Preliminary Designated Area that will be identified on the Summary Page when you sign the Franchise Agreement. You will identify a site within the Preliminary Designated Area (or if no sites are available in the Preliminary Designated Area, in proximity to it) for our approval. In evaluating the site, we will consider the following factors: demographics, visibility, proximity to competing businesses, ability to reflect image to be portrayed by I LOVE KICKBOXING businesses, accessibility and parking, and market type (rural, suburban, and urban). Our then-current criteria for site selection may include additional factors. Within fifteen (15) days after you have submitted all requested information concerning the site, we will notify you whether or not the site is approved. You must acquire a site for the Center within one hundred and twenty (120) days after the Franchise Agreement is signed, or we may terminate the Franchise Agreement (Section 2B, 13B and 13D) or, at our election, may eliminate any designated area protection afforded in the Franchise Agreement (Section 2B). We do not typically own the premises which are then leased to Franchisees.

#### Typical Length of Time Before You Open Your Center

Franchisees typically begin operating their Centers within six (6) to twelve (12) months from the time they sign the Franchise Agreement or pay any consideration for the franchise. Factors that may impact this time

period include the extent of your site selection activities after you sign the Franchise Agreement, local real estate market conditions, and the time it takes to prepare a site survey, negotiate with the landlord, finalize your lease, complete leasehold improvements, and obtain necessary permits.

You must open the Center for business no later than twelve (12) months after the Franchise Agreement is signed. If you fail to open a Center within the required time period, we may terminate the Franchise agreement or, at our election, may eliminate any designated area protection afforded in the Franchise Agreement by providing you written notice.

**Manual**

We will provide you with an electronic copy of our Operating Manual, which currently consists of one hundred and eighty one (181) pages and is a definitive source of information that includes brand standards and information on how to run your Center. The Table of Contents for the Operating Manual including number of pages on each subject, is included herein as Exhibit E. In addition to the Operating Manual, we also communicate operations information to franchisees through system bulletins, newsletters, and our online franchisee portal.

**INITIAL TRAINING PROGRAM (STANDARD)**

We will provide the following initial training to at least two (2) people in your organization. Unless we agree in writing that you may designate someone else to attend training, you (or each owner of the franchisee entity) must complete the initial training program to our satisfaction no more than 3 months but no less than one month prior to opening the Center. If you have a general manager, he or she must also complete training to our satisfaction. We do not charge for this training, but you must have high speed internet and an appropriate device to attend any virtual portion of the training. Our training program is a sixteen (16) hour self-guided virtual training and one (1) day in your Center with an ILKB representative prior to opening and includes:

<b>Subject</b>	<b>Classroom Hours</b>	<b>On The Job Training</b>	<b>Location</b>
History of ILKB, Mission, Vision, and Values	1 Hour	-	Virtual or as we otherwise specify.
Brand Standards, Logo Usage, Trade Colors, and Coach Uniform	1 Hour	-	Virtual or as we otherwise specify
Class Format, Timing, and the Science Behind It	1 Hour	-	Virtual or as we otherwise specify
Class Preparation	0.5 Hours	-	Virtual or as we otherwise specify
Floor Design and Studio Layout	1 Hour	-	Virtual or as we otherwise specify
Teaching Techniques	1 Hour	-	Virtual or as we otherwise specify
Coaching Screen System Training	1 Hour	-	Virtual or as we otherwise specify
Kickboxology	1.5 Hours	-	Virtual or as we otherwise specify
Merchandising and Product Sales	1.5 Hours	-	Virtual or as we otherwise specify
Equipment Maintenance	0.5 Hour	-	Virtual or as we otherwise specify
Sales Training Course	1.5 Hours	-	Virtual or as we otherwise specify
Daily Operations and Checklists	1 Hour	1 Hour	Virtual or as we otherwise specify
Technology and Website	1 Hour	1 Hour	Virtual or as we otherwise specify
CRM Training	-	1 Hour	Virtual or as we otherwise specify
Review of Vendors	-	0.5 Hours	Virtual or as we otherwise specify
Marketing Your Business to Attract Clients	2 Hours	2 Hours	Virtual or as we otherwise specify

Subject	Classroom Hours	On The Job Training	Location
Staffing and Working With Coaches	1 Hour	2.5 Hours	Virtual or as we otherwise specify
Total	16 Hours	8 Hours	

The training program will be conducted by or under the supervision of Shannon Hudson and Heather Hudson, and other instructors as we designate periodically. Shannon Hudson has been immersed in martial arts and fitness training since 1987 and has been with us since our inception in 2008. Heather Hudson has been involved in martial arts and fitness training since 2005 and has been with us since our inception in 2008. The training is subject to change.

Periodically, we may offer ongoing training programs and we may charge a fee for attending these training programs. Currently, our fee ranges from \$99 to \$500 per person, plus the wages, travel and living expenses, and supply costs for you and your employees. If our representative provides additional training at your Center, we may require you to reimburse us our related out-of-pocket costs. If you designate a new general manager after the initial training program, the new general manager must complete the training to our satisfaction. We reserve the right to charge a fee to train any replacement general manager. We have the right to develop certification programs for Center personnel who provide personal fitness instruction, teach any form of exercise, or provide any kind of fitness or nutrition instruction or counseling. If we implement a certification program for a particular service provider, the service provider must become certified and comply with all certification requirements before providing services. We may charge a fee which you must pay for providing certification-related courses and services. In addition, we may hold and require that your Principal Owner (a person who owns a 25% or greater interest in the franchisee entity) and general manager or other designated employees attend, at your expense, any conference, meeting, convention, or seminar to present new methods and programs for operation, training, management, sales, or marketing.

### **FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING FOR A LIGHTWEIGHT CENTER**

**Except as listed below, 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, is not required to provide you with any assistance.**

Before you open your Lightweight Center, we will:

1. Provide you with the names of approved suppliers and Approved Supplies Lists (Franchise Agreement, Section 6C).
2. Provide you with access to the Manual that details the specifications and procedures incidental to the operation of the Lightweight Center. (Franchise Agreement, Section 6G). These include specifications for equipment, signs, opening inventory, and supplies. We do not install the equipment or signs but we provide installation instructions for certain items.
3. Provide the training programs described below (Franchise Agreement, Sections 7B and 7C).

During the operation of your Lightweight Center, we will:

1. Provide updates to the approved suppliers and Approved Supplies Lists (Franchise Agreement, Section 6C).
2. Evaluate your business and provide ongoing support and service as we determine necessary (Franchise Agreement, Section 6E).
3. Provide refresher training courses as we determine necessary (Franchise Agreement, Section 7C).
4. Provide best practices for pricing products and services (Franchise Agreement, Section 6.B).

## Advertising and Marketing

If you acquire franchise rights for a new Lightweight Center, approximately four (4) weeks before the Center opens for business and eight (8) weeks after the Center opens for business, you must use your best efforts to promote the Lightweight Center in your local area. The advertising program for the products and services offered by Lightweight Centers currently consists of print, direct mail, digital advertising, and special promotions designed for use by franchisees in their local markets. We are not required to spend any amount on advertising in the area or territory where your franchise is located.

Any marketing material not designed or provided by us must be pre-approved; you must submit your marketing materials to us for approval prior to using (print, electronic or other forms of media) and actively promote your Lightweight Center and the system through use of approved local marketing and marketing materials. We will not unreasonably withhold approval of your marketing materials, which must be factually accurate and current, dignified, up-to-date, and in good condition, and must accurately depict the I LOVE KICKBOXING Marks.

You are not required to contribute to the Brand Building Fund.

## Local Marketing Fund or Cooperative; Franchisee Advertising Council

As of the date of this disclosure document, there is no Local Marketing Fund that we control (“Local Marketing Fund”) or local or regional advertising cooperative controlled by its members (“Cooperative”). If we create one in the future, your participation will be optional.

In the future, we may elect to form an advertising council composed of franchisees to advise us on advertising policies. As of the date of this disclosure document, there is no advertising council in effect for the franchise system.

## Technology System for Lightweight Centers

You must acquire, maintain, and use all computer hardware and related accessories and peripheral equipment, which currently includes, but is subject to change, any I LOVE KICKBOXING app, music, coaching screen system, any cloud-based security access, and computer system (collectively, the “Technology System”) that we require for use by the Lightweight Center. Requirements for use may include, among other things, connection to remote servers, remote control computer software, off-site electronic repositories, high-speed internet connections, and establishment of one or more e-mail accounts.

The coaching screen system provides a screen for the member to view and mimic the curriculum. The system currently comprises of a minimum of one (1), and up to four (4), screens but is subject to change. The computers download the curriculum via cloud-based software. The coaching screen system equipment is approximately \$300 to \$1,600 payable to approved vendors.

You must: (i) use any proprietary software programs, system documentation manuals, and other proprietary materials that we provide to you in connection with your operation of the Lightweight Center; (ii) input and maintain in your computer such data and information as we require in the Manual and other written directives as applicable to Lightweight Centers; and (iii) purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever we adopt such new or upgraded programs, manuals, and materials system-wide. You must enter into all software license agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner we require, and pay all fees imposed by us or any third-party software and software service providers hereunder. As technology or software is developed in the future, we may, in our sole discretion, require you to: (i) add to your Technology System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software; and (ii) replace or upgrade your Technology System and software at your sole expense.

Subject to any applicable data protection and privacy laws or rules, the Technology System will collect and compile customer identification data and other membership data. We may independently access from a

remote location, at any time, all information (including member information) input to and compiled by your Technology System or an off-site server. We may independently access from a remote location, at any time, the computer system to make remote changes. We may independently access from a remote location, at any time, any camera or the security system to view and record any images and video pursuant to Section 6.D of the Franchise Agreement.

While it is not currently required, if required in the future, you must use the point-of-sale membership management equipment, software and credit card reader or our approved sales reporting software. You are required to update and upgrade all necessary point of sale, computer systems and software in response to changes in the Operating Manual, or changes in our policies that are communicated to you in writing and as are applicable to your Lightweight Center. There are no restrictions on the frequency or cost of such updating and upgrades.

#### Site Selection

You must submit the site for our approval, which shall not be unreasonably withheld, as a part of our candidate review process. The site must be an existing fitness facility, of which you are the majority owner. In our discretion, we may allow for a Lightweight Center to be developed at an existing fitness facility in which you are not a majority owner. In evaluating the site, we will consider the following factors: demographics, visibility, proximity to competing businesses, ability to reflect image to be portrayed by I LOVE KICKBOXING businesses, accessibility and parking, and market type (rural, suburban, and urban). Our then-current criteria for site selection may include additional factors. If the existing fitness facility is a part of a franchise system, we must receive written approval from the said franchisor prior to granting our approval for the site. Upon your complete submission we will approve or disapprove a site prior to signing the Franchise Agreement. If a site cannot be agreed upon, in our sole discretion, we may deny your application to acquire a Lightweight Center. We do not typically own the premises which are then leased to Franchisees.

#### Length of Time Before You Open Your Lightweight Center

You must open the Lightweight Center for business no later than sixty (60) days after the Franchise Agreement is signed. Factors that may impact this time period include the extent of your leasehold improvements, and shipping of required equipment.

If you fail to open the Lightweight Center within the required time period, we may, within our reasonable business judgment, terminate the Franchise Agreement.

#### Manual

We will provide you with an electronic copy of our Operating Manual, which currently consists of one hundred and eighty one (181) pages and is a definitive source of information that includes brand standards and information on how to run an I LOVE KICKBOXING Center. The Table of Contents for the Operating Manual including number of pages on each subject, is included herein as Exhibit E. In addition to the Operating Manual, we also communicate operations information to franchisees through system bulletins, newsletters, and our online franchisee portal.

### **INITIAL TRAINING PROGRAM (LIGHTWEIGHT)**

We will provide the following initial training to at least two (2) people in your organization. Unless we agree in writing that you may designate someone else to attend training, you (or each owner of the franchisee entity) must complete the initial training program to our satisfaction prior to opening the Center. If you have a general manager, he or she must also complete training to our satisfaction. We do not charge for this training, but you must have high speed internet and an appropriate device to attend the virtual training. Our training program for a Lightweight Center is a twelve (12) hour virtual training and includes:

<b>Subject</b>	<b>Classroom Hours</b>	<b>On The Job Training</b>	<b>Location</b>
History of ILKB, Mission, Vision, and Values	1 Hour	-	Virtual or as we otherwise specify.
Brand Standards, Logo Usage, Trade Colors, and Coach Uniform	1 Hour	-	Virtual or as we otherwise specify
Class Format, Timing, and the Science Behind It	1 Hour	-	Virtual or as we otherwise specify
Class Preparation	.5 Hours	-	Virtual or as we otherwise specify
Teaching Techniques	1 Hour	-	Virtual or as we otherwise specify
Coaching Screen Training	1 Hour	-	Virtual or as we otherwise specify
Kickboxology	1.5 Hours	-	Virtual or as we otherwise specify
Equipment Maintenance	.5 Hour	-	Virtual or as we otherwise specify
Sales Training Course	1.5 Hours	-	Virtual or as we otherwise specify
Technology and Web Site	1 Hour	-	Virtual or as we otherwise specify
Marketing Your Business to Attract Clients	2 Hours	-	Virtual or as we otherwise specify
<b>Total</b>	<b>12 Hours</b>	<b>0 Hours</b>	

The training program will be conducted by or under the supervision of Shannon Hudson and Heather Hudson, and other instructors as we designate periodically. Shannon Hudson has been immersed in martial arts and fitness training since 1987 and has been with us since our inception in 2008. Heather Hudson has been involved in martial arts and fitness training since 2005 and has been with us since our inception in 2008. The training is subject to change.

Periodically, we may offer ongoing training programs and we may charge a fee for attending these training programs. Currently, our fee ranges from \$99 to \$500 per person, plus the wages, travel and living expenses, and supply costs for you and your employees. If our representative provides additional training at your Center, we may require you to reimburse us our related out-of-pocket costs. If you designate a new general manager after the initial training program, the new general manager must complete the training to our satisfaction. We reserve the right to charge a fee to train any replacement general manager. We have the right to develop certification programs for Center personnel who provide personal fitness instruction, teach any form of exercise, or provide any kind of fitness or nutrition instruction or counseling. If we implement a certification program for a particular service provider, the service provider must become certified and comply with all certification requirements before providing services. We may charge a fee which you must pay for providing certification-related courses and services. In addition, we may hold and require that your Principal Owner (a person who owns a 25% or greater interest in the franchisee entity) and general manager or other designated employees attend, at your expense, any conference, meeting, convention, or seminar to present new methods

and programs for operation, training, management, sales, or marketing.

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## ITEM 12 TERRITORY FOR A STANDARD CENTER

When the Franchise Agreement is signed, you will select a general geographic area in which you intend to operate your Center (“Preliminary Designated Area”). We generally will approve your selection unless we determine, in our sole judgment, that it may negatively affect the interest of another I LOVE KICKBOXING franchisee or a franchisee from a different system we have an interest in or is otherwise unavailable for development under our current policies.

Your Preliminary Designated Area will be identified on the Summary Page of the Franchise Agreement. Within one hundred and twenty (120) days after the Franchise Agreement is signed, you must acquire a site for the Center within the Preliminary Designated Area. If no sites are available in the Preliminary Designated Area, we generally will approve a site in proximity to the Preliminary Designated Area that meets with our then-current site selection criteria. Once you have acquired the site, we will amend the Franchise Agreement to reflect the site (which will become the Center’s “Authorized Location”) and to define your “Designated Area” around the Authorized Location. If your approved site is within the Preliminary Designated Area, your Designated Area will be substantially the same as your Preliminary Designated Area in terms of size, shape, or demographics. Once defined on Attachment A of the Franchise Agreement, your Designated Area will remain constant throughout the initial term of the franchise.

A minimum Designated Area will consist of one (1) city block and, in suburban and rural areas, may be as large as a three (3)-mile driving distance from the anticipated location. The actual size and boundaries of your Designated Area will depend upon a variety of factors, including the shared territory with another I LOVE KICKBOXING Center or center from a different system we have an interest in; population base; median age; income level; density of population; growth trends of population; the density of residential and business entities; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas.

Unless approved by us, all membership sales must be made face-to-face, although you may solicit membership sales *within* your Designated Area by mail, telemarketing (so long as you abide by all applicable federal, state, and local laws and the no-call lists), and other non-face-to-face basis. You may solicit, advertise, and accept memberships online or outside your Designated Area only with our prior approval or according to our then-current policies. There are no other restrictions on your right to solicit or accept memberships inside or outside of your Designated Area. You may not sell merchandise or services through other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing without our prior written approval.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control. During the term of this Agreement, however, neither we nor our affiliates will develop or operate, or grant to anyone else the right to develop or operate, an I LOVE KICKBOXING Center physically located in the Designated Area. We and our affiliates have the right to develop and operate and grant others the right to develop and operate I LOVE KICKBOXING Centers outside the Designated Area, regardless of their proximity to the Designated Area or any negative impact they may have on your Center. We have the right to develop and sell, or authorize others to develop and sell, online memberships for streaming live and on-demand workouts nationwide, including in your territory.

Our parent company, 9Round, owns the 9ROUND® franchise system. 9Round offers 9ROUND franchises under the 9ROUND® trade name, which features a specialized program that is developed around a system of nine (9) challenging circuit training stations, that incorporates boxing and kickboxing exercises. 9ROUND will not operate, franchise, or license the operation of a new 9ROUND® location inside your Designated Area. 9Round may acquire additional multi-unit brands in the future (through a stock purchase, asset purchase, merger, or otherwise) and such brands may offer similar goods or services to you and may have established businesses within your Designated Area.

We also have the right to develop and operate, and grant others the right to develop and operate, fitness centers and other businesses under a different trademark within and outside the Designated Area, which may be similar to or competitive with I LOVE KICKBOXING Centers. We will not operate, franchise, or license the operation of a fitness center with 90% or more of its business based on a boxing and kickboxing circuit training program in your Designated Area, except in connection with our acquisition of a multi-unit brand. If we acquire a multi-unit brand (through a stock purchase, asset purchase, merger, or otherwise), we or our affiliate may operate, franchise, or license the operation of the acquired brand within and outside the Designated Area without offering any rights to you.

Certain locations are by their nature unique and separate in character from sites generally developed as I LOVE KICKBOXING Centers (“Special Sites”). These Special Sites are excluded from the Designated Area and we have the right to develop, license or franchise Centers at these locations within or outside your Designated Area: (1) military bases; (2) public transportation facilities, including, without limitation, airports, limited access highway travel plazas and other transportation terminals; (3) sports facilities, including race tracks, big-box fitness facilities, gyms, or sports clubs; (4) student unions or other similar buildings on college or university campuses; (5) hotels, resorts, or similar short-term lodging; (6) apartment or condominium complexes; and (7) corporate office buildings or office parks.

We reserve to ourselves all other rights to use the System and Marks anywhere and in any manner including, without limitation, the right to offer, sell or distribute items such as workout and training videos, equipment, athletic gear, etc., associated with the System (now or in the future) or identified by the Marks, or any other trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisee. These distribution channels or methods may include, without limitation, retail stores, mail order, wholesale, or the internet (or any other existing or future form of electronic commerce). Our reserved rights also include the right to provide and to license third parties to provide the I LOVE KICKBOXING program, and other ancillary programs developed by or for us or our affiliates, at host locations (such as apartments, condo associations, corporate office buildings, schools, community centers, and other gyms and fitness centers).

There are no restrictions on our rights to solicit or accept orders in or outside of your Designated Area. We are not required to compensate you for soliciting or accepting orders in the Designated Area.

Except for the territorial protections described above, you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Continuation of your Designated Area does not depend on the achievement of a certain sales volume, market penetration, or other contingency. You do not have any right to sublicense or sub-franchise within or outside of the Designated Area. You do not receive the right to acquire additional franchises within or outside of your Designated Area (although we may allow you to open another Center if you sign another Franchise Agreement with us and meet our requirements).

If you fail to acquire a site for the Center within one hundred and twenty (120) days after the Franchise Agreement is signed, instead of terminating the Agreement, we may amend the Franchise Agreement to eliminate the Authorized Location, Designated Area, or Preliminary Designated Area protection and open that area for development by us or another franchisee. If you participate in the Market Accelerator Program and fail to meet the deadlines for one (1) or more Centers, we may eliminate the Authorized Location, Designated Area, or Preliminary Designated Area protection for the remaining Franchise Agreements for Centers yet to be developed (but not for any Center that is already open). We also may unilaterally modify your Designated Area upon renewal or if you transfer your franchise rights. Other than described above, we have no right to modify your territorial rights except by mutual written consent of the parties.

You may relocate your Center under certain circumstances and subject to our approval. You must pay us a relocation fee in connection with any relocation of your Center. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we

will permit you to relocate the Center to a site that is acceptable to us, that is within your Designated Area, that is reasonably suited for a Center, and that does not infringe on the rights of any other I LOVE KICKBOXING franchisee. The new Center must be open and operating within sixty (60) days after you discontinue operation at the present Center. If you voluntarily decide to relocate the Center, you must notify us of your intent to relocate and ensure that the present Center remains open and operating for usual business while you procure a new site within your Designated Area. Once you notify us of your proposed site, we will notify you of our approval or rejection within fifteen (15) days of receipt. Once approved, you have sixty (60) days to relocate to the newly procured site within your Designated Area, and upon closing the present Center you must open the new Center for business within seven (7) days after closing the present Center. You must comply with any other conditions that we reasonably require during the relocation process. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur. Upon relocation of your Center for any reason, we may modify your Designated Area, in our sole judgment, to take into account the designated areas of neighboring Centers and other factors. We have the right to refuse to consent to a relocation if you lose the right to occupy the Center premises because of the termination of your lease due to your breach.

### **TERRITORY FOR A LIGHTWEIGHT CENTER**

Prior to signing the Franchise Agreement, we must approve the site. The site must be an existing fitness facility, of which you are the majority owner. In our discretion, we may allow for a Lightweight Center to be developed at an existing fitness facility in which you are not a majority owner. In evaluating the site, we will consider the following factors: demographics, visibility, proximity to competing businesses, ability to reflect image to be portrayed by I LOVE KICKBOXING businesses, accessibility and parking, and market type (rural, suburban, and urban). Our then-current criteria for site approval may include additional factors. If the existing fitness facility is a part of a franchise system, we must receive written approval from the said franchisor prior to granting our approval for the site. We generally will approve your site unless we determine, in our sole judgment, that it may negatively affect the interest of another I LOVE KICKBOXING franchisee or a franchisee from a different system we have an interest in or is otherwise unavailable for development under our then-current policies. Once the Franchise Agreement has been signed, the approved site for the Lightweight Center will become the “Authorized Location”.

Unless approved by us, all membership sales must be made face-to-face, although you may solicit membership sales by mail, telemarketing (so long as you abide by all applicable federal, state, and local laws and the no-call lists), and other non-face-to-face basis. You may not be authorized to solicit, advertise, and accept memberships online or inside the Designated Area of an I LOVE KICKBOXING center unless you receive our prior approval or according to our then-current policies. There are no other restrictions on your right to solicit or accept memberships. You may not sell merchandise or services through other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing without our prior written approval.

You will not receive an exclusive territory or a minimum Designated Area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We and our affiliates have the right to develop and operate and grant others the right to develop and operate I LOVE KICKBOXING Centers within any distance to your Center and regardless of their proximity to the Authorized Location or any negative impact they may have on your Center. We have the right to develop and sell, or authorize others to develop and sell, online memberships for streaming live and on-demand workouts nationwide.

Our parent company, 9Round, owns the 9ROUND® franchise system. 9Round offers 9ROUND franchises under the 9ROUND® trade name, which features a specialized program that is developed around a system of nine (9) challenging circuit training stations, that incorporates boxing and kickboxing exercises. 9Round may acquire additional multi-unit brands in the future (through a stock purchase, asset purchase, merger, or

otherwise) and such brands may offer similar goods or services to you and may have established businesses near your Authorized Location.

We also have the right to develop and operate, and grant others the right to develop and operate, fitness centers and other businesses under a different trademark near your Authorized Location, which may be similar to or competitive with I LOVE KICKBOXING Centers. If we acquire a multi-unit brand (through a stock purchase, asset purchase, merger, or otherwise), we or our affiliate may operate, franchise, or license the operation of the acquired brand near your Authorized Location without offering any rights to you.

We reserve to ourselves all other rights to use the System and Marks anywhere and in any manner including, without limitation, the right to offer, sell or distribute items such as workout and training videos, equipment, athletic gear, etc., associated with the System (now or in the future) or identified by the Marks, or any other trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisee. These distribution channels or methods may include, without limitation, retail stores, mail order, wholesale, or the internet (or any other existing or future form of electronic commerce). Our reserved rights also include the right to provide and to license third parties to provide the I LOVE KICKBOXING program, and other ancillary programs developed by or for us or our affiliates, at host locations (such as apartments, condo associations, corporate office buildings, schools, community centers, and other gyms and fitness centers).

There are no restrictions on our rights to solicit or accept orders near the Authorized Location. We are not required to compensate you for soliciting or accepting orders near the Authorized Location.

You may relocate your Lightweight Center under certain circumstances and subject to our approval. You must pay us a relocation fee in connection with any relocation of your Lightweight Center. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will permit you to relocate the Lightweight Center to a site that is acceptable to us, that is reasonably suited for a Lightweight Center, and that does not infringe on the rights of any other I LOVE KICKBOXING franchisee. The new Lightweight Center must be open and operating within sixty (60) days after you discontinue operation at the present Lightweight Center. If you voluntarily decide to relocate the Lightweight Center, you must notify us of your intent to relocate and ensure that the present Lightweight Center remains open and operating for usual business while you procure a new site. Once you notify us of your proposed site, we will notify you of our approval or rejection within fifteen (15) days of receipt. Once approved, you have sixty (60) days to relocate to the newly procured site, and upon closing the present Center you must open the new Lightweight Center for business within seven (7) days after closing the present Lightweight Center. You must comply with any other conditions that we reasonably require during the relocation process. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur. We have the right to refuse to consent to a relocation if you lose the right to occupy the Lightweight Center premises because of the termination of your lease due to your breach.

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**ITEM 13  
TRADEMARKS**

We own the following Marks, which are registered on, or applied for registration on, the Principal Register of the U.S. Patent and Trademark Office. All required affidavits have been filed. We maintain our registrations and those Marks noted with an asterisk (\*) have been subject to the relevant Declarations of Use and Incontestability under Sections 8 and 15 of the Lanham Act.

Trademark	Register	Registration / Filing Date	Registration / Application Number
	Principal	February 7, 2022	7022628
I LOVE KICKBOXING <sup>2</sup>	Principal	June 10, 2024 <sup>1</sup>	98593337
		June 10, 2024 <sup>1</sup>	98593316
		June 10, 2024 <sup>1</sup>	98593350
		June 10, 2024 <sup>1</sup>	98593368
		June 10, 2024 <sup>1</sup>	98593306
ILOVEKICKBOXING	Principal	February 7, 2022	7004643
ILKB <sup>2</sup>	Principal	June 10, 2024 <sup>1</sup>	98593192
		June 10, 2024 <sup>1</sup>	98593205
		June 10, 2024 <sup>1</sup>	98593278
		June 10, 2024 <sup>1</sup>	98593155
		June 10, 2024 <sup>1</sup>	98593252
	Principal	March 31, 2017	6228278
	Principal	March 29, 2017	5446133
ILOVEKICKBOXING.COM	Principal	March 27, 2017	6248253
ILOVEKICKBOXING.COM	Principal	January 13, 2011	4009496
	Principal	November 14, 2012	4324564
ILOVEKICKBOXING KIDS	Principal	March 29, 2017	6309169

Note 1. We have filed to register these marks with the U.S. Patent and Trademark Office on the date stated in the table, and as of the Issuance Date of this disclosure document, the applications are pending. We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally-registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Note 2. We have filed to register this mark with the U.S. Patent and Trademark Office on a Section 1(b) “intent-to-use” basis in the following international classes: 9, 25, 28, 35, and 41.

There are no agreements currently in effect which significantly limit our rights to use or license the use of the marks in any manner material to you.

You may not make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing. We may change the System presently identified by the Marks including the adoption of new Marks, new program offerings, new equipment or new techniques and you must adopt the changes in the System, as if they were part of the Franchise Agreement at the time of its execution. You must comply, at your cost, within a reasonable time if we notify you to discontinue or modify your use of any Mark. We will have no liability or obligation as to your modification or discontinuance of any Mark. Any goodwill resulting from your use of the Marks inures to our benefit.

There are currently no effective material determinations by the United States 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 Marks. There are no infringing uses actually known to us that could materially affect your use of the Marks.

If there is any infringement of, or challenge to, your use of the Marks, you must immediately notify us, and we will take action that we deem appropriate. We have the right to control all administrative proceedings and litigation involving the Marks. The Franchise Agreement does not require us to take affirmative action if notified of the claim. The Franchise Agreement also does not require us to participate in your defense or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding based on your use of the Marks, or if the proceeding is resolved unfavorably to you. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you must make the changes or substitutions at your own expense.

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

There are no registered copyrights or patents, or pending patent applications, material to the franchise. We claim copyright protection, however, for several elements of the System including the design elements of our Marks, and the content of our Manual, training materials, website, coaching screen system, and promotional and other materials.

There are currently no effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition, or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the patents or copyrights of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including but not limited to the manuals. Upon termination of your Franchise Agreement, you must return to us all proprietary information, including but not limited to the manuals and all other copyright material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take any action and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to the manuals at your cost.

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

During the term of the Franchise Agreement, you (if franchisee is an individual) or your general manager must devote sufficient time and best efforts to the management of the Center. You are expected to stay informed about our organizational plans, initiatives, and direction by regular review of communications sent to you electronically or otherwise.

You or your general manager must provide direct on-premises supervision to the Center. The general manager must complete our training course. He or she need not have any equity interest in the franchisee or the business entity that owns or operates the franchise. If he or she fails to satisfactorily complete the training program, you may designate a different individual and you must notify us immediately. We may request that you are present at the Center for any inspection or evaluation we conduct.

All officers, directors, members and all managers, instructors and other employees having access to our proprietary information must execute non-disclosure agreements in a form we accept. If we so require, your managers, instructors, and other employees receiving training must execute covenants not to compete in a form that we approve.

Any individual or entity that holds, directly or indirectly, any equity interest in the franchisee must sign a personal guaranty. If this is your second or additional franchise, your entity must sign a corporate guaranty. If your spouse is not a direct or indirect party to the franchise agreement, they do not need to sign a personal guaranty.

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## **ITEM 16**

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

#### **Standard Centers**

You must offer at the Center all of the products, equipment and services that we periodically require and you may not offer at the Center any unapproved products or use the premises for any purpose other than the operation of the Center. We have the unlimited right to change the types of authorized services you may offer.

If permitted by state and local law, you must be open for business for the numbers of days and hours we require, which includes a minimum of forty (40) hours per week with eleven (11) classes per week, however, we recommend fifty (50) hours per week with 15 classes per week. You may be open for business beyond the recommended hours. You may solicit and accept Memberships within your Designated Area. We may periodically negotiate contracts with corporations, affinity groups, and insurance plans that will require that certain terms or discounts be offered to members of that corporation, affinity group, or insurance plan by all franchisees at all locations (“National Accounts”). You must provide the special terms and discounts to these National Accounts. You are not otherwise limited in the customers to whom you may sell products or services.

You may not install or maintain on the Center premises any gaming, entertainment, or vending machine without our prior written approval and you must agree to participate in any vending or media program we establish for the System.

You must participate in all marketing promotions that we prescribe, including price promotions to the extent permitted by applicable law. We also have the right to establish your membership and retail prices to the extent permitted by applicable law.

#### **Lightweight Centers**

You must offer at the Lightweight Center all of the products, equipment and services that we periodically require and you may not offer at the Center any unapproved products or use the premises for any unapproved services. The use of the premises as an existing fitness facility and the sale of products, equipment and services for the existing fitness facility, will be approved. We have the unlimited right to change the types of I LOVE KICKBOXING services you may offer.

If permitted by state and local law, you must offer the number of classes that we require, which includes a minimum of two (2) classes per week, however, we recommend eleven (11) classes per week. You may conduct more than the recommended classes per week. We may periodically negotiate contracts with corporations, affinity groups, and insurance plans that will require that certain terms or discounts be offered to members of that corporation, affinity group, or insurance plan by all franchisees at all locations (“National Accounts”). You must provide the special terms and discounts to these National Accounts. You are not otherwise limited in the customers to whom you may sell products or services.

You may not install or maintain on the Lightweight Center premises any gaming, entertainment, or vending machine without our prior written approval and you must agree to participate in any vending or media program we establish for the System.

You must participate in all marketing promotions that we prescribe, including price promotions to the extent permitted by applicable law. We also have the right to establish your membership and retail prices to the extent permitted by applicable law.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**  
**THE FRANCHISE RELATIONSHIP (STANDARD)**

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

Provision		Section in Franchise or Other Agreement	Summary
a.	Length of the franchise term	Section 4A	Term is ten (10) years.
b.	Renewal or extension of the term	Section 4B	Renewal for one (1) additional five (5)-year term.
c.	Requirements for franchisee to renew or extend	Section 4B	You must meet our then-current criteria and qualifications for new franchising; you must give us written notice of your decision to renew at least six (6) months but not more than twelve (12) months before the end of the expiring term; you must sign our then-current form of Franchise Agreement, the terms and conditions of which may be materially different than the terms and conditions of our current Franchise Agreement and which may contain terms less favorable to you, including different fees and a different Designated Area, and, as applicable, a renewal instrument amending relevant terms of the new Franchise Agreement, or an instrument extending for the duration of the renewal term, all covenants, conditions and provisions of your existing Franchise Agreement; you must pay a renewal fee; you must have complied with the modernization requirements for your Center; you are not in default and have satisfied your obligations on a timely basis; if leasing, you have written proof of your ability to remain in possession of the Center premises throughout the renewal term and provide any then-required lease addendum; you comply with our training requirements; and you sign a release (provided that any release will not be inconsistent with any state law regulating franchising).

Provision		Section in Franchise or Other Agreement	Summary
d.	Termination by franchisee	Section 13B	You may terminate the Franchise Agreement only for a material breach by us, provided you give us written notice of the breach and allow at least sixty (60) days' notice and opportunity to cure such breach and, if not cured, wait ninety (90) days from the original notice of breach before terminating the Franchise Agreement. This provision is subject to state laws.
e.	Termination by franchisor without cause	Not applicable	Not applicable.
f.	Termination by franchisor with cause	Sections 13A	We can terminate the Franchise Agreement only if you default or fail to comply with your obligations.
g.	"Cause" defined – curable defaults	Sections 13A and 13B	You have ten (10) days to cure the non-submission of reports and non-payment of amounts due and owing; seven (7) days to cure defaults relating to misuse of our Marks and the sale of unauthorized products and services; and thirty (30) days to cure defaults for the failure to abide by our other standards and requirements in connection with the operation of your business, and any other default not listed in the below.

Provision		Section in Franchise or Other Agreement	Summary
h.	“Cause” defined – non-curable defaults	Sections 13A and 13B	Non-curable defaults include: failure to acquire a site for the Center within one hundred and twenty (120) days after the Franchise Agreement is signed, or to open the Center for business within nine (9) months after the Franchise Agreement is signed, abandonment, loss of lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to relocate, closing of Center for health or safety reasons, insolvency, unapproved assignments or transfers, felony or misdemeanor convictions, unauthorized use of Confidential Information, intentionally understating or underreporting Memberships or fees, multiple defaults, or failure to cure within seven (7) days of notice a default which materially impairs the goodwill associated with any of our Marks. We also may terminate the franchise agreement in the event of (1) termination, on account of your default, of any other franchise agreement between you or your affiliate and us or (2) abandonment or unauthorized closure of any other Center operated under a franchise agreement between you or your affiliate and us.
i.	Franchisee’s obligations on termination/non-renewal	Sections 10D and 14A-C	Obligations include complete de-identification and payment of amounts due, assignment of your lease to us upon our demand, assignment to us of your telephone numbers, return of manuals and proprietary materials, refunding members, and our right to purchase assets of the Center (also see ( o ) and ( r ) below).
j.	Assignment of contract by franchisor	Section 11F	No restriction on our right to assign.
k.	“Transfer” by franchisee – defined	Section 11A	Includes any transfer of your interest in the Franchise Agreement or in the business or any ownership change listed in Section 11A of the Franchise Agreement.
l.	Franchisor approval of transfer by franchisee	Section 11B	We have the right to approve all transfers but will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	Sections 11B-D	Transferee meets all of our then-current requirements for one of the franchise development programs then being offered,

Provision		Section in Franchise or Other Agreement	Summary
			transferee must sign our then-current form of Franchise Agreement, the terms and conditions of which may be materially different than the terms and conditions of our current Franchise Agreement and which may contain terms less favorable to the transferee, including different fees and a different Designated Area; all amounts owed by prior franchisee paid, required modernization is completed, training completed, required guaranties signed, necessary financial reports and other data on franchise business is prepared, and release signed by you (provided release will not be inconsistent with any state law regulating franchising (also see ( r ) below).
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 11E	We can match any offer for your Center assets and, in the case of a proposed stock sale, we can purchase your Center assets at a price determined by an appraiser, unless you and we agree otherwise.
o.	Franchisor's option to purchase franchisee's business	Section 14B	Upon expiration or termination, we have the right to assume your lease for the Center premises, to assume all membership contracts, to assume all telephone numbers used in connection with the operation of your Center, and to purchase or designate a third party that will purchase all or any portion of the assets of your Center, including the equipment, fixtures, signs, furnishings, supplies, leasehold improvements and inventory. Qualified appraiser(s) will determine price as described in the Franchise Agreement.
p.	Death or disability of franchisee	Section 11D	You can transfer your franchise right to your heir or successor in interest like any other transfer, but if assignee is an existing franchisee, your spouse or your child, no initial Franchise Fee is required.

Provision		Section in Franchise or Other Agreement	Summary
q.	Non-competition covenants during the term of the franchise	Section 10D	No direct or indirect involvement in the operation of any big box fitness center or a fitness center, club, studio, online fitness service, or exercise facility featuring boxing, kickboxing, or circuit training program in the United States, other than the one (1) authorized in the Franchise Agreement. Non-compliance provisions are subject to state law.
r.	Non-competition covenants after the franchise is terminated or expired	Section 10D	No direct or indirect involvement in a competing business for eighteen (18) months at the premises of the former Center; within ten (10) miles of the former Center; within any other franchisee's Designated Area; within ten (10) miles of any other business or Center using the System. Non-compliance provisions are subject to state law.
s.	Modification of agreement	Section 15B	We reserve the right to modify parts of this Agreement such as the Marks, System, Manual or your Designated Area as we deem appropriate.
t.	Integration/merger clause	Section 15B	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable. We do not disclaim any representations made in this Franchise Disclosure Document.
u.	Dispute resolution by mediation	Section 12A	Except for certain claims, all disputes must first be submitted to mediation.
v.	Choice of forum	Section 15I	Litigation must be in the city where our corporate headquarters are located (currently, Simpsonville, South Carolina), except as restricted or prohibited by applicable state law regulating franchising.
w.	Choice of law	Section 15H	South Carolina law governs construction of the Franchise Agreement and the parties' relationship, except as restricted or prohibited by applicable state law regulating franchising.

**THE FRANCHISE RELATIONSHIP (LIGHTWEIGHT)**

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

Provision		Section in Franchise or Other Agreement	Summary
a.	Length of the franchise term	Section 4A	Term is twenty-six (26) months or thirty-eight (38) months as you have elected.
b.	Renewal or extension of the term	Section 4B	Renewal for one (1) additional two (2)-year term.
c.	Requirements for franchisee to renew or extend	Section 4B	You must meet our then-current criteria and qualifications for new franchising; you must give us written notice of your decision to renew at least three (3) months but not more than six (6) months before the end of the expiring term; you must sign our then-current form of Franchise Agreement, the terms and conditions of which may be materially different than the terms and conditions of our current Franchise Agreement and which may contain terms less favorable to you, including different fees, and, as applicable, a renewal instrument amending relevant terms of the new Franchise Agreement, or an instrument extending for the duration of the renewal term, all covenants, conditions and provisions of your existing Franchise Agreement; you must pay a renewal fee; you must have complied with the modernization requirements for your Center; you are not in default and have satisfied your obligations on a timely basis; if leasing, you have written proof of your ability to remain in possession of the Center premises throughout the renewal term and provide any then-required lease addendum; you comply with our training requirements; and you sign a release (provided that any release will not be inconsistent with any state law regulating franchising).

Provision		Section in Franchise or Other Agreement	Summary
d.	Termination by franchisee	Section 13B	You may terminate the Franchise Agreement only for a material breach by us, provided you give us written notice of the breach and allow at least sixty (60) days' notice and opportunity to cure such breach and, if not cured, wait ninety (90) days from the original notice of breach before terminating the Franchise Agreement. This provision is subject to state laws.
e.	Termination by franchisor without cause	Not applicable	Not applicable.
f.	Termination by franchisor with cause	Sections 13A	We can terminate the Franchise Agreement only if you default or fail to comply with your obligations.
g.	"Cause" defined – curable defaults	Sections 13A and 13B	You have ten (10) days to cure the non-submission of reports and non-payment of amounts due and owing; seven (7) days to cure defaults relating to misuse of our Marks and the sale of unauthorized products and services; and thirty (30) days to cure defaults for the failure to abide by our other standards and requirements in connection with the operation of your business, and any other default not listed in the below.

Provision		Section in Franchise or Other Agreement	Summary
h.	“Cause” defined – non-curable defaults	Sections 13A and 13B	Non-curable defaults include: abandonment of the franchised business or the Existing Fitness Center, loss of lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to relocate, closing of Center for health or safety reasons, insolvency, unapproved assignments or transfers, felony or misdemeanor convictions, unauthorized use of Confidential Information, significantly altering the goods or services offered at the Existing Fitness Center without our prior written consent, intentionally understating or underreporting Memberships or fees, multiple defaults, or failure to cure within seven (7) days of notice a default which materially impairs the goodwill associated with any of our Marks. We also may terminate the franchise agreement in the event of (1) termination, on account of your default, of any other franchise agreement between you or your affiliate and us or (2) abandonment of the franchised business or the Existing Fitness Center or unauthorized closure of any other Center operated under a franchise agreement between you or your affiliate and us.
i.	Franchisee’s obligations on termination/non-renewal	Section 14A-C	Obligations include complete de-identification and payment of amounts due, assignment of your lease to us upon our demand, assignment to us of your telephone numbers, return of manuals and proprietary materials, refunding members, and our right to purchase assets of the Center (also see ( o ) and ( r ) below).
j.	Assignment of contract by franchisor	Section 11F	No restriction on our right to assign.
k.	“Transfer” by franchisee – defined	Section 11A	Includes any transfer of your interest in the Franchise Agreement or in the business or any ownership change listed in Section 11A of the Franchise Agreement.
l.	Franchisor approval of transfer by franchisee	Section 11B	We have the right to approve all transfers but will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	Sections 11B-D	Transferee meets all of our then-current requirements for one of the franchise development programs then being offered,

Provision		Section in Franchise or Other Agreement	Summary
			transferee must sign our then-current form of Franchise Agreement, the terms and conditions of which may be materially different than the terms and conditions of our current Franchise Agreement and which may contain terms less favorable to the transferee, including different fees; all amounts owed by prior franchisee paid, required modernization is completed, training completed, required guaranties signed, necessary financial reports and other data on franchise business is prepared, and release signed by you (provided release will not be inconsistent with any state law regulating franchising (also see ( r ) below).
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 11E	We can match any offer for your Center assets and, in the case of a proposed stock sale, we can purchase your Center assets at a price determined by an appraiser, unless you and we agree otherwise.
o.	Franchisor's option to purchase franchisee's business	Section 14B	Upon expiration or termination, we have the right to assume your lease for the Center premises, to assume all membership contracts, to assume all telephone numbers used in connection with the operation of your Center, and to purchase or designate a third party that will purchase all or any portion of the assets of your Center, including the equipment, fixtures, signs, furnishings, supplies, leasehold improvements and inventory, provided that we are not interfering with the Existing Fitness Center's legal obligations or business operations. Qualified appraiser(s) will determine price as described in the Franchise Agreement.
p.	Death or disability of franchisee	Section 11D	You can transfer your franchise right to your heir or successor in interest like any other transfer, but if assignee is an existing franchisee, your spouse or your child, no initial Franchise Fee is required.
q.	Non-competition covenants during the term of the franchise	Not applicable.	Not applicable.

Provision		Section in Franchise or Other Agreement	Summary
r.	Non-competition after the franchise is terminated or expires	Not applicable.	Not applicable.
s.	Modification of agreement	Section 15B	We reserve the right to modify parts of this Agreement such as the Marks, System, or Manual as we deem appropriate.
t.	Integration/merger clause	Section 15B	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable. We do not disclaim any representations made in this Franchise Disclosure Document.
u.	Dispute resolution by mediation	Section 12A	Except for certain claims, all disputes must first be submitted to mediation.
v.	Choice of forum	Section 15I	Litigation must be in the city where our corporate headquarters are located (currently, Simpsonville, South Carolina), except as restricted or prohibited by applicable state law regulating franchising.
w.	Choice of law	Section 15H	South Carolina law governs construction of the Franchise Agreement and the parties' relationship, except as restricted or prohibited by applicable state law regulating franchising.

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**ITEM 18**  
**PUBLIC FIGURES**

We currently do not use any public figure to promote our franchise; however, in the future and in our sole discretion, we may use social media influencers to promote the I LOVE KICKBOXING brand.

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**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 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.

**REVENUE REPORTED FROM THE 39 LOCATIONS (STANDARD CENTERS)**  
**IN OPERATION FROM JUNE 2023 TO MAY 2024**

The chart below reflects historical membership information concerning the 39 franchised Standard Centers that were open and operating in the United States from June 1, 2023 to May 31, 2024. We have not included the two (2) Centers that opened during this time period, and we have not included the twenty-three (23) Centers that closed during this time period, nor any Lightweight Centers.

**Calculated Average and Median Revenue**  
**on an Aggregate Dollar Value Basis<sup>1</sup>**

	<b>Average Monthly AUV<sup>2</sup> (\$)</b>	<b>Median Monthly AUV<sup>2</sup> (\$)</b>	<b>Average Yearly Gross Revenue (\$)</b>	<b>Median Yearly Gross Revenue(\$)</b>
<b>Centers in Top Third<sup>3</sup></b>	40,489.00	40,649.00	485,866.00	487,792.00
<b>Centers in Middle Third<sup>3</sup></b>	30,410.79	30,045.00	364,930.00	360,534.00
<b>Centers in Bottom Third<sup>3</sup></b>	18,756.60	20,829.00	225,079.00	249,953.00
<b>Highest Performing Center<sup>4</sup></b>	47,724.58	-	572,695.00	-
<b>Lowest Performing Center<sup>5</sup></b>	8,758.42	-	105,101.00	-

Note 1. The figures reflected in the chart above were compiled from information reported to us, or our predecessor, by franchisees.

Note 2. “AUV” means “average unit volume”, which is the average aggregate gross sales of the Centers.

Note 3. Of the total number of 39 Centers, there are 13 Centers in the top third, 13 Centers in the middle third, and 13 Centers in the bottom third.

Note 4. The top third had a yearly Gross Revenue range of \$572,695-\$417,429. The middle third had a yearly Gross Revenue range of \$410,636-\$319,832. The bottom third had a yearly Gross Revenue of \$310,787-\$105,101.

Note 5. The Highest Performing Center is based on the highest AUV. This Center has been open since June 2019.

Note 6. The Lowest Performing Center is based on the lowest AUV. This Center opened in April 2017.

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

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of future income, you should report it to the franchisor's management by contacting Shannon Hudson, 847 NE Main Street, Simpsonville, South Carolina 29681, (864) 962-4600, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table 1  
Systemwide Outlet Summary  
For Years 2021 to 2023<sup>1</sup>**

Outlet Type	Year	Outlets and the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	115	84	-31
	2022	84	73	-11
	2023	73	52	-21
Company Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	115	84	-31
	2022	84	73	-11
	2023	73	52	-21

Note 1. The information we have provided in this table was recorded by the predecessor companies ILKB LLC and ILKB TOO LLC.

**Table 2  
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)  
For Years 2021 to 2023<sup>1</sup>**

State	Year	Number of Transfers
Arizona	2021	1
	2022	0
	2023	0
Colorado	2021	0
	2022	1
	2023	0
Florida	2021	0
	2022	0
	2023	2
Illinois	2021	1
	2022	1
	2023	0
Indiana	2021	0
	2022	0
	2023	1
New York	2021	0
	2022	1
	2023	1
Ohio	2021	0
	2022	1
	2023	0

State	Year	Number of Transfers
Pennsylvania	2021	2
	2022	0
	2023	0
Texas	2021	2
	2022	1
	2023	0
Virginia	2021	0
	2022	4
	2023	1
Wisconsin	2021	0
	2022	1
	2023	0
Total	2021	6
	2022	11
	2023	6

Note 1. The information we have provided in this table was recorded by the predecessor companies ILKB LLC and ILKB TOO LLC.

**Table 3**  
**Status of Franchise Outlets**  
**For Years 2021 to 2023<sup>1</sup>**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Arizona	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
California	2021	14	1	5	0	0	0	10
	2022	10	0	2	0	0	0	8
	2023	8	0	4	0	0	0	4
Colorado	2021	3	0	2	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	1	0	0	0	0
Connecticut	2021	5	0	3	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Florida	2021	9	0	1	0	0	0	8
	2022	8	0	1	0	0	0	7
	2023	7	1	2	0	0	0	6
Georgia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	1	0	0	0	0
Idaho	2021	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	9	0	1	0	0	0	8
	2022	8	0	2	0	0	0	6
	2023	6	0	3	0	0	0	3
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021	2	0	1	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
Maryland	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Massachusetts	2021	8	0	1	0	0	0	7
	2022	7	1	2	0	0	0	6
	2023	6	0	1	0	0	0	5
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	1	0	0	0	0
Nebraska	2021	0	0	0	0	0	0	5
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Nevada	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	1	0	0	0	4
New Jersey	2021	4	0	2	0	0	0	2
	2022	2	0	1	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	14	0	7	0	0	0	7
	2022	7	1	2	0	0	0	6
	2023	6	1	1	0	0	0	6
North Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	3	0	2	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	1	0	0	0	0
Oklahoma	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
	2023	1	0	0	0	0	0	1
Oregon	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Pennsylvania	2021	7	1	2	0	0	0	6
	2022	6	0	1	0	0	0	5
	2023	5	0	2	0	0	0	3
South Carolina	2021	2	0	1	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
Texas	2021	11	0	4	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	2	0	0	0	5
Virginia	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	3	0	0	0	3
Wisconsin	2021	2	0	0	0	0	0	2
	2022	2	0	1	0	0	0	1
	2023	1	0	1	0	0	0	0
Totals	2021	115	2	33	0	0	0	84
	2022	84	3	14	0	0	0	73
	2023	73	3	24	0	0	0	52

Note 1. The information we have provided in this table was recorded by the predecessor companies ILKB LLC and ILKB TOO LLC.

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2021 to 2023<sup>1</sup>**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Note 1. The information we have provided in this table was recorded by the predecessor companies ILKB LLC and ILKB TOO LLC.

**Table 5**  
**Projected Openings**  
**As of December 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected Openings in the Next Fiscal Year	Projected New Company Owned Openings in the Next Fiscal Year
California	0	1 <sup>1</sup>	0
Florida	0	1 <sup>1</sup>	0
Illinois	1	0	0
Maryland	1	0	0
South Carolina	0	1 <sup>1</sup>	0
Total	2	3	0

Note 1. This is a projected new Lightweight Center.

Attached at Exhibit D is a list of I LOVE KICKBOXING Centers open as of December 31, 2023 and a list of franchisees who are in the process of opening Centers. Exhibit D also includes a list of franchisees who have left the system within the last fiscal year or who have not communicated with us within ten (10) weeks of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak only about their experience with I LOVE KICKBOXING. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There is a I LOVE KICKBOXING Franchisee Advisory Council (FAC) which is currently comprised of five (5) members representing various geographic areas: four (4) U.S. I LOVE KICKBOXING franchisees, one (1) Canadian I LOVE KICKBOXING Franchisee, and one (1) I LOVE KICKBOXING franchisor representative. Currently, five (5) franchisee members are nominated and elected each year following I LOVE KICKBOXING’s annual World Convention or by any other process as may be announced by us, including by email. One (1) franchisee member shall be the Executive Choice Nominee and selected by our Chief Executive Officer. Any person who owns an interest in a I LOVE KICKBOXING franchise is eligible for nomination, selection, and membership, provided that they meet certain criteria found in the FAC By-laws. Qualified persons may be nominated by franchisees or by others, including I LOVE KICKBOXING management. Each member will be selected for a one (1) year term. To ensure continuity from year to year, one (1) franchisee member from the prior year’s FAC will be selected by I LOVE KICKBOXING as members for the following year’s FAC.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached to this disclosure document as Exhibit B are the audited balance sheets as of December 31, 2023, December 31, 2022, and December 31, 2021, and the related consolidated statements of operations and comprehensive income, and changes in member equity and cash flows for the years then ended as well as the unaudited balance sheet and income statement as of July 31, 2024 of 9Round Franchising, LLC, our parent company. 9Round Franchising, LLC has guaranteed our performance with you. A copy of the Guaranty of Performance is included in Exhibit B.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY.

**ITEM 22**  
**CONTRACTS**

This disclosure document includes a sample of the following contracts:

- Exhibit C - Standard Franchise Agreement, Lightweight Franchise Agreement, Franchisee Acknowledgement, Sample Renewal Addendum, and State Specific Addenda
- Exhibit F - Sample Membership Agreement
- Exhibit G - Sample Form of General Release Agreement

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**ITEM 23  
RECEIPTS**

Attached to this disclosure document in Exhibit H are two detachable acknowledgments of receipt.

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**STATE APPENDIX TO DISCLOSURE DOCUMENT**

**FOR THE STATE OF CALIFORNIA**

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

The California Corporations Code, Section 31125, requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

Item 3 of the disclosure document is supplemented by the following:

Neither the franchisor nor any person identified in Item 2 of the disclosure document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A., 78a *et. seq.*, suspending or expelling such persons from membership in such association or exchange.

Item 6 of the disclosure document is supplemented by the following:

Interest	12% per annum or the highest lawful interest rate in California, currently 10% per annum	Upon demand	Payable only if you fail to pay amounts owed to us when due.
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Item 17 of the disclosure document is supplemented by the following:

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

You must sign a release if you renew or transfer your franchise. California Corporations Code 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).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires application of the laws of South Carolina. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The financial performance representation does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain

your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your I LOVE KICKBOXING Center. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information. Our website can be found at [www.ilovekickboxing.com](http://www.ilovekickboxing.com). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

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.

### **FOR THE STATE OF ILLINOIS**

Notwithstanding the provisions of the Franchise Agreement that South Carolina law shall govern, Illinois law shall apply to and govern any claim between the parties under the Franchise Agreement that alleges violation of the Act.

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

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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.

Item 1 of the disclosure document is supplemented by the following paragraphs:

The Illinois Physical Fitness Facility Medical Emergency Preparedness Act requires that a physical fitness facility (which excludes any facility serving less than 100 individuals or that does not employ any persons to provide instruction, training, or assistance for persons using the facility) have at least one automated external defibrillator (AED) and ensure that there is a trained AED user on staff and present during all staffed hours. Other provisions apply. See 210 ILCS 74 *et seq.*

The Illinois Dance Studio Act (which applies to any person or business entity which contract with members of the general public to provide dance studio services, including instruction, training or assistance in dancing, the use of studio facilities, membership in any group formed by a dance studio, and participation in dance competitions or showcases) requires that every contract for dance studio services be in writing and its contents must conform to the Act's requirements. The Act provides for contract execution, cancellation and refund. Other provisions apply. See 815 ILCS 610 *et seq.*

### ***FOR THE STATE OF MARYLAND***

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.

Item 5 is revised to include the following:

Based upon franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17 of the disclosure document is supplemented by the following:

- (a) Any release or waiver provision contained in the Franchise Agreement or any release required as a condition of the sale, renewal, and/or assignment/transfer of the franchise shall not apply to any liability incurred under the Maryland Franchise Registration and Disclosure Law (the "Maryland Franchise Law").
- (b) Any claims arising under the Maryland Franchise Law must be brought within three years after the grant of the franchise;
- (c) Any provision in the Franchise Agreement requiring litigation in a forum outside the State of Maryland will not limit any rights you may have under the Maryland Franchise Law to bring suit in the State of Maryland.

### ***FOR THE STATE OF MINNESOTA***

Item 13 of the disclosure document is supplemented by the following:

The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols ("Marks") or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred that you incur in the defense of your right to use the Marks, so long as you were using the Marks in the manner that we authorized, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Item 17 of the disclosure document is supplemented by the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that (1) a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

To the extent that any condition, stipulation, or provision contained in the Franchise Agreement (including any choice of law provision) purports to require any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota, to waive compliance with the Minnesota Franchises Law, such condition, stipulation, or provision may be void and unenforceable under the non-waiver provision of the Minnesota Franchises Law.

**FOR THE STATE OF NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
  - B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
  - C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
  - D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order or any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.
3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this

proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.
5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**,” and Item 17 (w), titled “**Choice of law**”:

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

***FOR THE STATE OF NORTH DAKOTA***

1. The Securities Commissioner for the State of North Dakota has held that the provisions stated below in (a) through (h) are unfair, unjust, or inequitable to North Dakota Franchisees (Section 51-19-09, N.D.C.C.) and may be unenforceable under North Dakota Law:

- (a) A provision requiring a North Dakota franchisee to sign a general release upon renewal of the Franchise Agreement;
- (b) A provision requiring a North Dakota franchisee to consent to termination penalties or liquidated damages;
- (c) A provision requiring a North Dakota franchisee to consent to the jurisdiction of courts outside the state of North Dakota;
- (d) A provision requiring a choice of law contrary to the North Dakota Franchise Investment Law;
- (e) A provision restricting the time in which a North Dakota franchisee may make a claim to less than the applicable North Dakota statute of limitations;
- (f) A provision calling for the waiver by a North Dakota franchisee of the right to trial by jury;
- (g) A provision requiring a North Dakota franchisee to consent to a waiver of exemplary and punitive damages; and
- (h) A provision requiring the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the Franchise Agreement.

2. North Dakota Century Code Section 9-08-06 subjects covenants not to compete to the provisions of that statute. The covenants not to compete contained within the Franchise Agreement are subject to Section 9-08-06 and may be unenforceable under North Dakota law.

3. The site of any mediation of the parties’ disputes shall be at a site mutually agreeable to all parties. If all parties cannot agree upon a location, mediation shall be Fargo, North Dakota.

***FOR THE STATE OF RHODE ISLAND***

Section 19-28.1-14 of the Rhode Island Franchise Act (“Act”) provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

***FOR THE COMMONWEALTH OF VIRGINIA***

Item 1 of the disclosure document is supplemented by the following:

Health spas in Virginia are regulated by the Department of Agriculture, Office of Consumer Affairs who can be reached at (804)786-1343.

Item 6 of the disclosure document is supplemented by the following:

Any securities offered or sold by the Investor Franchisee as part of the I LOVE KICKBOXING franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

Item 17 of the Franchise Disclosure Document is amended as follows:

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, for use in the Commonwealth of Virginia is supplemented by the following:

“Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

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.

***FOR THE STATE OF WASHINGTON***

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of the franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent

counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or right or remedies under the Act such as right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchisee agreement or elsewhere are void and unenforceable in Washington.

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

Pursuant to RCW 19.100.010(7), WAC 460-82, and Franchise Act Policy Statement 6, franchisees that are paid a fee or commission for referral services may be required to register as franchise brokers in Washington. RCW 19.100.010(7) defines a "franchise broker" as "a person who directly or indirectly engages in the business of the offer or sale of franchises" and excludes "a franchisor, subfranchisor, or their officers, directors, or employees". In addition, RCW 19.100.010(12) defines "offer" as "every attempt or offer to dispose of or solicitation of an offer to buy a franchise or an interest in a franchise". Further, Franchise Act Policy Statement 6 states that, "A person who receives a commission or other transactional-based compensation in connection with the offer or sale of a franchise would generally be considered a franchise broker;... A person who offers or sells two or more franchises is generally presumed to be a franchise broker...".

Therefore, Franchisees who receive fees or commissions for referral services may be required to register as franchise brokers under the laws of Washington State.

### **FOR THE STATE OF WISCONSIN**

Item 17 of the disclosure document is supplemented by the following:

For franchisees subject to the Wisconsin Fair Dealership Law, Ch. 135, Stats., provisions in the Fair Dealership Law supersede any inconsistent provisions of the Franchise Agreement or a related contract.

**EXHIBIT A**  
**LIST OF STATE ADMINISTRATORS**  
**LIST OF AGENTS FOR SERVICE OF PROCESS**

## ***LIST OF STATE ADMINISTRATORS***

### **California**

Department of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013  
(866) 275-2677

### **Hawaii**

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

### **Illinois**

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

### **Indiana**

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

### **Maryland**

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

### **Michigan**

Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Bldg., 1<sup>st</sup> Floor  
Lansing, Michigan 48913  
(517) 373-7117

### **Minnesota**

Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198  
(651) 539-1600

### **New York**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21st Floor  
New York, New York 10005  
(212) 416-8236

### **North Dakota**

North Dakota Securities Department  
600 East Blvd. Avenue  
State Capitol, Fifth Floor Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### **Oregon**

Division of Consumer and Business Services  
350 Winter St. N.E. Labor & Industries Bldg., Rm 21  
Salem, Oregon 97310  
(503) 378-4387

### **Rhode Island**

Department of Business Regulation  
Securities Division  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, Rhode Island 02920  
(401) 462-9527

### **South Dakota**

Department of Labor and Regulation  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

### **Virginia**

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

### **Washington**

Department of Financial Institutions, Securities Div.  
150 Israel Road, S.W.  
Tumwater, Washington 98501  
(360) 902-8760

### **Wisconsin**

Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, WI 53705  
(608) 266-8559

## ***LIST OF AGENTS FOR SERVICE OF PROCESS***

### **California**

Commissioner of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013

### **Hawaii**

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

### **Illinois**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

### **Indiana**

Indiana Secretary of State  
302 W. Washington St., Room E-018  
Indianapolis, Indiana 46204

### **Maryland**

Maryland Securities Commissioner  
Office of the Attorney General  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### **Michigan**

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Bldg., 1<sup>st</sup> Floor  
Lansing, Michigan 48913

### **Minnesota**

Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198

### **New York**

New York Department of State  
One Commerce Plaza  
99 Washington Avenue, 6<sup>th</sup> Floor  
Albany, New York 12231

### **North Dakota**

Securities Commissioner  
600 East Boulevard Avenue, 5<sup>th</sup> Floor  
Bismarck, North Dakota 58505

### **Oregon**

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

### **Rhode Island**

Director of Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, Rhode Island 02920

### **South Dakota**

Director  
Department of Labor and Regulation  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501

### **Virginia**

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

### **Washington**

Director  
Department of Financial Institutions  
150 Israel Road, S.W.  
Tumwater, Washington 98501

### **Wisconsin**

Commissioner of Securities  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705

**EXHIBIT B**  
**FINANCIAL STATEMENTS**

# **9Round Franchising, LLC**

## ***Report on Consolidated Financial Statements***

***For the years ended December 31, 2023 and 2022***

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# 9Round Franchising, LLC

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## Independent Auditor's Report

To the Members  
9Round Franchising, LLC  
Simpsonville, South Carolina

### Opinion

We have audited the consolidated financial statements of 9Round Franchising, LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Elliott Davis, LLC*

Greenville, South Carolina  
April 26, 2024

# 9Round Franchising, LLC

## Consolidated Balance Sheets

As of December 31, 2023

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,164,601	\$ 4,659,496
Trade accounts receivable, net	995,005	812,150
Employee Retention Credit receivable (Note 10)	-	1,126,204
Inventory, net	1,337,218	1,797,655
Prepaid expenses	290,132	399,394
Current portion of deferred franchise costs	632,756	447,853
Due from related parties	20,843	172,452
Current portion of notes receivables	17,554	13,939
Total current assets	<u>8,458,109</u>	<u>9,429,143</u>
<b>Noncurrent assets</b>		
Property and equipment, net	2,455,964	2,446,253
Operating lease right-of-use assets	902,475	1,194,662
Intangibles, net	28,234	37,646
Deferred franchise costs, net of current portion	851,814	1,506,314
Deferred tax asset	19,448	55,010
Notes receivable, less current portion	7,935	22,603
Other assets	4,884	4,886
Total noncurrent assets	<u>4,270,754</u>	<u>5,267,374</u>
Total assets	<u>\$ 12,728,863</u>	<u>\$ 14,696,517</u>
<b>Liabilities and Members' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 369,335	\$ 364,109
Accrued expenses	376,996	505,473
Income taxes payable	4,749	5,637
Current portion of deferred franchise revenue	1,108,611	1,270,772
Current portion of finance lease liabilities	24,939	21,993
Current portion of operating lease liabilities	248,430	289,989
Other current liabilities	392,828	171,775
Total current liabilities	<u>2,525,888</u>	<u>2,629,748</u>
<b>Long-term liabilities</b>		
Deferred franchise revenue, net of current portion	3,658,898	5,403,077
Operating lease liabilities, net of current portion	674,918	923,347
Finance lease liabilities, net of current portion	1,968,384	1,993,323
Total long-term liabilities	<u>6,302,200</u>	<u>8,319,747</u>
Total liabilities	<u>8,828,088</u>	<u>10,949,495</u>
<b>Members' equity</b>	<u>3,900,775</u>	<u>3,747,022</u>
Total liabilities and members' equity	<u>\$ 12,728,863</u>	<u>\$ 14,696,517</u>

See Notes to Consolidated Financial Statements

## 9Round Franchising, LLC

### Consolidated Statements of Operations and Comprehensive Income

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Franchise fee revenue	\$ 2,373,700	\$ 2,353,912
Master and area license fee revenue	379,946	407,199
Royalty revenue	2,495,083	2,945,041
Fee revenue	2,715,273	3,287,833
Product revenue	2,574,905	4,811,196
Rebate revenue	1,902,306	1,884,968
Other revenue	1,051,810	1,107,930
Total revenues	<u>13,493,023</u>	<u>16,798,079</u>
<b>Cost of product revenue</b>	<u>1,918,405</u>	<u>2,988,820</u>
<b>Operating expenses</b>		
Advertising and marketing	1,533,476	2,102,498
Depreciation and amortization	411,585	460,099
Commissions	708,159	894,179
Professional fees	712,269	647,387
Personnel costs	3,706,458	4,240,905
Other operating expenses	3,323,276	3,832,068
Total operating expenses	<u>10,395,223</u>	<u>12,177,136</u>
Income from operations	<u>1,179,395</u>	<u>1,632,123</u>
<b>Other income (expense)</b>		
Interest expense	(79,217)	(81,292)
Interest income	106,739	6,545
Unrealized foreign currency gain (loss)	20,733	(7,510)
Loss on disposal of property, plant and equipment	(4,001)	(27,648)
Gain on forgiveness of Paycheck Protection Program loan	-	576,070
Employee Retention Credit income (Note 10)	-	1,126,204
Other income, net	28,321	34,248
Total other (expense) income, net	<u>72,575</u>	<u>1,626,617</u>
Income before income taxes	1,251,970	3,258,740
<b>Income tax expense</b>	42,055	36,915
Net income	<u>1,209,915</u>	<u>3,221,825</u>
<b>Other comprehensive income (loss)</b>		
Changes in cumulative translation adjustments	(38,977)	7,111
Total comprehensive income	<u>\$ 1,170,938</u>	<u>\$ 3,228,936</u>

See Notes to Consolidated Financial Statements

**9Round Franchising, LLC****Consolidated Statements of Changes in Members' Equity****For the years ended December 31, 2023 and 2022**

	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Earnings</u>	<u>Total Members' Equity</u>
<b>Balance, January 1, 2022</b>	\$ (22,265)	\$ 2,318,445	\$ 2,296,180
Cumulative adjustment for implementation of ASC 842	-	(26,998)	(26,998)
Distributions to members	-	(1,751,096)	(1,751,096)
Net income	-	3,221,825	3,221,825
Other comprehensive income	7,111	-	7,111
<b>Balance, December 31, 2022</b>	<u>(15,154)</u>	<u>3,762,176</u>	<u>3,747,022</u>
Distributions to members	-	(1,017,185)	(1,017,185)
Net income	-	1,209,915	1,209,915
Other comprehensive loss	(38,977)	-	(38,977)
<b>Balance, December 31, 2023</b>	<u>\$ (54,131)</u>	<u>\$ 3,954,906</u>	<u>\$ 3,900,775</u>

**See Notes to Consolidated Financial Statements**

**9Round Franchising, LLC****Consolidated Statements of Cash Flows****For the years ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b><i>Cash flows from operating activities</i></b>		
Net income	\$ 1,209,915	\$ 3,221,825
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	411,587	460,099
Decrease in discount on notes receivable	-	(23)
Gain on forgiveness of Paycheck Protection Program loan	-	(576,070)
Employee Retention Credit income	-	(1,126,204)
Loss on disposal of property and equipment	4,101	27,489
Provision for credit losses	81,663	52,522
Deferred taxes	37,513	25,139
Interest expense on finance lease liabilities	79,217	80,026
Changes in operating assets and liabilities:		
Trade accounts receivable	863,767	94,299
Inventories, net	460,437	262,540
Prepaid expenses	117,804	33,302
Deferred franchise costs	785,660	805,817
Due from related parties	-	(10,381)
Operating lease ROU assets and lease liabilities, net	2,199	6,927
Other current assets	-	6,333
Accounts payable	4,844	(13,926)
Accrued expenses	(139,675)	(319,928)
Income taxes payable	558	(3,696)
Deferred franchise revenue	(2,235,628)	(1,788,242)
Due to related parties	54,254	-
Other current liabilities	221,053	(19,393)
Net cash provided by operating activities	<u>1,959,269</u>	<u>1,218,455</u>
<b><i>Cash flows from investing activities</i></b>		
Purchase of property, plant and equipment	(415,985)	(65,782)
Issuance of notes receivable	(5,320)	(37,500)
Collections on notes receivable	16,373	2,817
Net cash used for investing activities	<u>(404,932)</u>	<u>(100,465)</u>
<b><i>Cash flows from financing activities</i></b>		
Principal payments on finance leases	(101,210)	(99,227)
Distributions to members	(1,017,185)	(1,751,096)
Net cash used for financing activities	<u>(1,118,395)</u>	<u>(1,850,323)</u>
Net increase (decrease) in cash and cash equivalents	435,942	(732,333)
Exchange rate effect on cash and cash equivalents	69,163	(12,448)
<b><i>Cash and cash equivalents, beginning of year</i></b>	4,659,496	5,404,277
<b><i>Cash and cash equivalents, end of year</i></b>	<u>\$ 5,164,601</u>	<u>\$ 4,659,496</u>
<b><i>Supplemental disclosure</i></b>		
Cash paid for interest	\$ 79,217	\$ 81,292
Cash paid for income taxes	<u>\$ 8,121</u>	<u>\$ 9,099</u>

**See Notes to Consolidated Financial Statements**

## 9Round Franchising, LLC

### *Notes to Consolidated Financial Statements*

*December 31, 2023 and 2022*

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#### **Note 1. Summary of Significant Accounting Policies and Activities**

##### Description of business:

9Round Franchising, LLC and its subsidiaries (collectively, the “Company”) were formed for the purpose of granting franchises for the establishment and operation of a center (“Center”) offering a service-oriented boxing and kickboxing fitness program combining strength, cardiovascular exercises and circuit training for the entire body to achieve results. A 9Round Center offers boxing and kickboxing fitness programs that provide professional assistance to clients for a total body workout using our proprietary system of challenging workout stations. A 9Round Center franchise will offer clients a variety of comprehensive services that include, but are not limited to, teaching various boxing and kickboxing disciplines in addition to selling retail and fitness products utilizing the Company’s proprietary business format and system.

On December 15, 2008, 9Round Franchising, LLC was formed under the laws of the State of South Carolina.

During 2008, the Company began offering franchises pursuant to federal and state laws that regulate the sale of franchises including the Federal Trade Commission’s Franchise Rule. The Company’s accounting for franchising operations is in accordance with franchisor accounting, generally accepted in the United States of America.

The franchise agreements typically require the franchisee to pay an initial, nonrefundable fee, as well as continuing royalties to the Company generally based upon a fixed fee stated in the contract. In most cases, under these arrangements, franchisees are granted the right to use and operate the location for a period of ten years with an additional ten-year renewal option contingent on payment of a renewal fee.

On November 27, 2013, the Company incorporated 9Round Franchising of Canada, Inc. under the British Columbia Corporations Act. On November 8, 2018 the Company incorporated 9Rfranchising Canada, ULC under the British Columbia Corporations Act. On January 1, 2019, 9Round Franchising of Canada, Inc. was amalgamated as one company under the name 9Rfranchising Canada, ULC. On July 31, 2018, 9Round Attic Holdings, LLC was formed under the laws of the State of South Carolina and is the U.S. parent of 9Rfranchising Canada, ULC. 9Round Attic Holdings, LLC and 9Rfranchising Canada, ULC are wholly owned subsidiaries of 9Round Franchising, LLC.

On December 16, 2014, the Company formed 9Round International, LLC under the laws of the State of South Carolina. 9Round International, LLC is a wholly owned subsidiary of 9Round Franchising, LLC.

On December 22, 2023, the Company formed 9Round Holding Company, LLC under the laws of the State of South Carolina. 9Round Holding Company, LLC is a wholly owned, non-operating, subsidiary of 9Round Franchising, LLC.

##### Principles of consolidation:

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of 9Round Franchising, LLC and its wholly owned subsidiaries, 9Rfranchising Canada, ULC, 9Round International, LLC, and 9Round Holding Company, LLC. All significant intra-entity balances and transactions have been eliminated.

The Company does not apply the VIE consolidation model to its qualifying common control arrangements. Additionally, activity related to these arrangements is described in Note 7.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Cash and cash equivalents:

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company places its cash with high quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. The Company has not experienced losses in such investments and does not believe it is exposed to any significant risk on its cash and cash equivalents.

##### Trade accounts receivable, net:

Trade accounts receivable consist primarily of franchise fees, royalties, and other fees due from franchisees. Receivables are recorded at their invoiced amounts, net of a reserve for potential credit losses. No interest is charged on outstanding receivables. Prior to January 1, 2023, management estimated the allowance for doubtful accounts by identifying troubled accounts and by applying a historical experience to an aging of accounts. The allowance for doubtful accounts was approximately \$84,000 at December 31, 2022.

Effective January 1, 2023, the Company adopted Accounting Standards Update (ASU) 2016-13 as amended. An allowance for credit losses is maintain based on historical experience adjusted for current conditions and reasonable and supportable forecasts taking into account geographical and industry-specific economic factors. The Company also considers any specific customer collection issues. Since the Company's trade receivables are largely similar, the Company evaluates is allowance for credit losses as one portfolio segment. Receivables balances are charged against the allowance for credit losses after all means of collection have been exhausted and the potential for collections is considered remote. Provisions for credit losses on trade receivables are recorded in other operating expenses on the accompanying consolidated statement of operations and comprehensive income.

Estimating credit losses based on risk characteristics requires significant judgement by the Company. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Company's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The Company reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

The following shows activity in the allowance for credit losses for the year ended December 31, 2023:

Balance at January 1, 2023	\$	83,610
Provision for credit losses		81,663
Credits charged-off against allowance		<u>(8,090)</u>
Balance at December 31, 2023	\$	<u>157,183</u>

## 9Round Franchising, LLC

### *Notes to Consolidated Financial Statements*

*December 31, 2023 and 2022*

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#### **Note 1. Summary of Significant Accounting Policies and Activities, Continued**

##### Notes receivable:

Notes receivable consist of amounts due from new franchisees when a portion of the franchise sale has been financed by the Company, less an allowance for uncollectible notes for estimated losses resulting from franchisees' failure to make note payments in accordance with the terms of their respective loan agreements. Prior to January 1, 2023, management determined the allowance for uncollectible notes by identifying troubled accounts and by applying a historical experience to an aging of accounts. Effective January 1, 2023, management determined the allowance for credit losses associated with notes receivable in accordance with the guidance under ASU 2016-13. As of December 31, 2023 and 2022, management has determined that no allowance for credit losses on uncollectible notes was required.

Certain notes receivable from franchisees do not have a stated interest rate, the Company determines an effective interest rate in accordance with Accounting Standards Codification ("ASC") 835-30-35 *Interest – Imputation of Interest*. The Company recognizes interest income from these notes in the period earned. The Company had notes receivable balances totaling approximately \$25,000 and \$37,000 at December 31, 2023 and 2022, respectfully.

Amounts charged to the allowance for credit losses are accounted for as a reduction in franchise fee revenue. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses.

##### Inventory:

Inventory consisting of gym supplies, personal equipment, and apparel is stated at lower of cost or net realizable value. Net realizable value represents the estimated selling price for inventory less all estimated costs to sell. The cost of inventory is based on the first-in, first-out (FIFO) basis, and includes expenditures incurred in acquiring the inventory and other costs incurred in bringing it to its existing location and condition. A provision or write off is made for any obsolete or damaged inventory identified by management. Damaged inventory is written down as identified. Obsolescence is assessed based on factors such as consumable inventory and comparison of the level of inventory holding to the projected likely future sales using factors existing at the reporting date. The reserve for slow-moving or obsolete inventory was approximately \$29,000 and \$48,000 as of December 31, 2023 and 2022, respectively.

##### Deferred franchise costs:

Deferred franchise costs consist of commissions and other direct costs relating to initial franchise fees, development agreements and license fees for which revenue has not been recognized. These costs are deferred until the related revenue is recognized.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, and leasehold improvements are amortized over the shorter of the estimated useful lives or the period of the respective leases. No depreciation is taken on construction in progress. The estimated useful lives of the assets are as follows:

	<u>Estimated Useful Life</u>
Buildings	30.25 years
Leasehold improvements	30.25 years
Furniture and fixtures	7 years
Vehicles, software and equipment	3-5 years

Upon disposition, the asset cost and related accumulated depreciation are removed from the books and the resulting gain or loss is included in other expenses in the accompanying consolidated statements of operations and comprehensive income. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

##### Intangible assets:

Intangible assets primarily consist of certain legal and related costs incurred in connection with trademark applications as well as costs to acquire the franchise development rights for Wisconsin from a franchisee. The Company capitalizes such costs to the extent that an economic benefit is anticipated from the resulting trademark and development rights, or an alternative future use is available to the Company. Amortization of trademark costs and development rights is provided for by the straight-line method over the estimated useful lives of the assets. The Company's assessment of future economic benefit of its intangible assets involves management judgment, and a different conclusion could result in an impairment charge up to the carrying value of these assets.

##### Impairment of long-lived assets:

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management believes there is no impairment with long-lived assets as of December 31, 2023 and 2022.

## 9Round Franchising, LLC

### *Notes to Consolidated Financial Statements*

*December 31, 2023 and 2022*

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#### **Note 1. Summary of Significant Accounting Policies and Activities, Continued**

##### Revenue recognition:

The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers.

The Company's revenue primarily consists of franchise revenue, master and area license fee revenue, product revenue, rebate revenue, and Company-owned gym revenue. The Company's products and services are sold primarily to customers in the United States, Canada and certain international markets. Our results of operations are substantially affected by economic conditions, which can vary significantly by market and can be impacted by consumer disposable income levels and spending habits.

*Franchise revenue:* Franchise revenue consists primarily of initial and renewal franchise fees, royalties, advertising revenue, and other fees.

Our franchise agreements include (a) the right to use our symbolic intellectual property over the term of each franchise agreement, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the advertising contributions, development of training materials and gym monitoring. These promises are highly dependent upon and interrelated with the franchise right granted in the franchise agreement, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation. Revenue from franchise agreements, which consists of royalties, advertising, and other fees, is recognized evenly over the term of the agreement with the exception of sales-based fees.

Sales-based royalty and sales-based advertising revenues are recognized in the period in which the sales occur. Sales-based royalties and sales-based advertising are variable consideration related to the Company's performance obligation to the franchisees to maintain the intellectual property being licensed.

Franchise fee revenue consists of initial and transfer franchise fees. Franchise fees are billed and received upon the signing of the franchise agreement. Recognition of these fees occur over time based on the term of the underlying franchise agreement. In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination.

*Master and area license revenue:* The Company sells master and area licenses that grant the sole rights to develop 9Round Centers and grant individual franchises within a specific geographical area. These agreements transfer franchise rights within a geographical area permitting the opening of a number of franchised outlets. Decisions regarding the number of outlets and their locations are primarily made by the master franchisee with approval of the Company. The Company believes the license and development rights are distinct from the franchise agreements.

Similar to the franchise agreements, the right to use our symbolic intellectual property over the term of the license agreement is accounted for as a single performance obligation recognized evenly over the term of the license agreement. In the event a license agreement is terminated, any remaining deferred fees are recognized in the period of termination.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Revenue recognition, continued:

*Product revenue:* Revenue from the sale of products is recognized upon transfer of control to the customer, which is typically upon shipment. The Company has elected to treat shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated equipment and not as a separate performance obligation. The Company collects and remits sales taxes on transactions with customers and reports such amounts under the net method in the consolidated statements of operations and comprehensive income. Accordingly, these taxes are not included in gross revenue.

*Rebate revenue:* Rebates are received based on purchases of goods or services by a franchisee to approved vendors required in the franchise agreements. Revenue is recognized at a point in time each month.

*Company-owned gym revenue:* Gym revenue consists of membership fees and merchandise sales. Membership revenue is a stand-ready performance obligation with a series of distinct time increments and therefore is a single performance obligation. Revenue from gym memberships is recognized evenly over the term of the membership agreement. The Company records revenue from sales of merchandise upon delivery of the good to the customer, which is when our performance obligation is satisfied.

Revenue from products and merchandise sales and rebates is recognized at a point in time, whereas franchise fee, master and area license fee, royalty, and fee revenue are recognized over time. Total revenue recognized at a point in time and over time was approximately as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Revenue recognized at a point in time	\$ 4,761,000	\$ 7,115,000
Revenue recognized over time	<u>8,732,000</u>	<u>9,683,000</u>
	<u>\$ 13,493,000</u>	<u>\$ 16,798,000</u>

With the exception of initial, renewal, and master area and license fees, all other revenue is either collected on the date of transaction or within one month. The Company believes its franchising, master and area licensing agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the Company and (b) the sales-based royalty is variable and based on factors outside the Company or the franchisee's control.

##### Leases:

In February 2016, the FASB issued ASC Topic 842, *Leases* (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. The update retains a distinction between finance leases (similar to capital leases under previous guidance) and operating leases, with classification affecting the pattern of expense recognition in the income statement.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Leases, continued:

The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminated the requirement to restate the prior-period financial statements. Under this transition provision, the Company applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continued to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, *Leases*.

The Company elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Company did not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Company did not elect to adopt the "hindsight" practical expedient, and therefore measured the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022. Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's leases of approximately \$1,341,000 and \$1,353,000, respectively, at January 1, 2022, and a cumulative-effect adjustment of approximately \$27,000 to the opening balance of retained earnings.

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

##### Income taxes:

The Company is taxed as a partnership for federal income tax purposes. Consequently, federal income taxes are not provided for or payable by the Company. The Company is subject to various state level taxes. The Company has elected to file composite filings for state income taxes in those states in which the Company meets the requirements for composite filing.

## 9Round Franchising, LLC

### *Notes to Consolidated Financial Statements*

*December 31, 2023 and 2022*

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#### **Note 1. Summary of Significant Accounting Policies and Activities, Continued**

##### *Income taxes, continued:*

The Company is considered a non-resident in foreign jurisdictions and is subject to corporate withholding taxes for payments of royalties and similar payments made by its foreign franchisees. The Company recognizes these withholding taxes in the provision for income taxes in the consolidated statements of operations and comprehensive income. The Company's net income or loss is allocated to the members who are taxed individually on their share of each Company's earnings.

The Company recognizes income tax related interest and penalties in interest expense and other operating expenses, respectively, in the consolidated statements of operations and comprehensive income.

9Round International, LLC, 9Round Attic Holdings, LLC, and 9Round Holding Company, LLC are single member LLCs and, as such, are treated as divisions of 9Round Franchising, LLC for federal income tax purposes. Because of their status, these entities are disregarded as separate entities for income tax purposes, therefore these entities do not file income tax returns separate and apart from their parent, 9Round Franchising, LLC.

9Rfranchising Canada, ULC is taxed as a corporation in Canada and accounts for income taxes in accordance with generally accepted accounting standards, which requires the use of the liability method of accounting for income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred income taxes are provided for the temporary differences in basis of the Company's assets and liabilities and their reported amounts. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are determined based on the enacted rates that are expected to be in effect when these differences are expected to reverse. Deferred tax expense or benefit is the result of the changes in the deferred tax assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets if it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The Company recognizes income tax related interest and penalties in interest expense and other operating expenses, respectively, in the consolidated statements of operations and comprehensive income.

##### *Advertising:*

All costs associated with advertising and marketing are expensed in the period incurred. Advertising and marketing costs totaled approximately \$1,533,000 and \$2,102,000 for the years ended December 31, 2023 and 2022, respectively.

##### *Personnel costs:*

Personnel costs include all salaries, wages, and contract labor paid to employees and contract laborers. Personnel costs also include charges for employee benefits, various payroll taxes and other payroll related fees.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Shipping and handling costs:

Amounts billed to a customer in a sales transaction related to shipping and handling are included in revenue in the accompanying consolidated statements of operations and comprehensive income. Costs incurred for shipping and handling are included in cost of product revenue in the accompanying consolidated statements of operations and comprehensive income.

##### Presentation of sales taxes:

The states and municipalities in which the Company operates impose sales tax on all of the Company's nonexempt revenue. The Company collects sales tax from its franchisees and remits the entire amount to the appropriate taxing authority. The Company's policy is to exclude the tax collected and remitted from revenue and cost of product revenue in the accompanying consolidated statements of operations and comprehensive income. The Company accrues sales tax liabilities as it records sales, maintaining the amount owed to the taxing authorities as a current liability.

##### Other comprehensive income:

Other comprehensive income consists of foreign currency translation adjustments.

##### Foreign currency:

Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations and cash flows are translated using the average exchange rates throughout the period. The effect of exchange rate fluctuations on translation of assets and liabilities is included as a component of members' equity in accumulated other comprehensive loss. Gains and losses from foreign currency transactions are included in other income and expense.

##### Use of estimates:

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

##### Fair value of assets and liabilities:

The carrying values of all of the Company's financial instruments approximate their fair values. The Company applies the guidance related to fair value for certain non-financial assets and liabilities. The non-financial assets and liabilities include items such as long-lived assets and intangibles.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Recently adopted accounting pronouncement:

Effective January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended. The update creates a new impairment standard for financial assets measured at amortized cost. Financial assets measured at amortized cost will be presented at the net amount to be expected to be collected through an allowance for credit losses that are expected to occur of the remaining life of the asset. The existing incurred loss model has been replaced with a current expected credit loss (CECL) model. The Company adopted the guidance in the update using the modified retrospective approach. Upon adoption, management determined that there was no material impact to the financial statements and accordingly no adjustment to retained earnings was recorded upon adoption.

Under Topic 326, the Company changed its policy for assessing credit losses to include consideration of a broader range of information to estimate credit losses over the life of its financial assets. As of December 31, 2023, the financial assets of the Company within the scope of the assessment comprised trade accounts receivable, notes receivable from franchisees, and contract assets resulting from revenue transactions (deferred franchise costs). Estimated credit losses on notes receivable from franchisees and contract assets were not material.

##### Reclassifications:

Certain reclassifications have been made to the prior year consolidated financial statements to conform to current year presentation. These reclassifications had no effect on the previously reported net income or members' equity.

##### Subsequent events:

The Company has evaluated events and transactions for potential recognition or disclosure through April 26, 2024, the date the consolidated financial statements were available for issuance.

#### Note 2. Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 1,628,035	\$ 1,384,468
Furniture and fixtures	247,774	216,402
Vehicles and equipment	214,183	216,169
Software	634,561	634,561
Construction in progress	<u>156,746</u>	<u>26,473</u>
	2,881,299	2,478,073
Less: accumulated depreciation	<u>(2,135,155)</u>	<u>(1,811,004)</u>
	746,144	667,069
Buildings under finance leases – net of accumulated amortization of \$371,106 and \$301,742 in 2023 and 2022, respectively	<u>1,709,820</u>	<u>1,779,184</u>
Property and equipment, net	<u>\$ 2,455,964</u>	<u>\$ 2,446,253</u>

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 2. Property and Equipment, Continued

Depreciation expense for the years ended December 31, 2023 and 2022 was approximately \$402,000 and \$451,000, respectively, which includes approximately \$69,000 of amortization expense related to finance leases for the years ended December 31, 2023 and 2022.

#### Note 3. Intangible Assets

Intangible assets consisted of the following as of December 31, 2023 and 2022:

	December 31, 2023		
	Cost	Accumulated Amortization	Net
Development rights	\$ 179,708	\$ 179,708	\$ -
Trademark	<u>94,115</u>	<u>65,881</u>	<u>28,234</u>
	<u>\$ 273,283</u>	<u>\$ 245,589</u>	<u>\$ 28,234</u>

  

	December 31, 2022		
	Cost	Accumulated Amortization	Net
Development rights	\$ 179,708	\$ 179,708	\$ -
Trademark	<u>94,115</u>	<u>56,469</u>	<u>37,646</u>
	<u>\$ 273,823</u>	<u>\$ 236,177</u>	<u>\$ 37,646</u>

Amortization expense was approximately \$9,000 for each of the years ended December 31, 2023 and 2022. The estimated amortization of intangible assets for the years subsequent to December 31, 2023, is as follows:

2024	\$ 9,412
2025	9,412
2026	<u>9,411</u>
	<u>\$ 28,235</u>

#### Note 4. Contract Balances

Contract balances related to contracts with customers consist of receivables, deferred franchise costs, and deferred revenue. See Note 1 for details on accounts receivable. The opening balance of trade accounts receivable, net at January 1, 2022 was approximately \$960,000.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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#### Note 4. Contract Balances, Continued

Deferred franchise costs (contract asset) consist of commissions and other direct costs relating to initial franchise fees, developmental agreements, and license fees for which revenue has not been recognized. Deferred franchise revenue (contract liability) represents that portion of the total revenue from initial franchise, license, and development agreements attributable to services required to be provided by the Company that have not yet been performed.

The opening balance of deferred franchise costs and deferred franchise revenue as of January 1, 2022 was approximately \$2,884,000 and \$8,455,000, respectively.

#### Note 5. Leases

The Company leases its warehouse facilities, studio, Company-owned gyms and office equipment under operating lease agreements that mature between September 2023 and December 2030. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term up to 10 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The Company also leases its office facilities in Simpsonville, South Carolina under finance leases, which including renewals, expire between March 2048 and July 2049. The interest rate implicit on these leases is 3.95%. The Company's finance leases generally do not contain any material restrictive covenants or residual value guarantees. The right-of-use assets associated with the Company's finance leases are included as a component of property and equipment, net on the accompany consolidated balance sheets.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 349,530	\$ 342,363
Finance lease cost – amortization of ROU assets	69,365	69,365
Finance lease cost – interest on lease liabilities	78,973	80,026
Variable lease cost	44,458	73,743
	<u>\$ 542,326</u>	<u>\$ 565,497</u>

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 5. Leases, Continued

Supplemental cash flow information related to leases is as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows – payments on operating leases	\$ 347,331	\$ 335,436
Financing cash outflows – payments on finance leases	\$ 100,626	\$ 99,227
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ -	\$ 128,697

The weighted-average remaining lease term and weighted-average discount rate at December 31, 2023 and 2022 are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
<i>December 31, 2023:</i>		
Weighted-average remaining lease term	4.0 years	24.6 years
Weighted-average discount rate	5.33%	3.95%
<i>December 31, 2022:</i>		
Weighted-average remaining lease term	4.6 years	25.7 years
Weighted-average discount rate	5.31%	3.95%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2023:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 291,482	\$ 103,234
2025	264,296	105,299
2026	218,280	107,405
2027	193,703	109,553
2028	19,413	111,744
Thereafter	39,998	2,709,934
Total lease payments	1,027,172	3,247,169
Less imputed interest	(103,824)	(1,253,846)
Total present value of lease liabilities	<u>\$ 923,348</u>	<u>\$ 1,993,323</u>

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 6. Income Taxes

The Company is taxed as a partnership under the provisions of Subchapter K of the Internal Revenue Code. Consequently, federal income taxes are not provided for or payable by the Company. 9Round Franchising, LLC files income tax returns in the U.S. federal jurisdiction, and the various states in which it operates. 9Round Franchising, LLC is subject to routine audits by taxing jurisdictions. 9Round Franchising, LLC believes it is no longer subject to income tax examinations for the years prior to 2020.

The Company is considered a non-resident in foreign jurisdictions and is subject to corporate withholding taxes for payments of royalties and similar payments made by its foreign franchisees.

In accordance with FASB ASC 740-10, *Income Taxes*, 9Round Franchising, LLC is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

9Round Franchising, LLC has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. 9Round Franchising, LLC believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations or cash flows. Accordingly, 9Round Franchising, LLC has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023 and 2022.

9RFranchising Canada, ULC is taxed as a general corporation under the Canadian federal tax regulations, and for the years ending December 31, 2023 and 2022, 9RFranchising Canada, ULC was subject to provincial taxes. 9RFranchising Canada, ULC is solely owned by 9Round Attic Holdings, LLC, and as such, is treated as a disregarded entity for U.S. federal income tax purposes. The activity of 9RFranchising Canada, ULC is reported on the U.S. partnership income tax returns.

9RFranchising Canada, ULC files income tax returns in the Canadian federal jurisdiction. 9RFranchising Canada, ULC is subject to routine audits by taxing jurisdictions. 9RFranchising Canada, ULC is no longer subject to income tax examinations for the years prior to 2019.

The income tax expense consisted of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Current:		
Foreign	\$ 6,493	\$ 8,178
Deferred:		
Foreign	<u>35,562</u>	<u>28,737</u>
Income tax expense	<u>\$ 42,055</u>	<u>\$ 36,915</u>

Deferred income taxes are provided for temporary differences between the basis of assets and liabilities for financial reporting purposes and income tax purposes.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 6. Income Taxes, Continued

The components of the net deferred tax asset as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Deferred tax asset:		
Deferred revenue	\$ 98,720	\$ 156,292
Deferred tax liability:		
Deferred franchise costs	<u>(79,272)</u>	<u>(101,282)</u>
Net deferred tax asset	<u>\$ 19,448</u>	<u>\$ 55,010</u>

In accordance with FASB ASC 740-10, *Income Taxes*, 9RFranchising Canada, ULC is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

9RFranchising Canada, ULC has analyzed tax positions taken for filing with the Canadian Revenue Agency. During 2022, the Canadian Revenue Agency assessed 9RFranchising Canada, ULC for failure to withhold under Part XIII of the Income Tax Act for the years 2015-2021. In connection with this assessment, the 9RFranchising Canada, ULC has recorded an accrual of \$198,981 and \$188,213 as of December 31, 2023 and 2022, respectively, which is included in accrued expenses on the accompanying consolidated balance sheets. An expense of \$188,213 was recorded in other operating expenses on the accompanying consolidated statement of operations and comprehensive income for the year ended December 31, 2023. The change in the accrued balance during the year ended December 31, 2023 is the result of changes in the currency exchange rate. 9RFranchising Canada, ULC has filed an objection with the Canadian Revenue Agency. The liability is subject to change and it is possible that the amount will differ from the amounts recorded. Any resulting adjustment will be recorded in the period incurred.

#### Note 7. Related Party Transactions

The majority members of the Company own an interest in H&S Empire, LLC ("H&S"). The Company leases its main office facilities from H&S under finance lease agreements (Note 5). During the years ended December 31, 2023 and 2022, the Company made cash payments totaling approximately \$101,000 and \$99,000, respectively, to H&S under these finance lease agreements. The Company also leases three studio locations from H&S under operating leases. During the years ended December 31, 2023 and 2022, the Company made cash payments totaling approximately \$51,000 and \$50,000, respectively, to H&S under these operating lease agreements.

At December 31, 2023 and 2022, the Company had receivables of approximately \$21,000 and \$21,000, respectively, from related parties with common ownership. These amounts have been recorded in current assets in the accompanying consolidated balance sheets as payment is expected within one year from the consolidated balance sheet date.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 8. Summary of Franchises

The following is a summary of changes in the number of U.S. franchises during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Outlets in operation at beginning of year	371	445
Outlets opened during the year	4	7
Outlets terminated or closed during the year	<u>(96)</u>	<u>(81)</u>
Outlets in operation at end of year	<u>279</u>	<u>371</u>
Franchised outlets	275	365
Affiliate and company owned outlets	4	6

#### Note 9. Paycheck Protection Program

In February 2021, the Company executed a term note with a financial institution in the principal amount of approximately \$576,000 pursuant to a second draw Paycheck Protection Program (“PPP”) loan which provided additional support under the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the “Economic Aid Act”). The term of the PPP loan was for five years with an interest rate of 1.0% per annum, which payments could be deferred up to the first sixteen months of the term of the loan. After the initial deferral period, the loan required monthly payments of principal and interest until maturity with respect to any portion of the PPP loan which was not forgiven. A PPP loan recipient may apply for, and be granted, forgiveness for all or a portion of the loan granted under the program. Such forgiveness was determined based upon the use of loan proceeds for payroll costs, rent and utility costs, and the maintenance of employee and compensation levels. In May 2022, the Small Business Administration approved the Company’s application for forgiveness and remitted payment to the lender for the full amount. Accordingly, the Company recognized a gain on forgiveness of debt at the time totaling \$576,070. This gain is included as a component of other income (expense) on the accompanying statements of operations and comprehensive income.

#### Note 10. Employee Retention Credit

The Employee Retention Credit (“ERC”) program was created under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and was significantly modified, expanded and extended into the first two quarters of calendar year 2021 by the Consolidated Appropriations Act, 2021 (the “Act”). The goal of the ERC program was to encourage employers to retain and continue paying employees during periods of pandemic-related reductions in business volume even if those employees were not actually working, and therefore, were not providing a service to the employer. Under the Act, eligible employers could take credits up to 70% of qualified wages with a limit of \$10,000 per employee per quarter for the first two quarters of calendar year 2021. In order to qualify for the ERC, organizations had to experience at least a 20% drop in gross receipts in the quarter compared to the same quarter in calendar year 2019. The American Rescue Plan Act of 2021 extended the ERC to the third quarter of calendar year 2021.

## **9Round Franchising, LLC**

### ***Notes to Consolidated Financial Statements***

***December 31, 2023 and 2022***

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#### **Note 10. Employee Retention Credit, Continued**

During 2022, the Company claimed an ERC of approximately \$1,126,000 with the Internal Revenue Service. Approximately \$881,000 pertained to 2021 qualified wages and approximately \$245,000 pertained to 2020 qualified wages. Management believes that the claim is in alignment with applicable regulatory criteria, the amounts are known and realizable, and receipt of the refundable ERC is probable. As such, the Company recognized this amount within other income (expense) in the accompanying consolidated statements of operations and comprehensive income for the year ended December 31, 2022. The total amount of ERC claimed by the company in 2022 was included as a receivable on the consolidating balance sheet as of December 31, 2022. The Company received the entire amount of the recorded receivable during the year ended December 31, 2023.

#### **Note 11. Commitments and Contingencies**

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including losses on inventory and impairment losses related to other long-lived assets.

#### **Note 12. Subsequent Events**

Effective February 28, 2024, the Company acquired certain assets from ILKB Too LLC through its subsidiary 9Round Holding Company, LLC. The acquisition took place pursuant to an asset purchase agreement for a purchase price of approximately \$1,400,000, consisting of \$800,000 paid in cash and \$600,000 in payments contingent upon the renewal of certain expired franchise agreements acquired in the transaction.

# **9Round Franchising, LLC**

## ***Report on Consolidated Financial Statements***

***For the years ended December 31, 2022 and 2021***

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# 9Round Franchising, LLC

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## Independent Auditor's Report

To the Members  
9Round Franchising, LLC  
Simpsonville, South Carolina

### Opinion

We have audited the consolidated financial statements of 9Round Franchising, LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Adoption of Lease Accounting Standard

As discussed in Note 1 to the financial statements, the Company adopted the provisions of Accounting Standards Update 2016-2, *Leases (Topic 842)* during the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

### 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Elliott Davis, LLC*

Greenville, South Carolina  
April 17, 2023

**9Round Franchising, LLC****Consolidated Balance Sheets****As of December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,659,496	\$ 5,404,277
Trade accounts receivable, net	812,150	960,490
Employee Retention Credit receivable (Note 11)	1,126,204	-
Inventory, net	1,797,655	2,060,195
Prepaid expenses	399,394	432,996
Current portion of deferred franchise costs	447,853	556,194
Due from related parties	20,843	10,462
Current portion of notes receivables	13,939	3,592
Total current assets	<u>9,277,534</u>	<u>9,428,206</u>
<b>Noncurrent assets</b>		
Property and equipment, net	2,446,253	3,419,743
Operating lease right-of-use assets	1,194,662	-
Intangibles, net	37,646	47,058
Deferred franchise costs, net of current portion	1,657,923	2,327,686
Deferred tax asset	55,010	83,747
Other assets	27,489	11,796
Total noncurrent assets	<u>5,418,983</u>	<u>5,890,030</u>
Total assets	<u>\$ 14,696,517</u>	<u>\$ 15,318,236</u>
<b>Liabilities and Members' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 364,109	\$ 378,706
Accrued expenses	505,473	839,035
Income taxes payable	5,637	8,822
Current portion of deferred franchise revenue	1,270,772	1,536,623
Current portion of finance lease liabilities	21,993	47,651
Current portion of operating lease liabilities	289,989	
Other current liabilities	171,775	191,168
Total current liabilities	<u>2,629,748</u>	<u>3,002,005</u>
<b>Long-term liabilities</b>		
Finance lease liabilities, net of current portion	1,993,323	2,525,961
Operating lease liabilities, net of current portion	923,347	-
Deferred franchise revenue, net of current portion	5,403,077	6,918,020
Paycheck Protection Program loan	-	576,070
Total long-term liabilities	<u>8,319,747</u>	<u>10,020,051</u>
Total liabilities	<u>10,949,495</u>	<u>13,022,056</u>
<b>Members' equity</b>	<u>3,747,022</u>	<u>2,296,180</u>
Total liabilities and members' equity	<u>\$ 14,696,517</u>	<u>\$ 15,318,236</u>

**See Notes to Consolidated Financial Statements**

## 9Round Franchising, LLC

### Consolidated Statements of Operations and Comprehensive Income For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Franchise fee revenue	\$ 2,353,912	\$ 3,182,348
Master and area license fee revenue	407,199	491,274
Royalty revenue	2,945,041	2,837,892
Fee revenue	3,287,833	3,006,400
Product revenue	4,811,196	5,338,672
Rebate revenue	1,884,968	1,743,688
Other revenue	1,107,930	1,022,356
Total revenues	<u>16,798,079</u>	<u>17,622,630</u>
<b>Cost of product revenue</b>	<u>2,988,820</u>	<u>3,397,958</u>
<b>Operating expenses</b>		
Advertising and marketing	2,102,498	937,847
Depreciation and amortization	460,099	535,490
Commissions	894,179	1,345,090
Professional fees	647,387	599,928
Personnel costs	4,240,905	4,277,383
Other operating expenses	3,832,068	3,683,063
Total operating expenses	<u>12,177,136</u>	<u>11,378,801</u>
Income from operations	<u>1,632,123</u>	<u>2,845,871</u>
<b>Other income (expense)</b>		
Interest expense	(81,292)	(72,322)
Interest income	6,545	2,713
Unrealized foreign currency loss	(7,510)	(15,969)
Loss on disposal of property, plant and equipment	(27,648)	(4,785)
Gain on forgiveness of Paycheck Protection Program loan	576,070	-
Employee Retention Credit income (Note 11)	1,126,204	-
Other income, net	34,248	20,194
Total other (expense) income, net	<u>1,626,617</u>	<u>(70,169)</u>
Income before income taxes	<u>3,258,740</u>	<u>2,775,702</u>
<b>Income tax expense</b>	<u>36,915</u>	<u>29,465</u>
Net income	<u>3,221,825</u>	<u>2,746,237</u>
<b>Other comprehensive income (loss)</b>		
Changes in cumulative translation adjustments	7,111	(1,138)
Total comprehensive income	<u>\$ 3,228,936</u>	<u>\$ 2,745,099</u>

See Notes to Consolidated Financial Statements

## 9Round Franchising, LLC

### Consolidated Statements of Changes in Members' Equity

For the years ended December 31, 2022 and 2021

	Accumulated Other Comprehensive Loss	Accumulated Earnings	Total Members' Equity
<b>Balance, January 1, 2021</b>	\$ (21,127)	\$ 2,644,815	\$ 2,623,688
Distributions to members	-	(3,072,607)	(3,072,607)
Net income	-	2,746,237	2,746,237
Other comprehensive loss	(1,138)	-	(1,138)
<b>Balance, December 31, 2021</b>	<u>(22,265)</u>	<u>2,318,445</u>	<u>2,296,180</u>
Cumulative adjustment for implementation of ASC 842	-	(26,998)	(26,998)
Distributions to members	-	(1,751,096)	(1,751,096)
Net income	-	3,221,825	3,221,825
Other comprehensive income	7,111	-	7,111
<b>Balance, December 31, 2022</b>	<u>\$ (15,154)</u>	<u>\$ 3,762,176</u>	<u>\$ 3,747,022</u>

See Notes to Consolidated Financial Statements

**9Round Franchising, LLC****Consolidated Statements of Cash Flows****For the years ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Net income	\$ 3,221,825	\$ 2,746,237
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	460,099	535,490
Decrease in discount on notes receivable	(23)	(293)
Gain on forgiveness of Paycheck Protection Program loan	(576,070)	-
Employee Retention Credit income	(1,126,204)	-
Loss on disposal of property and equipment	27,489	4,785
Bad debt expense	52,522	81,708
Deferred taxes	25,139	20,934
Interest expense on finance lease liabilities	80,026	72,299
Changes in operating assets and liabilities:		
Trade accounts receivable	94,299	(333,392)
Inventory	262,540	(592,926)
Prepaid expenses	33,302	11,374
Deferred franchise costs	805,817	1,102,427
Due from related parties	(10,381)	379
Operating lease ROU assets and lease liabilities, net	6,927	-
Other current assets	6,333	-
Accounts payable	(13,926)	101,468
Accrued expenses	(319,928)	479,199
Income taxes payable	(3,696)	(7,907)
Other current liabilities	(19,393)	18,676
Deferred franchise revenue	(1,788,242)	(2,708,911)
Net cash provided by operating activities	<u>1,218,455</u>	<u>1,531,547</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(65,782)	(256,747)
Issuance of notes receivable	(37,500)	-
Payments for assets acquired	-	(25,000)
Collections on notes receivable	2,817	10,541
Net cash used for investing activities	<u>(100,465)</u>	<u>(271,206)</u>
<b>Cash flows from financing activities</b>		
Principal payments on finance leases	(99,227)	(117,637)
Proceeds from Paycheck Protection Program loan	-	576,070
Distributions to members	(1,751,096)	(3,072,607)
Net cash used for financing activities	<u>(1,850,323)</u>	<u>(2,614,174)</u>
Net increase (decrease) in cash and cash equivalents	(732,333)	(1,353,833)
Exchange rate effect on cash and cash equivalents	(12,448)	(196)
<b>Cash and cash equivalents, beginning of year</b>	<u>5,404,277</u>	<u>6,758,306</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,659,496</u>	<u>\$ 5,404,277</u>
<b>Supplemental disclosure</b>		
Cash paid for interest	<u>\$ 225,171</u>	<u>\$ 72,322</u>
Cash paid for income taxes	<u>\$ 9,099</u>	<u>\$ 16,625</u>

**See Notes to Consolidated Financial Statements**

## 9Round Franchising, LLC

### *Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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#### **Note 1. Summary of Significant Accounting Policies and Activities**

##### Description of business:

9Round Franchising, LLC and its subsidiaries (collectively the “Company”) were formed for the purpose of granting franchises for the establishment and operation of a center (“Center”) offering a service-oriented boxing and kickboxing fitness program combining strength, cardiovascular exercises and circuit training for the entire body to achieve results. A 9Round Center offers boxing and kickboxing fitness programs that provide professional assistance to clients for a total body workout using our proprietary system of challenging workout stations. A 9Round Center franchise will offer clients a variety of comprehensive services that include but are not limited to teaching various boxing and kickboxing disciplines in addition to selling retail and fitness products utilizing the Company’s proprietary business format and system.

On December 15, 2008, 9Round Franchising, LLC was formed under the laws of the State of South Carolina.

During 2008, the Company began offering franchises pursuant to federal and state laws that regulate the sale of franchises including the Federal Trade Commission’s Franchise Rule. The Company’s accounting for franchising operations is in accordance with franchisor accounting, generally accepted in the United States of America.

The franchise agreements typically require the franchisee to pay an initial, nonrefundable fee, as well as continuing royalties to the Company generally based upon a fixed fee stated in the contract. In most cases, under these arrangements, franchisees are granted the right to use and operate the location for a period of ten years with an additional ten-year renewal option contingent on payment of a renewal fee.

On November 27, 2013, the Company incorporated 9Round Franchising of Canada, Inc. under the British Columbia Corporations Act. On November 8, 2018 the Company incorporated 9Rfranchising Canada, ULC under the British Columbia Corporations Act. On January 1, 2019, 9Round Franchising of Canada, Inc. was amalgamated as one company under the name 9Rfranchising Canada, ULC. On July 31, 2018, 9Round Attic Holdings, LLC was formed under the laws of the State of South Carolina and is the U.S. parent of 9Rfranchising Canada, ULC. 9Round Attic Holdings, LLC and 9Rfranchising Canada, ULC are wholly owned subsidiaries of 9Round Franchising, LLC.

On December 16, 2014, the Company formed 9Round International, LLC under the laws of the State of South Carolina. 9Round International, LLC is a wholly owned subsidiary of 9Round Franchising, LLC.

##### Principles of consolidation:

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of 9Round Franchising, LLC and its wholly owned subsidiaries, 9Rfranchising Canada, ULC and 9Round International, LLC. All significant intra-entity balances and transactions have been eliminated.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Cash and cash equivalents:

The Company places its cash with high quality financial institutions. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. The Company has not experienced losses in such investments and does not believe it is exposed to any significant risk on its cash and cash equivalents.

##### Trade accounts receivable:

Trade accounts receivable consist primarily of franchise fees, royalties, and other fees due from franchisees, less an allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. No interest is charged on outstanding receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. The allowance for uncollectible accounts was approximately \$84,000 and \$35,000 as of December 31, 2022 and 2021, respectively.

##### Inventory:

Inventory consisting of gym supplies, personal equipment, and apparel is stated at lower of cost or net realizable value. Net realizable value represents the estimated selling price for inventory less all estimated costs to sell. The cost of inventory is based on the first-in, first-out (FIFO) basis, and includes expenditures incurred in acquiring the inventory and other costs incurred in bringing it to its existing location and condition. A provision or write off is made for any obsolete or damaged inventory identified by management. Damaged inventory is written down as identified. Obsolescence is assessed based on factors such as consumable inventory and comparison of the level of inventory holding to the projected likely future sales using factors existing at the reporting date. The reserve for slow-moving or obsolete inventory was approximately \$48,000 and \$40,000 as of December 31, 2022 and 2021, respectively.

##### Deferred franchise costs:

Deferred franchise costs consist of commissions and other direct costs relating to initial franchise fees, development agreements and license fees for which revenue has not been recognized. These costs are deferred until the related revenue is recognized.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, and leasehold improvements are amortized over the shorter of the estimated useful lives or the period of the respective leases. No depreciation is taken on construction in progress. The estimated useful lives of the assets are as follows:

	<u>Estimated Useful Life</u>
Buildings	30.25 Years
Leasehold improvements	30.25 Years
Furniture and fixtures	7 Years
Vehicles, software and equipment	3-5 Years

Upon disposition, the asset cost and related accumulated depreciation are removed from the books and the resulting gain or loss is included in other expenses in the accompanying consolidated statements of operations and comprehensive income. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

##### Notes receivable:

Notes receivable consist of amounts due from new franchisees when a portion of the franchise sale has been financed by the Company, less an allowance for uncollectible notes for estimated losses resulting from franchisees' failure to make note payments in accordance with the terms of their respective loan agreements. Management determines the allowance for uncollectible notes by identifying troubled accounts and by using historical experience applied to an aging of accounts. Amounts charged to the allowance for uncollectible notes are accounted for as a reduction in franchise fee revenue. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible notes. As of December 31, 2022 and 2021, no allowance for uncollectible notes was recorded. Certain notes receivable from franchisees do not have a stated interest rate, the Company determines an effective interest rate in accordance with Accounting Standards Codification ("ASC") 835-30-35 *Interest on Receivables and Payables*. The Company recognizes interest income from these notes in the period earned. The Company had notes receivable balances totaling approximately \$37,00 and \$4,000 at December 31, 2022 and 2021, respectfully.

##### Intangible assets:

Intangible assets primarily consist of certain legal and related costs incurred in connection with trademark applications as well as costs to acquire the franchise development rights for Wisconsin from a franchisee. The Company capitalizes such costs to the extent that an economic benefit is anticipated from the resulting trademark and development rights, or an alternative future use is available to the Company. Amortization of trademark costs and development rights is provided for by the straight-line method over the estimated useful lives of the assets. The Company's assessment of future economic benefit of its intangible assets involves management judgment, and a different conclusion could result in an impairment charge up to the carrying value of these assets.

## 9Round Franchising, LLC

### *Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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#### **Note 1. Summary of Significant Accounting Policies and Activities, Continued**

##### Impairment of long-lived assets:

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management believes there is no impairment with long-lived assets as of December 31, 2022 and 2021.

##### Revenue recognition:

The Company recognizes revenue in accordance with Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers.

The Company's revenue primarily consists of franchise revenue, master and area license fee revenue, product revenue, rebate revenue, and Company-owned gym revenue. The Company's products and services are sold primarily to customers in the United States, Canada and certain international markets. Our results of operations are substantially affected by economic conditions, which can vary significantly by market and can be impacted by consumer disposable income levels and spending habits.

*Franchise revenue:* Franchise revenue consists primarily of initial and renewal franchise fees, royalties, advertising revenue, and other fees.

Our franchise agreements include (a) the right to use our symbolic intellectual property over the term of each franchise agreement, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the advertising contributions, development of training materials and gym monitoring. These promises are highly dependent upon and interrelated with the franchise right granted in the franchise agreement, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation. Revenue from franchise agreements, which consists of royalties, advertising, and other fees, is recognized evenly over the term of the agreement with the exception of sales-based fees.

Sales-based royalty and sales-based advertising revenues are recognized in the period in which the sales occur. Sales-based royalties and sales-based advertising are variable consideration related to the Company's performance obligation to the franchisees to maintain the intellectual property being licensed.

Franchise fee revenue consists of initial and transfer franchise fees. Franchise fees are billed and received upon the signing of the franchise agreement. Recognition of these fees occur over time based on the term of the underlying franchise agreement. In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Revenue recognition, continued:

*Master and area license revenue:* The Company sells master and area licenses that grant the sole rights to develop 9Round Centers and grant individual franchises within a specific geographical area. These agreements transfer franchise rights within a geographical area permitting the opening of a number of franchised outlets. Decisions regarding the number of outlets and their locations are primarily made by the master franchisee with approval of the Company. The Company believes the license and development rights are distinct from the franchise agreements.

Similar to the franchise agreements, the right to use our symbolic intellectual property over the term of the license agreement is accounted for as a single performance obligation recognized evenly over the term of the license agreement. In the event a license agreement is terminated, any remaining deferred fees are recognized in the period of termination.

*Product revenue:* Revenue from the sale of products is recognized upon transfer of control to the customer, which is typically upon shipment. The Company has elected to treat shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated equipment and not as a separate performance obligation. The Company collects and remits sales taxes on transactions with customers and reports such amounts under the net method in the consolidated statements of operations and comprehensive income. Accordingly, these taxes are not included in gross revenue.

*Rebate revenue:* Rebates are received based on purchases of goods or services by a franchisee to approved vendors required in the franchise agreements. Revenue is recognized at a point in time each month.

*Company-owned gym revenue:* Gym revenue consists of membership fees and merchandise sales. Membership revenue is a stand-ready performance obligation with a series of distinct time increments and therefore is a single performance obligation. Revenue from gym memberships is recognized evenly over the term of the membership agreement. The Company records revenue from sales of merchandise upon delivery of the good to the customer, which is when our performance obligation is satisfied.

Revenue from products and merchandise sales and rebates is recognized at a point in time, whereas franchise fee, master and area license fee, royalty, and fee revenue are recognized over time. Total revenue recognized at a point in time and over time was as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Revenue recognized at a point in time	\$ 7,115,369	\$ 7,758,785
Revenue recognized over time	<u>9,682,710</u>	<u>9,863,845</u>
	<u>\$ 16,798,079</u>	<u>\$ 17,622,630</u>

With the exception of initial, renewal, and master area and license fees, all other revenue is either collected on the date of transaction or within one month. The Company believes its franchising, master and area licensing agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the Company and (b) the sales-based royalty is variable and based on factors outside the Company or the franchisee's control.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Leases:

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, Leases.

The Company elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Company does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's leases of approximately \$1,341,000 and \$1,353,000, respectively, at January 1, 2022, and a cumulative-effect adjustment of approximately \$27,000 to the opening balance of retained earnings.

## 9Round Franchising, LLC

### *Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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#### **Note 1. Summary of Significant Accounting Policies and Activities, Continued**

##### Income taxes:

The Company is taxed as a partnership for federal income tax purposes. Consequently, federal income taxes are not provided for or payable by the Company. The Company is subject to various state level taxes. The Company has elected to file composite filings for state income taxes in those states in which the Company meets the requirements for composite filing. The Company is considered a non-resident in foreign jurisdictions and is subject to corporate withholding taxes for payments of royalties and similar payments made by its foreign franchisees. The Company recognizes these withholding taxes in the provision for income taxes in the consolidated statements of operations and comprehensive income. The Company's net income or loss is allocated to the members who are taxed individually on their share of each Company's earnings.

The Company recognizes income tax related interest and penalties in interest expense and other operating expenses, respectively, in the consolidated statements of operations and comprehensive income.

9Round International, LLC is a single member LLC and, as such, is treated as a division of 9Round Franchising, LLC for federal income tax purposes.

Because of its status, the Company is disregarded as a separate entity for income tax purposes, therefore the Company itself does not file an income tax return separate and apart from its parent, 9Round Franchising, LLC.

9Rfranchising Canada, ULC is taxed as a corporation in Canada and accounts for income taxes in accordance with generally accepted accounting standards, which requires the use of the liability method of accounting for income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred income taxes are provided for the temporary differences in basis of the Company's assets and liabilities and their reported amounts. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are determined based on the enacted rates that are expected to be in effect when these differences are expected to reverse. Deferred tax expense or benefit is the result of the changes in the deferred tax assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets if it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The Company recognizes income tax related interest and penalties in interest expense and other operating expenses, respectively, in the consolidated statements of operations and comprehensive income.

##### Advertising:

All costs associated with advertising and marketing are expensed in the period incurred. Advertising and marketing costs were approximately \$2,102,000 and \$938,000 for the years ended December 31, 2022 and 2021, respectively.

##### Personnel costs:

Personnel costs include all salaries, wages, and contract labor paid to employees and contract laborers. Personnel costs also include charges for employee benefits, various payroll taxes and other payroll related fees.

## 9Round Franchising, LLC

### *Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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#### **Note 1. Summary of Significant Accounting Policies and Activities, Continued**

##### Shipping and handling costs:

Amounts billed to a customer in a sales transaction related to shipping and handling are included in revenue in the accompanying consolidated statements of operations and comprehensive income. Costs incurred for shipping and handling are included in cost of product revenue in the accompanying consolidated statements of operations and comprehensive income.

##### Presentation of sales taxes:

The states and municipalities in which the Company operates impose sales tax on all of the Company's nonexempt revenue. The Company collects sales tax from its franchisees and remits the entire amount to the appropriate taxing authority. The Company's policy is to exclude the tax collected and remitted from revenue and cost of product revenue in the accompanying consolidated statements of operations and comprehensive income. The Company accrues sales tax liabilities as it records sales, maintaining the amount owed to the taxing authorities as a current liability.

##### Other comprehensive income:

Other comprehensive income consists of foreign currency translation adjustments.

##### Foreign currency:

Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations and cash flows are translated using the average exchange rates throughout the period. The effect of exchange rate fluctuations on translation of assets and liabilities is included as a component of members' equity in accumulated other comprehensive loss. Gains and losses from foreign currency transactions are included in other income and expense.

##### Employee Retention Credit:

The Company has incurred certain employment taxes during 2020 and 2021 and is yet to receive the refundable Employee Retention Credit. The Company has accounted for the credit as a loss recovery under ASC 410, *Asset Retirement and Environmental Obligations* (by analogy), which indicates that a claim for recovery should be recognized only when the claim is probable as it is defined in ASC Topic 450, *Contingencies*. The Company has elected to account for the credit on a gross basis within the consolidated statements of operations and comprehensive income.

##### Use of estimates:

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 1. Summary of Significant Accounting Policies and Activities, Continued

##### Fair value of assets and liabilities:

The carrying values of all of the Company's financial instruments approximate their fair values. The Company applies the guidance related to fair value for certain non-financial assets and liabilities. The non-financial assets and liabilities include items such as long-lived assets and intangibles.

##### Subsequent events:

The Company has evaluated events and transactions for potential recognition or disclosure through April 17, 2023, the date the consolidated financial statements were available for issuance.

##### Reclassifications:

Certain reclassifications have been made to the prior year consolidated financial statements to conform to current year presentation. These reclassifications had no effect on the previously reported net income or members' equity.

#### Note 2. Property and Equipment

Property and equipment consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 1,384,468	\$ 1,388,238
Furniture and fixtures	216,402	254,744
Vehicles and equipment	216,169	295,563
Software	634,561	579,561
Construction in progress	<u>26,473</u>	<u>54,683</u>
	2,478,073	2,572,789
Less: accumulated depreciation	<u>(1,811,004)</u>	<u>(1,562,691)</u>
	667,069	1,010,098
Buildings under finance leases – net of accumulated amortization of \$301,742 and \$327,865 in 2022 and 2021, respectively	<u>1,779,184</u>	<u>2,409,645</u>
Property and equipment, net	<u>\$ 2,446,253</u>	<u>\$ 3,419,743</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was approximately \$451,000 and \$503,000, respectively, which includes approximately \$69,000 and \$91,000 of amortization expense related to finance leases for the years ended December 31, 2022 and 2021, respectively.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 3. Intangible Assets

Intangible assets consisted of the following as of December 31, 2022 and 2021:

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Development rights	\$ 179,708	\$ 179,708	\$ -
Trademark	94,115	56,469	37,646
	<u>\$ 273,823</u>	<u>\$ 236,177</u>	<u>\$ 37,646</u>

  

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Development rights	\$ 179,708	\$ 179,708	\$ -
Trademark	94,115	47,057	47,058
	<u>\$ 273,823</u>	<u>\$ 226,765</u>	<u>\$ 47,058</u>

Amortization expense for the years ended December 31, 2022 and 2021 was approximately \$9,000 and \$32,000, respectively. The estimated amortization of intangible assets for the years subsequent to December 31, 2022, is as follows:

2023	\$ 9,412
2024	9,412
2025	9,412
2026	9,410
	<u>\$ 37,646</u>

#### Note 4. Contract Balances

Contract balances related to contracts with customers consist of receivables, deferred franchise costs, and deferred revenue. See Note 1 for details on accounts receivable.

Deferred franchise costs (contract asset) consist of commissions and other direct costs relating to initial franchise fees, developmental agreements, and license fees for which revenue has not been recognized. Deferred franchise revenue (contract liability) represents that portion of the total revenue from initial franchise, license, and development agreements attributable to services required to be provided by the Company that have not yet been performed.

The opening balance of deferred franchise costs and deferred franchise revenue as of January 1, 2021 was approximately \$3,911,000 and \$11,087,000, respectively.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 5. Leases

The Company leases its warehouse facilities, studio, Company-owned gyms and office equipment under operating lease agreements that mature between September 2023 and December 2030. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term up to 10 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The Company also leases its office facilities in Simpsonville, South Carolina under finance leases, which including renewals, expire between March 2048 and July 2049. The interest rate implicit on these leases is 3.95%. The Company's finance leases generally do not contain any material restrictive covenants or residual value guarantees. The right-of-use assets associated with the Company's finance leases are included as a component of property and equipment, net on the accompany consolidated balance sheets.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	\$ 342,363
Finance lease cost – amortization of ROU assets	69,365
Finance lease cost – interest on lease liabilities	80,026
Short-term/variable lease cost	<u>73,743</u>
	<u>\$ 565,497</u>

Total rent expense for operating leases was approximately \$312,000 for the year ended December 31, 2021.

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows – payments on operating leases	\$ 335,436
Financing cash outflows – payments on finance leases	\$ 99,227
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	\$ 128,697

The weighted-average remaining lease term and weighted-average discount rate at December 31, 2022 are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Weighted-average remaining lease term	4.6 years	25.7 years
Weighted-average discount rate	5.31%	3.95%

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 5. Leases, Continued

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2022:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2023	\$ 347,331	\$ 101,210
2024	291,482	103,234
2025	264,296	105,299
2026	218,280	107,405
2027	193,703	109,553
Thereafter	<u>59,411</u>	<u>2,821,678</u>
Total lease payments	1,374,503	3,348,379
Less imputed interest	<u>(161,167)</u>	<u>(1,333,063)</u>
Total present value of lease liabilities	<u>\$ 1,213,336</u>	<u>\$ 2,015,316</u>

Future minimum lease commitments, as determined under Topic ASC 840, for all non-cancellable leases are as follows as of December 31, 2021:

	<u>Operating Leases</u>	<u>Capital Leases</u>
2022	\$ 319,707	\$ 99,226
2023	295,019	101,210
2024	238,667	103,234
2025	210,914	105,299
2026	176,266	107,405
Thereafter	<u>238,414</u>	<u>2,931,231</u>
Total minimum lease payments	<u>\$ 1,478,987</u>	<u>\$ 3,447,605</u>

#### Note 6. Paycheck Protection Program

In February 2021, the Company executed a term note with a financial institution in the principal amount of approximately \$576,000 pursuant to a second draw Paycheck Protection Program (“PPP”) loan which provided additional support under the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the “Economic Aid Act”). The term of the PPP loan was for five years with an interest rate of 1.0% per annum, which payments could be deferred up to the first sixteen months of the term of the loan. After the initial deferral period, the loan required monthly payments of principal and interest until maturity with respect to any portion of the PPP loan which was not forgiven. A PPP loan recipient may apply for, and be granted, forgiveness for all or a portion of the loan granted under the program. Such forgiveness was determined based upon the use of loan proceeds for payroll costs, rent and utility costs, and the maintenance of employee and compensation levels. In May 2022, the Small Business Administration approved the Company’s application for forgiveness and remitted payment to the lender for the full amount. Accordingly, the Company recognized a gain on forgiveness of debt at the time totaling \$576,070. This gain is included as a component of other income (expense) on the accompanying statements of operations and comprehensive income.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 7. Income Taxes

The Company is taxed as a partnership under the provisions of Subchapter K of the Internal Revenue Code. Consequently, federal income taxes are not provided for or payable by the Company. 9Round International, LLC is a single member LLC and, as such, is treated as a division of 9Round Franchising, LLC for federal income tax purposes. Because of its status, the Company is disregarded as a separate entity for income tax purposes, therefore the Company itself does not file an income tax return separate and apart from its parent, 9Round Franchising, LLC. 9Round Franchising, LLC files income tax returns in the U.S. federal jurisdiction, and the various states in which it operates. 9Round Franchising, LLC is subject to routine audits by taxing jurisdictions. 9Round Franchising, LLC believes it is no longer subject to income tax examinations for the years prior to 2019.

The Company is considered a non-resident in foreign jurisdictions and is subject to corporate withholding taxes for payments of royalties and similar payments made by its foreign franchisees.

In accordance with FASB ASC 740-10, *Income Taxes*, 9Round Franchising, LLC is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

9Round Franchising, LLC has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. 9Round Franchising, LLC believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations or cash flows. Accordingly, 9Round Franchising, LLC has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022 and 2021.

9Rfranchising Canada, ULC is taxed as a general corporation under the Canadian federal tax regulations, and for the years ending December 31, 2022 and 2021, 9Rfranchising Canada, ULC was subject to provincial taxes. 9Rfranchising Canada, ULC is solely owned by 9Round Attic Holdings, LLC, and as such, is treated as a disregarded entity for U.S. federal income tax purposes. The activity of 9Rfranchising Canada, ULC is reported on the U.S. partnership income tax returns.

9Rfranchising Canada, ULC files income tax returns in the Canadian federal jurisdiction. 9Rfranchising Canada, ULC is subject to routine audits by taxing jurisdictions. 9Rfranchising Canada, ULC is no longer subject to income tax examinations for the years prior to 2019.

The income tax expense consisted of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current:		
Foreign	\$ 8,178	\$ 8,955
Deferred:		
Foreign	<u>28,737</u>	<u>20,510</u>
Income tax expense	<u>\$ 36,915</u>	<u>\$ 29,465</u>

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 7. Income Taxes, Continued

Deferred income taxes are provided for temporary differences between the basis of assets and liabilities for financial reporting purposes and income tax purposes.

The components of the net deferred tax asset as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Deferred tax asset:		
Deferred revenue	\$ 156,292	\$ 224,050
Deferred tax liability:		
Deferred franchise costs	<u>(101,282)</u>	<u>(140,303)</u>
Net deferred tax asset	<u>\$ 55,010</u>	<u>\$ 83,747</u>

In accordance with FASB ASC 740-10, *Income Taxes*, 9RFranchising Canada, ULC is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

9RFranchising Canada, ULC has analyzed tax positions taken for filing with the Canadian Revenue Agency. Subsequent to December 31, 2022, the Canadian Revenue Agency assessed 9RFranchising Canada, ULC for failure to withhold under Part XIII of the Income Tax Act for the years 2015-2021. In connection with this assessment, the 9RFranchising Canada, ULC has recorded an accrual of \$188,213 included in accrued expenses on the accompanying consolidated balance sheet as of December 31, 2022 and an expense of the same amount recorded in other operating expenses on the accompanying consolidated statement of operations and comprehensive income for the year ended December 31, 2022. 9RFranchising Canada, ULC has filed an objection with the Canadian Revenue Agency. The liability is subject to change and it is possible that the amount will differ from the amounts recorded. Any resulting adjustment will be recorded in the period incurred.

#### Note 8. Related Party Transactions

The majority members of the Company own an interest in H&S Empire, LLC ("H&S"). The Company leases its main office facilities from H&S under finance lease agreements (Note 5). During the years ended December 31, 2022 and 2021, the Company made cash payments totaling \$99,227 and \$117,637, respectively, to H&S under these finance lease agreements. The Company also leases three studio locations from H&S under operating leases. During the years ended December 31, 2022 and 2021, the Company made cash payments totaling \$50,196 and \$49,610, respectively, to H&S under these operating lease agreements.

At December 31, 2022 and 2021, the Company had receivables of approximately \$21,000 and \$10,000, respectively, from related parties with common ownership. These amounts have been recorded in current assets in the accompanying consolidated balance sheets as payment is expected within one year from the consolidated balance sheet date.

## 9Round Franchising, LLC

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

#### Note 9. Summary of Franchises

The following is a summary of changes in the number of U.S. franchises during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Outlets in operation at beginning of year	445	494
Outlets opened during the year	7	16
Outlets terminated or closed during the year	<u>(81)</u>	<u>(65)</u>
Outlets in operation at end of year	<u>371</u>	<u>445</u>
Franchised outlets	365	439
Affiliate and company owned outlets	6	6

#### Note 10. Employee Retention Credit

The Employee Retention Credit (“ERC”) program was created under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and was significantly modified, expanded and extended into the first two quarters of calendar year 2021 by the Consolidated Appropriations Act, 2021 (the “Act”). The goal of the ERC program is to encourage employers to retain and continue paying employees during periods of pandemic-related reductions in business volume even if those employees are not actually working, and therefore, are not providing a service to the employer. Under the Act, eligible employers could take credits up to 70% of qualified wages with a limit of \$10,000 per employee per quarter for the first two quarters of calendar year 2021. In order to qualify for the ERC, organizations have to experience at least a 20% drop in gross receipts in the quarter compared to the same quarter in calendar year 2019. The American Rescue Plan Act of 2021 extended the ERC to the third quarter of calendar year 2021.

During 2022, the Company claimed an ERC of approximately \$1,126,000 with the Internal Revenue Service. Approximately \$881,000 pertained to 2021 qualified wages and approximately \$245,000 pertained to 2020 qualified wages. Management believes that the claim is in alignment with applicable regulatory criteria, the amounts are known and realizable, and receipt of the refundable ERC is probable. As such, the Company recognized this amount within other income (expense) in the accompanying consolidated statements of operations and comprehensive income for the year ended December 31, 2022. The total amount of ERC claimed by the company in 2022 is included as a receivable on the consolidating balance sheet as of December 31, 2022. As of the date that the consolidated financial statements were available to be issued the Company had received approximately \$260,000 of the total credit receivable. The remaining credit is expected to be received in the year ended December 31, 2023.

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**9Round Franchising, LLC**

*Notes to Consolidated Financial Statements*

*December 31, 2022 and 2021*

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**Note 11. Commitments and Contingencies**

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including losses on inventory and impairment losses related to other long-lived assets.

**EXHIBIT C**  
**FRANCHISE AGREEMENTS AND STATE ADDENDA**

## **STANDARD FRANCHISE AGREEMENT**



## Franchise Agreement Summary Page

### Franchisee Information:

Complete Business Name: \_\_\_\_\_

Principal Owner(s):

(25% or more ownership, direct or indirect)

Full Name	Percentage Interest	%
Full Name	Percentage Interest	%
Full Name	Percentage Interest	%
Full Name	Percentage Interest	%

Additional Owners:

(less than 25% ownership)

Full Name	Percentage Interest	%
Full Name	Percentage Interest	%

Address for Notices (not a P.O. Box): \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Facsimile No.: \_\_\_\_\_

Mobile Phone: \_\_\_\_\_

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

Preliminary Designated Area: \_\_\_\_\_

Initial Franchise Fee: \$19,900

Royalty Fee: \$750 or 6% of Gross Sales, whichever is greater, per month\*

Brand Building Fund Fee: \$300 or 2% of Gross Sales, whichever is greater, per month\*

Technology Fee: \$199 per month\*

\*Subject to increase.

See Sections 8 and 9 for additional fee information.

### To be completed by us:

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

Franchise Number: IL \_\_\_\_\_

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### ATTACHMENTS

Attachment A –	Designated Area
Attachment B –	Information Release
Attachment C-1 –	Personal Guaranty
Attachment C-2 –	Corporate Guaranty
Attachment D –	Electronic Transfer of Funds Authorization
Attachment E –	Lease Addendum
Attachment F –	Telephone Assignment Agreement
Attachment G –	Membership Contract Assignment Agreement
Attachment H –	Step Up Program Addendum
Attachment I –	Assignment and Consent Agreement (Individual to Entity)
Attachment J –	Franchise Resale Amendment (New Buyer – New 10 Year)
Attachment K –	Franchise Resale Amendment (Expansion – New 10 Year)

Franchisee Acknowledgment  
Sample Renewal Addendum  
State Specific Addendum

# I LOVE KICKBOXING FRANCHISE AGREEMENT

This franchise agreement (the “**Franchise Agreement**” or “**Agreement**”) is made between 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, a South Carolina limited liability company with its principal business located at 847 NE Main Street, Simpsonville, South Carolina 29681, and the Franchisee identified on the Summary Page, to be effective on the Effective Date identified on the Summary Page.

## BACKGROUND

- A. We have developed a System for operating a Center that features a specialized program that offers a boxing and kickboxing physical fitness training program through scheduled classes in a group environment with instructional staff and which includes a proprietary system of challenging workouts.
- B. The System includes a distinct interior layout, design, décor, color scheme, graphics, fixtures and furnishings, operating and customer service standards and procedures including proprietary workout routines and technology, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures, that we may designate, collectively the Standards.
- C. Centers operating under the System are identified by the trade name and Mark “I LOVE KICKBOXING” that we designate to identify businesses operating under the System.
- D. You have applied for the right to operate a Center using the System and Marks, and we have approved your application in reliance on the representations contained therein, including those concerning your financial resources, your business experience and interests, and the manner in which the Center will be owned and operated.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

## AGREEMENT

### 1. DEFINITIONS

- 1. For purposes of this Agreement:
  - A. “**I LOVE KICKBOXING**” or “**ILKB**”, “**Franchisor**”, “**we**”, “**our**”, and “**us**” means 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, as identified above in the preamble of this Agreement, and its Affiliates as the context may dictate, but not where the context is referencing ‘I LOVE KICKBOXING<sup>TM</sup>’ as the brand or its Marks.
  - B. “**ADA**” means the Americans with Disabilities Act.
  - C. “**Administrative Fee**” means the \$250 fee that we may impose and collect if your Center fails to conform to the System Standards, and such fee is not a penalty, but is intended to compensate us for the additional costs that we incur.
  - D. “**Affiliate**” or “**Affiliates**” means an affiliate of a named person identified as any person or entity that is controlled by, controlling, or under common control with such named person.
  - E. “**Agreement**” or “**Franchise Agreement**” means this agreement as defined in the preamble.
  - F. “**Applicable Laws**” means federal, state, or local laws that may exist today, or may be enacted in the future.
  - G. “**Approved Suppliers List**” means the list of approved manufacturers, suppliers, and distributors as we may amend from time to time.
  - H. “**Approved Supplies**” means the equipment, products, furniture, fixtures, signage, stationary, advertising and marketing materials, music providers, digital communication providers, trademarked items, collateral merchandise (such as gloves, heart rate monitors and belts, coaching screen system,

clothing, and equipment), and other items as stated in the Approved Supplies List and Approved Suppliers List, as designate as necessary to operate the Center, and as we may amend from time to time.

- I. **“Approved Supplies List”** means the list of Approved Supplies, as we may amend from time to time.
- J. **“Authorized Location”** means the Center identified, or to be identified on Attachment A to this Agreement and that meets our then-current site selection criteria and that is located within the Preliminary Designated Area, as more fully described at Section 2 of this Agreement.
- K. **“Brand Building Fund”** means the fund into which Brand Building Fund Fees we receive are placed and is managed by us. Upon written request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Brand Building Fund for the most recent calendar year. We do not perform an audit to the Brand Building Fund. The Brand Building Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Brand Building Fund. We cannot ensure that you will benefit directly or on a pro rata basis from the future placement of any advertising in your local market. We may spend in any fiscal year an amount greater or less than the aggregate contributions of System businesses to the Brand Building Fund in that year. We will determine the methods of advertising, media employed, and scope, contents, terms and conditions of advertising, marketing, promotional, and public relations campaigns, and programs. Payments are accounted for as general operating revenue, and we do not provide a separate accounting for how this revenue is spent. Any end-of-year surpluses in the Brand Building Fund in a given year will carry over to the next year. We are not required to spend any particular amount on marketing, advertising, or production in the area in which your Center is located. We may make loans to the Brand Building Fund bearing reasonable interest to cover any deficit of the Brand Building Fund and cause the Brand Building Fund to invest in a surplus for future use by the Brand Building Fund.
- L. **“Brand Building Fund Fee”** means the nonrefundable ongoing, monthly brand building fund fee in the amount reflected on the Summary Page and as described at Section 9 of this Agreement. In consideration for the Brand Building Fund Fee, we provide general marketing and promotional services, and other efforts to support the generation of sales appointments, for the I LOVE KICKBOXING brand. These services may include any or all of the following: creative development services (such as designing new logos, graphics, and promotional pieces), public relations services, I LOVE KICKBOXING annual conference expenses, web design and hosting services, national engine optimization, marketing and brand reputation tools and services, technology investments, digital and social media content creation, digital marketing, developing and implementing promotions, tie-ins, contests, or sweepstakes, direct mail advertising, sponsorships and endorsements, trade association memberships, and reimbursing us the costs of administering the Brand Building Fund, including employee salaries and benefits. Services may be provided by in-house personnel or third-party service providers and vendors. Brand Building Fund Fees will not be used for advertising principally directed at the sale of franchises.
- M. **“Center(s)”** or **“I LOVE KICKBOXING Center(s)”** means a fitness center that features the then-current specialized proprietary program developed around our System of boxing and kickboxing physical fitness training through scheduled classes in a group environment with instructional staff and which includes a proprietary system of challenging workouts, and that uses the System, Standards, and Marks.
- N. **“Confidential Information”** means and includes all proprietary information and know-how relating to the System, including all of the System Standards, business techniques, marketing statistics and strategy, and technology-related information, regardless of the method by which it is conveyed, and, without limitation, Member Information, any and all proprietary information contained in the Manual or otherwise communicated to you in writing, verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of

operation of the Center (including methods of instruction, room conditions (such as lighting and temperature), music (including type of music, music mix, and decibel level), proprietary systems developed by us, such as the coaching screen system, and workout program (including technique and the sequence of movements).

- O. **“Covered Person(s)”** includes, collectively and individually, each Owner (and each Owner’s immediate family members, including, without limitation, their spouse, domestic partner, cohabitant, child, stepchild, grandchild, parent, stepparent, parent-in-law, child-in-law, grandparent, sibling, half-sibling, stepsibling, sibling-in-law, aunt, uncle, niece, nephew, or first cousin) and all guarantors, officers, directors, managers, partners, as the case may be, and any of the Center’s managers, instructors, and other employees receiving training or Confidential Information.
- P. **“CPI”** means the Consumer Price Index.
- Q. **“Designated Area”** means the boundaries of the area of your Authorized Location based on our then-current criteria for size, population, demographics, and topographical features, as set by us in our sole discretion, and such boundaries will be reflected on Attachment A and as more fully described at Section 2 of this Agreement.
- R. **“Effective Date”** means the date stated on the Summary Page of this Agreement.
- S. **“Franchise Agreement”** or **“Agreement”** means this agreement as defined in the preamble.
- T. **“Franchisee”** or **“you”** means the party identified on the Summary Page of this Agreement.
- U. **“Franchisor”** or **“I LOVE KICKBOXING”**, **“ILKB”** **“we”**, **“our”**, and **“us”** means 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, as identified above in the preamble of this Agreement, and its Affiliates as the context may dictate but not where the context is referencing ‘I LOVE KICKBOXING™’ as the brand or its Marks.
- V. **“Grand Opening Marketing Fee”** means the minimum amount you must spend for local marketing efforts during a fixed period of time upon for grand opening marketing or new ownership marketing, as the case may be, and as more fully described in Section 8 of this Agreement.
- W. **“Gross Sales”** is defined as the aggregate of all revenue from the sale of services and products from all sources in connection with the business at your Center or online, whether for check, cash credit, or otherwise, (and regardless of collectability), and all proceeds from any business interruption insurance, but does not include (a) the sale price of products returned in good faith by customers of the business, and (b) any sales tax or other taxes collected from customers of the business by you for remittance to the appropriate taxing authority.
- X. **“Initial Franchise Fee”** means the nonrefundable initial franchise fee in the amount reflected on the Summary Page and as described at Section 9 of this Agreement.
- Y. **“Innovations”** means any and all ideas, plans, improvements, concepts, methods, and techniques relating to the development or operation (including marketing, advertising, and promotions) of the Center or any similar aspect of the business conceived or developed by you, any Owner, or your employees during the Term of this Agreement.
- Z. **“Interim Period”** means the period as described at Section 4 of this Agreement.
- AA. **“Lease”** means a lease, sublease, or other type of agreement serving the purpose of a lease, between you and the owner, manager, or lessor of a premises or property that you propose to occupy for the purposes of operating the Center.
- BB. **“Local Cooperative”** means any designated local or regional advertising cooperative controlled by majority vote of its members, such designations shall solely be at our option.

- CC. **“Local Marketing Fund”** means any designated geographic area in which at least two (2) I LOVE KICKBOXING franchises are located as a ‘designated advertising area’ for the purposes of establishing a Local Marketing Fund that we control, and such designations shall solely be at our option.
- DD. **“Manual”** means any confidential operating manuals and other written directives, including, but not limited to, audio or visual materials, system newsletters or bulletins, emails that may be sent to you or all franchisees from time to time with information relevant to the System or operation of the Center, and covering the proper operating and marketing techniques of the System or an I LOVE KICKBOXING Center (including training and workout routines) and that reflects the Standards, whether provided online or through other electronic media. The term “Manual” includes all modifications and supplements to the Manual, and all components thereof.
- EE. **“Mark”** or **“Marks”** means the I LOVE KICKBOXING™ trademarks, and other trademarks, service marks, trade names, trade identifiers that we may designate, and other commercial symbols as we may modify and change from time to time.
- FF. **“Member Information”** means all member information and information concerning prospective and former members.
- GG. **“Memberships”** means the memberships that you are required to offer and sell only on the terms and conditions that we specify periodically which may include, without limitation, price and service offering requirements.
- HH. **“Membership Agreement(s)”** means the written or, if approved or required by us, electronic agreements.
- II. **“National Accounts”** means the contracts with corporations, affinity groups and insurance plans that we, from time to time, will negotiate, and as more fully described at Section 6 of this Agreement.
- JJ. **“Owner”** means any person who directly or indirectly owns any interest in the franchisee, including the Principal Owner(s). It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of a trust. If any “Owner” is, itself, a partnership or other entity, then the term “Owner” includes each individual or entity holding a beneficial ownership in the partnership or entity; the intent being that the term “Owner” is intended to include all individuals holding a beneficial interest in the franchisee, either directly or indirectly.
- KK. **“Preliminary Designated Area”** means the preliminary designated area identified on the Summary Page, if any.
- LL. **“Principal Owner”** means any person who directly or indirectly owns a 25% or greater interest in the franchisee when the franchisee is a corporation, limited liability company or a similar entity other than a partnership entity. If the franchisee is a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If the franchisee is one or more individuals, each individual is a Principal Owner of the franchisee. Each franchisee must have at least one (1) Principal Owner.
- MM. **“Reasonable Business Judgment”** means a decision or action by us that is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest, and even if other reasonable or even arguably preferable alternatives are available. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks or the I LOVE KICKBOXING brand, improving member service and satisfaction, improving product quality, improving uniformity, enhancing, or encouraging modernization and improving the competitive position of the System.
- NN. **“Remittances”** means the remittances as more fully particularized at Section 9 of this Agreement.

- OO. “**Royalty Fee**” means the nonrefundable ongoing, monthly royalty fee in the amount reflected on the Summary Page and as described at Section 9 of this Agreement.
- PP. “**Social Media**” means and includes, without limitation, personal blogs; common social media websites and networks such as, but not limited to, Facebook, Threads, Snapchat, Instagram, LinkedIn, X (formerly Twitter), TikTok, Reddit, or YouTube, and any associated business managers or profiles; internet listing sites such as Wikipedia, Google, Foursquare, and Yelp, and any associated business managers or profiles; applications supported by mobile platforms such as iOS and Android; virtual worlds; file, audio, and video-sharing sites; and other similar internet, social networking, or media sites, mobile platforms, or tools.
- QQ. “**Social Networking Accounts**” includes, without limitation, common social media websites such as, but not limited to, Facebook, Threads, Snapchat, Instagram, LinkedIn, X (formerly Twitter), TikTok, Reddit, and YouTube, and any business managers or profiles or advertising accounts associated with a social media website; internet listing websites such as, but not limited to, Google My Business, Apple Maps, Bing, and Yelp; applications supported by mobile platforms such as iOS and Android; personal blogs; virtual worlds; file, audio, and video-sharing websites; and other similar websites, mobile platforms, or tools, whether created or inherited by Franchise.
- RR. “**Special Sites**” means certain locations within and outside the Designated Area that are by their nature unique and separate in character from sites generally developed as I LOVE KICKBOXING Centers, including but not limited to: military bases; public transportation facilities, including, without limitation, airports, limited access highway travel plazas and other transportation terminals; sports facilities, including race tracks, big-box fitness facilities, gyms, and sports clubs; student unions or other similar buildings on college or university campuses; hotels, resorts or similar short-term lodging; apartment or condominium complexes; and corporate office buildings or office parks.
- SS. “**Standards**” or “**System Standards**” means the then-current standards, requirements, and specifications for the development, construction, operation, and promotion of I LOVE KICKBOXING Centers, which may include standards relating to a distinct interior layout, design, décor, color scheme, graphics, fixtures and furnishings, equipment (including workout equipment, medical equipment, computer equipment, heart rate monitor equipment and systems, coaching screen system, security systems, and audio-visual equipment), operating standards and procedures (including methods of instruction, room conditions (such as lighting and temperature), music requirements (including type of music and decibel level), television requirements (including type of broadcasts, decibel level, and closed captioning requirements), workout routines (including techniques and sequence of movements), customer service standards and procedures, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures, that we may designate.
- TT. “**System**” means the then-current I LOVE KICKBOXING proprietary business format and system, which includes the Marks, trade dress, and the goodwill associated therewith, Licensor’s know-how in developing, constructing, operating, and promoting I LOVE KICKBOXING Centers (i.e., Licensor’s practical knowledge, skill, and expertise), the System Standards, the Confidential Information, and all information contained in the Manual.
- UU. “**Technology Fee**” means the nonrefundable ongoing, monthly technology fee in the amount reflected on the Summary Page and as described at Section 9 of this Agreement.
- VV. “**Technology System**” means the technology system that we develop or select for the Center or System, including all future updates, supplements, and modifications. The Technology System may include, without limitation, all hardware and software used in the operation of the Center, including (i) all computer hardware and related accessories and peripheral equipment, intranet and extranet, portals, platforms, websites, network systems, network services, digital media, email marketing software, any I LOVE KICKBOXING app, body composition analyzer, music provider, business

text messaging software, audio, computers, monitors, screens, heart rate monitors, coaching screen system, telephone systems, remote control computer software, camera and security systems, and any app in connection with a then-current program or business practice; and **(ii)** the billing, electronic point-of-sale cash registers, Center management and back office programs used to record, analyze and report sales and Center operations.

WW. “**Term**” means the initial term granted pursuant to Section 4.A., the renewal term granted pursuant to Section 4.B., and any extension or renewal thereof or any hold over period in which Franchisee continues to operate any component of the Center after the expiration of the initial term or renewal term.

XX. “**Work**” means all printed, audio, and visual material and any other material whatsoever (including all Confidential Information) being part of the Center or System.

2. All capitalized terms not defined in this Section 1 or the Background have the meaning given in the text of this Agreement.

## 2. GRANT OF LICENSE

2. The following provisions control with respect to the license granted hereunder:

A. Grant of License. We hereby grant you the right and license, and you undertake the obligation, subject to the terms and conditions of this Agreement **(i)** to operate a single I LOVE KICKBOXING Center, **(ii)** to sell at retail authorized products and services at and from the Center premises, **(iii)** to use the Marks in connection with operating and promoting the Center, and **(iv)** the right to solicit memberships in the Designated Area. You may not solicit memberships online, in person or through advertising or other direct marketing method outside your Designated Area, except with our prior written approval and in strict accordance with our then-current policies and restrictions (which may include membership assignment policies).

Except when you have our prior written approval, which we may withdraw at any time for any reason, the license granted by this Agreement does not include **(i)** any right to sell services or products identified by the Marks at any location other than the Authorized Location, or through any other channels or methods of distribution, including the internet (or any other existing or future form of electronic commerce), catalog sales, telemarketing or other direct marketing, **(ii)** any right to sell services or products identified by the Marks to any person or entity for resale or further distribution, or **(iii)** except for the designated area protection described in Section 2.C., any right to exclude, control or impose conditions on our development of future franchised, company or affiliate owned Centers at any time or at any location.

B. Authorized Location. You may operate the Center only at the Authorized Location. If the Authorized Location is not known at the time this Agreement is signed, you must acquire an acceptable site for the Center premises no later than one hundred and twenty (120) days from the Effective Date of this Agreement, at which time you authorize us to define the Authorized Location in Attachment A. You must identify a site for the Center that meets our then-current site selection criteria and that is located within the Preliminary Designated Area (see Section 5.A.). Our permission to operate the Center at the Authorized Location constitutes neither a representation nor guarantee that the Center will be successful at the Authorized Location; it means only that the Authorized Location meets our then-current minimum site selection criteria for I LOVE KICKBOXING Centers. You may not use the Center premises or Authorized Location for any purpose other than the operation of an I LOVE KICKBOXING Center during the Term of this Agreement. Should you not open your Center in accordance with the timelines required in this Agreement, in addition to our right to terminate this Agreement, we reserve the right to withdraw our approval of, and your rights to, an Authorized Location, Designated Area, or Preliminary Designated Area by providing you written notice.

C. Designated Area.

(i) The Preliminary Designated Area identified on the Summary Page, if any, is the general location where you intend to secure a site for the Center. If a Preliminary Designated Area is specified on

the Summary Page, we will not grant anyone else the right to develop or operate a Center in the Preliminary Designated Area for one hundred and twenty (120) days from the Effective Date of this Agreement.

(ii) Once the Authorized Location has been identified, we will determine the boundaries of your Designated Area, and such boundaries will be reflected on Attachment A; provided that the Designated Area will be substantially the same as the Preliminary Designated Area in terms of size, shape or demographics. Your Designated Area is nonexclusive, meaning that it may overlap the designated area of another franchisee. Once defined in Attachment A, your Designated Area will remain constant throughout the Term of this Agreement. Notwithstanding the foregoing, we may modify your Designated Area if you relocate the Center or you renew or transfer your franchise rights.

(iii) During the Term of this Agreement, neither we nor our Affiliates will develop or operate, or grant to anyone else the right to develop or operate an I LOVE KICKBOXING Center that is physically located in the Designated Area (other than at Special Sites and as described at Section 2.D.). We also will not operate, franchise, or license the operation of a fitness center with 90% or more of its business based on a boxing and kickboxing class program in your Designated Area, except in connection with our acquisition of a multi-unit brand. If we acquire a multi-unit brand (through a stock purchase, asset purchase, merger, or otherwise), we or our Affiliate may operate, franchise, or license the operation of the acquired brand within and outside the Designated Area, without offering any rights or compensation to you.

(iv) You acknowledge and agree that we and our Affiliates have the right to develop and operate and grant others the right to develop and operate I LOVE KICKBOXING Centers outside the Designated Area, regardless of their proximity to the Designated Area or any negative impact they may have on your Center.

(v) We and our Affiliates also have the right to develop and operate and grant others the right to develop and operate fitness centers and other businesses under a different trademark within and outside the Designated Area which may be similar to or competitive with I LOVE KICKBOXING Centers.

(vi) You do not have any right to sublicense or sub-franchise within or outside of the Designated Area. Under this Agreement you do not have the right to operate more than one Center within the Designated Area without our prior written approval, and you must sign a separate Franchise Agreement for an additional Center.

#### D. Reserved Rights.

(i) We reserve to ourselves all other rights to use the System and Marks anywhere and in any manner including, without limitation, the right to offer, sell, or distribute items such as workout and training classes and videos, equipment, athletic gear, etc., associated with the System (now or in the future) or identified by the Marks, or any other trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisee.

(ii) These distribution channels or methods may include, without limitation, retail stores, mail order, wholesale, or on-demand streaming or other means through the internet (including other existing or future form of electronic commerce).

(iii) These rights also include the right to provide and license third parties to provide the I LOVE KICKBOXING workout program and other ancillary programs developed by or for us or our Affiliates at host locations (such as apartments, condo associations, corporate offices, schools, community centers, and inside other gyms and fitness centers) within and outside your Designated Area and without compensation to you.

(iv) You acknowledge and agree that certain locations within and outside the Designated Area are by their nature unique and separate in character from sites generally developed as I LOVE KICKBOXING Centers. As a result, you agree that such Special Sites are excluded from the Designated Area and we have the right to develop, license or franchise Centers within such locations.

E. Additional Centers. This Agreement does not grant you a right to acquire additional franchises beyond the one (1) granted herein. If you or any of your Affiliates is party to an agreement with us to operate any other I LOVE KICKBOXING center, or desires to operate any other I LOVE KICKBOXING center, other than the one (1) contemplated by this Agreement, as of the Effective Date, you and each Affiliate, as applicable, may be required to enter into a Step Up Program Addendum in substantially the form attached hereto as Attachment H, as the case may be, to modify the terms of the franchise agreement(s) governing such centers. The parties acknowledge and agree that the Step Up Program Addendum may result in material changes to, and have different provisions than, any other franchise agreement. You and each Affiliate must also execute and deliver to us a corporate guaranty in substantially the form attached hereto as Attachment C-2 to guaranty the obligations of your and your Affiliates operating under franchise agreements with us.

### 3. TRADEMARK STANDARDS AND REQUIREMENTS

3. You acknowledge and agree that, as between you and us, the Marks are our property. You further acknowledge that your right to use the Marks is specifically conditioned upon the following:

A. Ownership of the Marks. The Marks are our valuable property or the valuable property of our Affiliate, and we are the owner of all right, title, and interest in and to the Marks and all past, present, or future goodwill of the Center and of the business conducted at the Authorized Location that is associated with or attributable to the Marks. Your use of the Marks will inure solely to our benefit or the benefit of our Affiliate. You may not, during or after the Term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest our rights in any of the Marks or the goodwill associated with the Marks, including any use of the Marks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

B. Use of the Marks. You shall use only the Marks designated by us. You may use the Marks only in connection with such services and products as we specify and only in the form and manner we require in writing. You must comply with all trademark, trade name, and service mark notice marking requirements. You may use the Marks only in association with services and products approved by us and that meet our standards or requirements with respect to quality, safety and performance. To the extent permissible by law, you must refrain, and cause each Covered Person and each of your employees and independent contractors to refrain, from making or publishing any remarks that disparage or derogate us or the I LOVE KICKBOXING™ brand. This prohibition applies to oral remarks and remarks that are published in print, electronic, and social media. Your use of the Marks on the internet is governed by Section 6.K. below. A breach of your obligations under this Section 3.B. is a material default under this Agreement.

C. Center Identification. You must use the name “I LOVE KICKBOXING” as the trade name of the Center and you may not use any other mark or words to identify the Center without our prior written consent. You may not use the word “I LOVE KICKBOXING” or any of the other Marks as part of the name of your corporation, partnership, limited liability company or other similar entity. You may use the Marks on various materials, such as business cards, stationery and checks, provided you *(i)* accurately depict the Marks on the materials, *(ii)* include a statement on the materials indicating that the business is independently owned and operated by you, *(iii)* do not use the Marks in connection with any other trademarks, trade names or service marks unless we specifically approve in writing prior to such use, and *(iv)* make available to us, upon our request, a copy of any materials depicting the Marks. You must post a prominent sign in the Center identifying you as an I LOVE KICKBOXING franchisee in a format we deem reasonably acceptable, including an acknowledgment that you independently own and operate the Center and that the I LOVE KICKBOXING Mark is owned by us and your use is under a license we have issued to you.

D. Litigation. In the event any person or entity improperly uses or infringes the Marks or challenges your use or our use or ownership of the Marks, we will control all litigation and we have the right to determine whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware or any challenge

or claim arising out of your use of any Mark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Marks in violation of this Agreement.

E. Changes. You may not make any changes or substitutions to the Marks unless we direct in writing. We reserve the right to change the Marks at any time. Upon receipt of our notice to change the Marks, you must cease using the former Marks and commence using the changed Marks, at your expense.

#### 4. TERM AND RENEWAL

4. The following provisions control with respect to the initial term and renewal of this Agreement:

A. Term. The initial term of this Agreement will commence on the Effective Date and will expire at midnight on the day preceding the tenth anniversary of this Agreement. Upon your written request, we may extend this initial term in writing for a limited period of time to correspond with the end of a calendar month.

B. Renewal Term and Conditions of Renewal. You may renew your license for one (1) five (5)-year renewal term, provided that with respect to each renewal: **(i)** you meet our then-current criteria and qualifications for new franchisees; **(ii)** you have given us written notice of your decision to renew at least six (6) months but not more than twelve (12) months prior to the end of the expiring initial term; **(iii)** you pay a renewal fee equal to 25% of the then-current initial franchise fee; **(iv)** you sign at least six (6) months but not more than twelve (12) months prior to the end of the expiring initial term, at our sole option either (1) our then-current form of franchise agreement, the terms and conditions of which may be materially different than the terms and conditions of our current franchise agreement and may reflect, among other things, different fees and advertising obligations and a modified Designated Area, and, as applicable, a renewal instrument amending the relevant terms of the new franchise agreement, or (2) an instrument extending for the duration of the renewal term, all the covenants, conditions and provisions contained in this Agreement; **(v)** you have complied with the provisions of Section 5.F. regarding modernization and have agreed, in writing, to make such capital expenditures necessary to refurbish, replace and modernize your Center so that it will conform to our then-current standards for Centers; **(vi)** you are not in default of this Agreement, any other agreement pertaining to the franchise, any other agreement with us, or any obligation to us, and have satisfied all monetary and material obligations on a timely basis during the Term and are in good standing; **(vii)** if leasing the Center premises, you have renewed the lease and have provided written proof of your ability to remain in possession of the premises throughout the renewal period; **(viii)** you comply with our then-current training requirements; **(ix)** you and your Owners and guarantors execute a general release in a form we require in favor of us and our Affiliates and each company's respective present and former officers, directors, managers, and employees; provided, however, that such release will not be inconsistent with any state law regulating franchising; and **(x)** you have submitted to us a walk-through video of your Center, or other forms of proof acceptable to us, enabling us to virtually tour and inspect every element of the Center that we require, including without limitation, the storefront of the Center, all exterior and interior signage, the interior of the Center (including the entrance, each station, the restroom, and any additional areas), measurements of equipment placements and distances between equipment or furnishings, all doors, light switches and outlets, and visibility of equipment, furnishing, accessories and licenses.

C. Interim Period. If you continue to accept the benefits of this Agreement after the expiration of the initial term but do not complete the requirements in Section 4.B., then at our sole option, this Agreement may be treated as **(i)** expired as of the date of the expiration and you will be operating without a franchise or license to do so and in violation of our rights to the Marks and System; or **(ii)** continued on a month-to-month basis and all your obligations will remain in full force and effect during the Interim Period as if the Agreement had not expired except that the Royalty Fee will be \$2,500 per month (subject to adjustment based on the CPI as provided in Section 9.D.). Each Interim Period expires at the end of each calendar month unless this Agreement is continued as provided in this Section. The Interim Period does not create any new franchise rights and upon expiration of the final Interim Period, you will be bound by all post-term obligations as provided in this Agreement.

## 5. CENTER STANDARDS AND MAINTENANCE

5. You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of I LOVE KICKBOXING Centers to protect the distinction, goodwill and uniformity symbolized by the Marks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

A. Site Selection. You must identify a site for the Center within the Preliminary Designated Area that meets our then-current site selection criteria and that we have approved. You must provide us with notice of the site you have selected and we have fifteen (15) days to accept or reject the site. If we do not accept the site within fifteen (15) days it will be deemed disapproved. **The parties acknowledge and agree that our site approval is not an assurance that the Center will achieve a certain sales volume or level of profitability; it means only that the proposed site meets our then-current minimum site selection criteria. We assume no liability or responsibility for (i) evaluation of the location's soil for hazardous substances; (ii) inspection of any structure for asbestos or other toxic or hazardous materials; (iii) compliance with the Americans with Disabilities Act; or (iv) compliance with any other applicable law. It is solely your responsibility to obtain satisfactory evidence and assurances that the Center premises (and any structures thereon) is free from environmental contamination and is in compliance with the requirements of the ADA and other applicable laws.**

B. Lease. If you propose to occupy the Center premises pursuant to a Lease, you may not sign any Lease or enter any other arrangement with a lessor that prevents you from performing your obligations under this Agreement, including any requirements to build out the Center premises to meet our current brand standards, and the Lease and lessor must permit us to exercise our rights pursuant to this Agreement. We may condition our approval of a proposed site on the full execution of a Lease Addendum substantially in the form attached as Attachment E to this Agreement. You may not execute a Lease without the Lease Addendum, except with our prior written consent. You must deliver to us a fully executed copy of the Lease as amended by the Lease Addendum prior to your occupying the site for the Center or within ten (10) days after its execution, whichever occurs first. **The parties acknowledge and agree that our approval of a Lease does not mean that the economic terms of the Lease are favorable; it means only that the Lease contains the minimum lease terms that we require.**

C. Construction; Future Alteration. You must construct and equip the Center in strict accordance with our then-current approved specifications and standards pertaining to equipment, signage, fixtures and design and layout of the building. You must purchase from us or the approved suppliers all items contained in the I LOVE KICKBOXING start-up kit and pay the then-current purchase price therefore in accordance with the then-current payment terms. Without limiting the generality of the foregoing, you must promptly after obtaining possession of the site for the Center (i) have engaged a third party contractor to prepare the basic plans for your I LOVE KICKBOXING Center; (ii) purchase or lease and then use only the approved equipment, fixtures, furniture, and signs; (iii) complete the equipment, fixtures, furniture and sign installation and decorating of the Center in full compliance with plans and specifications we approve and all applicable ordinances, building codes and permit requirements without any unauthorized alterations; (iv) obtain all necessary permits, licenses and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment and premises, including, but not limited to, the ADA; and (v) obtain and maintain all required zoning changes, building, utility, sign permits and licenses and any other required permits and licenses. It is your responsibility to comply with the foregoing conditions. Any change to the plans or any replacement, reconstruction, addition or modification in the premises, interior or exterior décor or image, equipment or signage of the Center made after our consent to the initial plans, whether at the request of you, us or a third party, may be made only with our prior written consent.

D. Opening. You must open the Center for business no later than twelve (12) months from the Effective Date. You may not open your Center for business, however, until we have notified you in writing that you have satisfied your pre-opening obligations as identified in Sections 5.A., 5.B., and 5.C., and we have approved your

Center for opening (which approval may be based on our review of a walk-through video that you submit). We are not responsible or liable for any of your pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. We also are entitled to injunctive relief or specific performance under Section 12.B. for your failure to comply with your obligations. Further, if you fail to open the Center in the timeframe required by this Agreement, we may, in our sole and unilateral judgment, **(i)** exercise our termination rights in accordance with Section 13; or **(ii)** amend this Agreement to eliminate the Designated Area protection afforded by Sections 2.B. and 2.C by providing you written notice.

E. **Maintenance.** The building (exterior and interior), equipment, fixtures, signage and trade dress employed in the operation of your Center must be maintained and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon our periodic evaluations of the premises. Within a period of thirty (30) days (as we determine depending on the work needed) after the receipt of any particular report prepared following such an evaluation, you must effect the items of maintenance we designate, including the repair of defective equipment and items such as carpet and the replacement of irreparable or obsolete items of equipment and signage. If, however, any condition presents a threat to members or to public safety, you must effect the items of maintenance immediately, as further described in Section 6.E. If you fail to complete the required maintenance, we reserve the right (but no obligation) to do so on your behalf and you must reimburse us for our costs and expenses.

F. **Modernization.** From time to time as we require, you must modernize or replace items of the trade dress or equipment as may be necessary for your Center to conform to the standards for similarly situated new I LOVE KICKBOXING Centers. We also require that you substantially renovate the Center once every five (5) years to our then-current standards. You may offer your old equipment to anyone (provided that any Marks affixed to the equipment are removed if the equipment is not being sold to another Center), but we have the right of first refusal to buy the equipment on the same terms and conditions as any potential buyer. You must give us seven (7) days' written notice of any potential sale of your old equipment and a reasonable opportunity to match any offer you have that you intend to accept. We are under no obligation to actually exercise our right of first refusal. A transfer of any interest in this Agreement or your business governed by Section 11 or renewal covered by Section 4 is expressly conditioned upon your (or the transferee, as applicable) modernizing the Center to conform to the standards for new I LOVE KICKBOXING Centers. You acknowledge and agree that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of the Center and to avoid deterioration in connection with the operation of your Center. If you fail to make any improvement or perform the maintenance listed above, we may, in addition to our other rights under this Agreement, effect such improvement or maintenance on your behalf and you must reimburse us for the costs and expenses we incur.

G. **Relocation.** You may not relocate your Center without our prior written consent, which consent will not be unreasonably withheld, and which will be given or refused within fifteen (15) days of receipt. If we do not accept the proposed site within fifteen (15) days it will be deemed disapproved. Your request for relocation must be made in writing, state your proposed new location, be received by us at least sixty (60) days prior to your intended date of relocation, and accompanied by a relocation fee of \$1,500. We will refund \$750 of the relocation fee if we do not approve your relocation. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within your Designated Area, is reasonably suited for a Center, complies with any other site-related obligations set forth in this Agreement (including, without limitation, those related to Leases of a site for your Center), and does not infringe on the rights of any other I LOVE KICKBOXING franchisee, provided that the new Center is open and operating within sixty (60) days after you discontinue operation at the present Center, all in accordance with our then-current standards. If you voluntarily decide to relocate the Center, your right to relocate the Center will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to relocate not less than sixty (60) days prior to relocation or closing the Center, whichever occurs first, have procured a site within your

Designated Area that we have accepted within the terms of this Agreement, have opened the new Center for business within seven (7) days of closing the original Center and complied with any other conditions that we reasonably require. Additionally, if you relocate your Center without obtaining our prior written approval and we later approve the relocation, you will be assessed a relocation fee of \$5,000, which is non-refundable. All relocation fees may be collected by us pursuant to the methods set forth in Section 9.F. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur. Upon relocation of your Center for any reason, we may modify your Designated Area, in our sole judgment, to take into account the designated areas of neighboring Centers and other factors.

If your Center is destroyed or damaged and you repair the Center at the Authorized Location (rather than relocate the Center), you must repair and reopen the Center at the Authorized Location in accordance with our then-current standards for the destroyed or damaged area within twenty (20) days of the date of occurrence of the destruction or damage, or such longer time as we reasonably determine, in our sole judgment, is required given the nature and extent of the damage.

We have the right to refuse to consent to a relocation in the event you lose the right to occupy the Center premises because of the termination of your lease due to your breach. Further, the cancellation of your lease due to your breach is grounds for immediate termination under Section 13.A.(iii).

H. Field Visits. Upon opening a new location or purchasing an existing location, we will provide initial in-person coaching at your Center.

## **6. PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS**

6. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity. The following provisions control with respect to products and operations:

A. Authorized Equipment. You must use in the operation of the Center only the proprietary or non-proprietary equipment that we specify in the then-current Manuals or other written directives. You must purchase or lease all equipment we designate (including the Technology System) from our approved suppliers. We will supply to you a copy of the current equipment list prior to opening of the Center. You acknowledge and agree that we may change the list periodically and that you are obligated to conform to the requirements. You may not open or operate the Center with any unapproved equipment.

B. Authorized Products and Services; Memberships. You may offer and sell only approved products and approved services in the Center and must offer for sale the complete range of required products and required services as listed in the approved products and approved services lists, as we may amend from time to time. You must maintain in stock an inventory of approved products sufficient to meet customer demand and as set forth in the Manuals for operating an I LOVE KICKBOXING Center. You may not offer, sell or supply any products or services which are not approved products or approved services (including products or services that we have withdrawn), and may not conduct any unapproved workout routines or unapproved modifications to approved workout routines, without our prior written consent. If you sell any products or services which are not approved products or approved services, without our prior written consent, you must pay to us liquidated damages based on the sale of the unauthorized products or services, as stated in Section 13.D., below. You must also conform to all quality and customer service standards we require in writing.

You must offer and sell Memberships only on the terms and conditions that we specify periodically which may include, without limitation, price and service offering requirements. You shall participate in and offer all customer membership marketing programs and packages that we develop from time to time. We will communicate to you in writing the details of each program or package, and you shall promptly display all related information at such places within the Center as we may designate. You shall purchase and distribute all collateral merchandise designated by us and shall purchase equipment necessary for use in connection with each such program or package. All Memberships must be evidenced by a Membership Agreement and all member and billing information must be promptly and accurately entered into the approved system according to our then-current policies. We have the right to communicate directly with your members. You agree that

your list of members, including actual and prospective members, is our property and constitutes part of our Confidential Information. We may require you to use Membership Agreements that are based on or substantially similar to our then-current standard form of Membership Agreement, with the exception, however, that there may be state and local laws that may require you to alter the Membership Agreement in the jurisdictions under which your Center operates. You must abide by those laws, and you accept sole responsibility for ensuring that your Membership Agreement complies with all applicable laws. Any changes to the form document must be approved in writing by us. The Membership Agreement must include: **(i)** a waiver and release of us and our Affiliates and **(ii)** a statement identifying the Center as an independently-owned franchised location. We also have the right to establish a reciprocity program that permits members from your Center to use other I LOVE KICKBOXING Centers and permits another I LOVE KICKBOXING Center member to also use your Center under such terms and conditions as we may state in writing from time to time. All Membership Agreements and all billings of any type must be processed through us and our approved processing system (which is currently the Technology System described in Section 6.D.).

You may only solicit memberships within your Designated Area (unless otherwise authorized by us in writing). We or other franchisees may solicit memberships within your Designated Area (for example, if designated areas overlap). Unless approved in writing by us, all membership sales must be made face-to-face, although you may solicit membership sales by mail, telemarketing (so long as you abide by the no-call lists), or other non-face-to-face basis within your Designated Area. You may solicit, advertise and accept memberships online or outside your Designated Area only with our prior written approval or in accordance with our then-current policies. We have the right, but not duty, to prohibit or cancel memberships you sell that will expire beyond the expiration date of your Term or any exercised renewal term. You are solely responsible for all refunds or liabilities to your members due to the cancelation of memberships. You must execute the Membership Contract Assignment Agreement in the form attached at Attachment G.

C. Approved Supplies and Suppliers. We will furnish to you from time to time lists of Approved Supplies or approved suppliers. You must only use Approved Supplies in the Center as listed in the Approved Supplies List and from suppliers on our Approved Suppliers List, as we may amend from time to time. Although we do not do so for every item, we have the right to require you purchase your requirements of products and services (which currently include, without limitation, gloves, supportive hand wraps, punching bags, certain print materials, heart rate monitors and belts, website services, digital marketing services, graphic design services, nutrition services, coaching screen system, point of sale system, body composition analyzer, music, network system and service, security system and service, cloud-based security access, email marketing, and business text messaging) from approved suppliers or designated sources. You acknowledge and agree that certain Approved Supplies may only be available from one (1) source, and we or our Affiliates may be that source. You will pay the then-current price in effect for Approved Supplies you purchase from us or our Affiliates. All inventories, products, operating forms, materials and other items and supplies used in the operation of the Center must be purchased from approved suppliers and any items not included on the Approved Supplies List or Approved Suppliers List must be approved by us and conform to the specifications and standards we establish from time to time. **ALTHOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION ANY REQUIRED TECHNOLOGY SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS.** Except for instances where we designate a single source supplier, if you wish to purchase any products or services for which we have established approved suppliers from an unapproved supplier, you may request our consent in writing. You must pay our costs and expenses, which we expect will range from \$1,000 to \$5,000, but may exceed this range depending on the product. If we request, you must submit samples and other information as we require for testing or to otherwise determine whether the product, material or supply, or the proposed supplier meets our specifications and quality and safety standards. We generally will notify you in writing of supplier approval or disapproval within thirty (30) days of our receipt of all the information and samples we request. You must pay the reasonable cost of the inspection and evaluation and the actual cost of the test. The

supplier also may be required to sign a supplier agreement. We may re-inspect the facilities and products of any supplier of an approved supplier or item and revoke our approval of any supplier or item that fails to continue to meet any of our criteria. Once approved, you may contract directly with the approved supplier. We will send written notice of any revocation of an approved supplier or Approved Supplies.

We apply the following general criteria in approving a proposed supplier: (1) ability to make product in conformity with our specifications; (2) reputation and integrity of supplier; (3) financial condition and insurance coverage of the supplier; and (4) system-wide strategic direction and system uniformity.

D. Technology System. You must purchase and use the Technology System. Requirements for use may include, among other things, connection to remote servers, off-site electronic repositories, high speed internet connections, managed network systems and services, and establishment of one (1) or more email accounts.

You must: *(i)* use any proprietary software programs, including cloud-based software, system documentation manuals, websites, and other proprietary materials that we provide to you in connection with your operation of the Center; *(ii)* input and maintain in your computers such data and information as we require in the Manual and other written directives; and *(iii)* purchase new or upgraded hardware, software programs, system documentation manuals, and other proprietary materials at then-current prices whenever we adopt such new or upgraded programs, manuals, and materials. You must enter into all software license agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner we require, and pay all fees imposed by us, our Affiliate or any third-party software and software service providers there under.

You acknowledge that we may independently access from a remote location, at any time, all information input to and compiled by your Technology System or an off-site server, including Member Information (subject to applicable laws concerning data protection and privacy). We have the right to require that you install remote control computer software and grant us administrator rights to your computer for the Technology System. You acknowledge and agree that we may independently access from a remote location, at any time, your computer to make remote changes. We have the right to require that you install a camera or security system and its related software and services. You further acknowledge and agree that we may independently access from a remote location, at any time, to view and record any images or video recorded by any camera or security systems, and you agree not to interfere with or impair our access to such recordings.

You acknowledge that technology is ever changing and that, as technology or software is developed in the future, we may, in our Reasonable Business Judgment, require you to: *(x)* add to your Technology System hardware, memory, ports, network system, and other accessories or peripheral equipment or additional, new, or substitute software, including cloud-based software; and *(y)* replace or upgrade your Technology System, network services, and software, including cloud-based software.

We reserve the right to designate a single source from whom you must purchase the Technology System.

E. Evaluations. We or our authorized representative have the right to enter your Center at all reasonable times when the Center is open to the public for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your premises, equipment and member satisfaction. Our inspections and evaluations may be conducted by our personnel or by a third-party “mystery shopper.” Or, at our request, we may require you to conduct and submit to us a “walk-through” video of your Center, conducted in accordance with our Standards, within the time period that we require. If we determine that any condition in the Center presents a threat to members or public health or safety or is not compliant with our specifications or standards, we may take whatever measures we deem necessary, including requiring you to immediately close the Center until the situation is remedied to our satisfaction. There is no limitation on the number of inspections we may conduct or the number of walk through videos we may request, or the scope of any inspection. A breach of your obligations under this Section 6.E. is a material default

under this Agreement. If we request you to submit a “walk-through” video of your Center and you do not comply within the time period that we require, then you must reimburse us for all out-of-pocket costs, including, without limitation, travel and lodging costs, that we incur in connection with any subsequent evaluations or inspections conducted by our personnel or by a third party “mystery shopper.”

F. Period of Operation. Subject to any contrary requirements of state or local law, your Center must be open to the public and operated during the hours and on the days that we require. Any variance from this provision must be authorized by us in writing. You acknowledge and agree that if your Center is closed for a period of two (2) or more consecutive business days or five (5) or more business days in any twelve (12)-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement. We reserve the right to change the minimum hours of operation as part of our Standards.

G. Operating Procedures. You must adopt and use as your continuing operational routine the required standards, procedures, methods of operation and management and security systems described in our Manual. We will revise the Manual and these standards and systems periodically to meet changing conditions of operation and will notify of the changes primarily through electronic communications. The Manual at all times is our sole property. You must at all times treat the Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. You will be required to sign a confidentiality agreement at the time of access. We may from time to time revise the contents of the Manual and you expressly agree to comply with each new or changed requirement. You acknowledge and agree that the Manual and other system communications may only be available on the internet or other online or computer communications. You must perform all exercise and fitness training functions and services as we designate from time to time and may not offer any exercise instruction, class or other services that we do not approve. Your Center must offer or perform all such services, as we periodically modify them.

H. Confidential Information. You may not, during the Term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it in order to operate the Center. You hereby acknowledge and agree that all Confidential Information, including Member Information, belongs exclusively to us. You and each Owner agree to maintain the confidentiality of all Confidential Information, including Member Information, not to duplicate any materials containing Confidential Information, including Member Information, and not to divulge any Confidential Information, except to other franchisees and to your employees and professional advisors on a need to know basis. You may use the Confidential Information, including Member Information, only for the purpose of operating the Center, and you shall not sell or share any personal data as defined by applicable statute. You shall defend, indemnify, and hold us harmless from and against any and all proceedings, claims, investigations, and causes of action arising out of or related to your violation of the provisions of this Section. This provision will survive expiration of this Agreement.

I. Compliance with Standards and Specifications; Participation in Joint Advertising Campaigns and Endorsements. You further agree to comply with all System specifications, standards and operating procedures (whether contained in the Manual or any other written communication) relating to the appearance, function, cleanliness, operation and promotion of an I LOVE KICKBOXING Center including, without limitation **(i)** sales and marketing procedures and customer service; **(ii)** advertising and promotional programs; **(iii)** member loyalty and reward programs; **(iv)** layout, décor and color scheme of the Center; **(v)** appearance and dress of employees; **(vi)** safety, maintenance, appearance, cleanliness, sanitation, standards of service, and operation of the Center; **(vii)** submission of requests for approval of brands of products, supplies and suppliers; **(viii)** use and illumination of signs, posters, displays, standard formats and similar items; **(ix)** use of audio equipment and type and decibel levels of music; **(x)** use of video equipment and type and decibel level of television broadcasts (including closed captioning requirements); **(xi)** types of fixtures, furnishings, and equipment; **(xii)** the make, type, location and decibel level of any game, entertainment or vending machine (and restrictions against the use of gaming, entertainment or vending

machines); **(xiii)** use of the coaching screen system; **(xiv)** hours of operation within your Center; and **(xv)** exercise and any other services you are authorized to offer at the studio.

Upon our request, you must acknowledge receipt of our communications, including electronic communications, and respond to such communications within twenty-four (24) hours of delivery.

From time to time, we and our Affiliates also may participate in and require your participation in joint advertising campaigns and endorsement of third-party products or services (which participation may include, among other things, broadcasting audio-visual advertising on in-Center televisions or computer monitors or placing promotional items at required locations throughout the Center). You agree to participate in all such campaigns and endorsements according to our directives, provided that we will provide you all promotional items necessary for participation free of charge. You further acknowledge and agree that we or our Affiliates may receive revenue, and may retain all revenue received, on account of your participation and other franchisee's participation in such campaigns and endorsements.

J. Compliance with Law; Licenses and Permits. You have an obligation, both prior to and after purchasing the franchise, to review the laws of the area in which you will be operating to determine what statutes, regulations, ordinances, or other laws may have an impact on your ability to operate the franchise. We are not responsible for reviewing the laws, and we make no representation or warranty (express or implied) that the System we have developed complies with the laws of your particular area. You represent and agree that you have conducted a review of the potentially applicable laws and that you have provided to us, in writing, a statement of all legal issues that you feel may have a significant impact on your ability to follow the system or to operate your business. You must at all times maintain your premises and conduct your Center operations in compliance with all applicable laws, regulations, codes and ordinances including, without limitation, **(i)** all governmental regulations relating to sales, advertising and membership cancellation rights of health club memberships, and all bonding requirements, and **(ii)** all applicable laws pertaining to the privacy of consumer, employee and transactional information. If there is a conflict between our standards and policies and actual applicable law, you must comply with the requirements of applicable law, immediately give us notice of said conflict and promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies within the bounds of applicable law. You must secure and maintain in force all required licenses, permits and certificates relating to your Center. You acknowledge that you are an independent business and responsible for control and management of your Center, including, but not limited to, the hiring and discharging of your employees and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility or liability in respect to the hiring, discharging, setting and paying of wages or related matters. You must not publish, disseminate, implement, revise or rescind a data privacy policy without our prior written consent. You must immediately notify us in writing of any claim, litigation, proceeding or complaint (whether from individuals or governmental agencies) that arises from or affects the operation or financial condition of your I LOVE KICKBOXING business or Center.

K. Participation in Internet Websites, Online Communications Networks, and Email Systems; Social Media. You must participate, at your expense, in our I LOVE KICKBOXING website, on-demand streaming services, cloud-based software, cloud-based security system, if applicable, intranet or extranet system we may develop, and in other electronic communications systems and networks (including email marketing system and business text messaging system) as we may require, and must pay associated fees. Required participation includes, without limitation, maintaining and communicating at all times and for all business purposes through an email address provided by our approved vendor and promptly responding to all communications, including electronic communications, sent by us. We have the right to determine the content and use of our I LOVE KICKBOXING website, on-demand streaming services, cloud-based software, cloud-based security system, if applicable, and any intranet or extranet system we may develop and will establish the rules under which franchisees may or must participate. Our current Technology Fee is listed on the Summary Page of this Agreement. We may change the Technology Fee as our technology needs evolve and you agree to participate in our future member service initiatives and pay the applicable

fees. You may not use the Marks or any part or derivative thereof on the internet, except as we expressly permit in writing and as authorized by our then-current policies. Without limiting the generality of the foregoing, you may not use the Marks or any part or derivative of the Marks as part of any URL or domain name or as part of any unauthorized email address and may only register the Marks or any part or derivative of the Marks as part of any user name on any gaming website or social networking website (including but not limited to Facebook, Threads, Snapchat, Instagram, TikTok, or X (formerly Twitter)) in accordance with our then-current policies. You also shall refrain from displaying on any website (including commercial websites, gaming websites, and social networking websites) any of our copyrighted works (including the design portion of the Marks), and shall refrain from streaming on any website any video reflecting the Marks or our proprietary workout routines, except with our written permission and in strict accordance with such permission. This includes, without limitation, offering merchandise identified by the Marks on any internet website and uploading or streaming any video on sites such as YouTube or TikTok. We have the right to terminate our website, on-demand streaming services, cloud-based software, cloud-based security system, if applicable, intranet or extranet system at any time. Your general conduct on our website, on-demand streaming services, intranet and extranet system or other online communications and specifically your use of the Marks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our website, on-demand streaming services, cloud-based software, cloud-based security system, if applicable, intranet or extranet system may be considered Confidential Information, including access codes, keys, passwords, usernames, and identification codes. Your right to participate in our website, on-demand streaming services, cloud-based software, cloud-based security system, if applicable, intranet and extranet system, or otherwise use the Marks or System on the internet or other online communications, will terminate when this Agreement expires or terminates.

You shall follow our mandatory specifications, standards, operating procedures, and rules for using Social Media in connection with your operation of the Center and you agree to comply with any Social Media policy we implement. We have the right (but not the obligation) to create and own all Social Media accounts used in operation of the Center and shall allow your access and use only in strict compliance with our rules. If we allow you to create a Social Media account, you must give us all administrator capabilities as if we were the creator of the account. We reserve our right to remove your access to Social Media accounts at any time in our sole discretion. Upon termination of this Agreement for any reason, your access to all Social Media accounts will terminate.

L. Public Relations. You shall not make any public statements (including giving interviews or issuing press releases) regarding the business or any particular incident, occurrence, or event related to the business or Center, without our prior written approval.

M. Association with Causes. You shall not in the name of I LOVE KICKBOXING or the business, without our prior written approval: **(i)** donate money, products, or services to any charitable, political, religious, or other organization; or **(ii)** act in support of any such organization (including acting in support of any such organization on any website or social media platform).

N. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we require under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and other changes as we deem appropriate. This right includes, but is not limited to, the right to introduce new products and services. You must comply with these modifications, additions or rescissions at your expense, subject to the express limitations listed in this Agreement.

You must operate your Center in strict compliance with all applicable laws and with the standard procedures, policies, rules and regulations established by us and incorporated herein or in the Manual or in I LOVE KICKBOXING system bulletins or other publications that are distributed to franchisees from time to time. Such standard procedures, policies, rules and regulations established by us may be revised from time to time as circumstances warrant, and you must comply with all such procedures as they exist from time to time

as though they were specifically listed in this Agreement and when incorporated in a system bulletin or other written notice to franchisees, the same is incorporated herein by reference. These standard procedures, policies, rules, and regulations may include operational matters, advertising or marketing matters, employee matters, membership issues, relationships between you and other franchisees, accounting issues, and any other issues that we believe, in our business judgment, are required to generally benefit the I LOVE KICKBOXING System and its franchisees.

O. Pricing Policies. We have the right to establish prices for the products and services you sell, both minimum and maximum, to the extent permitted by applicable law. You agree to comply with all such pricing requirements.

P. National Accounts. From time to time, we will negotiate contracts with corporations, affinity groups and insurance plans that will require that certain terms or discounts be offered to members of that corporation, affinity group, or insurance plan by all franchisees at all locations. You are required to provide the special terms or discounts to these National Accounts.

Q. Member Administration and Mediation. We or an Affiliate may from time to time engage in administrative tasks related to member administration such as administering online enrollment or membership transfer and reciprocity programs. You agree that we may take those actions in accordance with our then-current policies, which may include transferring members or Membership Contracts to or from your Center and providing on-line member enrollment. You agree that we may make such corrections as necessary, including that if a member is mistakenly transferred to the wrong Center, we may issue credits and charges for the membership dues to the affected Centers. Any actions we take for member administration are for the benefit of the brand and uniformity in the System and not to exercise control over your business.

R. Payment Systems. You shall accept debit cards, credit cards, stored value cards, and other non-cash systems (including, for example, Apple Pay and Google Wallet) that we specify periodically to enable customers to purchase authorized products and services, and to acquire and install all necessary hardware and software used in connection with these non-cash systems. The parties acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly, you shall cause your Center to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Standards Council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information. You are solely responsible for your own education concerning these regulations and standards and for achieving and maintaining applicable compliance certifications. You shall defend, indemnify, and hold us harmless from and against all claims arising out of or related to your violation of the provisions of this Section.

## **7. PERSONNEL AND SUPERVISION STANDARDS**

7. The following provisions and conditions control with respect to personnel, training, and supervision:

A. Supervision. You must ensure that the Center is operated in accordance with the terms and conditions of this Agreement. If you employ a general manager, he or she must attend and successfully complete all required training, as listed in Sections 7.B. and 7.C.

B. Training. You must, at your expense, comply with all of the training requirements we require for the Center to be developed and operated under this Agreement. If you employ a general manager, he or she also must comply with all training requirements. Specifically, prior to opening, you must attend our initial training program and complete the training to our satisfaction and failure to do so will be considered a breach of the Agreement under Section 13.A. Our initial training program may be delivered at our training center, other location we designate, or online. If you do not meet your obligations under this Section 7.B. and if, in our sole discretion and as an alternative to exercising our rights under Section 13.A, we opt to send up to two (2) I LOVE KICKBOXING representatives to your Center to complete the then-current initial training program (the

“**Training Program Visit**”), you agree to pay to us a fee of \$10,000, not as a penalty but to compensate us for the additional costs incurred in facilitating the Training Program Visit, and such fee shall be fully earned and non-refundable. In the event you are given notice of default as described in Section 13.A. and the default relates, in whole or in part, to your failure to meet any operational standards, we have the right to require as a condition of curing the default that you, at your expense, comply with the additional training requirements we require. Any new general manager must comply with our training requirements within a reasonable time as we specify. Under no circumstances may you permit management of the Center’s operations on a regular basis by a person who has not successfully completed to our satisfaction all applicable training we require.

C. **Ongoing Training.** We may require you and other key employees of the Center to attend, at your expense, ongoing training at our training center, the Authorized Location or other location we designate, or online. Beyond our initial training program, you must pay our then-current training fee for all training we conduct for you and your travel expenses.

D. **Staffing.** You shall maintain a competent, conscientious, and trained staff (who shall have been adequately trained by you) in numbers sufficient to service customers promptly and properly (including daily Center opening and closing procedures, as applicable), and shall take such steps as are necessary to ensure that your employees preserve good customer relations and comply with such dress code as we may require. In addition, you and your employees shall handle all customer complaints, refunds, returns or other adjustments in accordance with our policies as set forth in the Manuals or otherwise in writing. The parties acknowledge and agree that these requirements are necessary to preserve the goodwill identified by the Marks and System. The parties further acknowledge and agree that we neither dictate nor control labor or employment matters for you or your employees. You are exclusively responsible for hiring personnel, for determining the number of jobs offered or job vacancies to be filled, for determining and changing employee wages and benefits and work hours, and for disciplining and discharging your employees. You are exclusively responsible for labor relations with your employees. You shall defend, indemnify, and hold us harmless against any and all proceedings, claims, investigations, and causes of action instituted by your employees or by others that arise from your employment practices. In the event that you require your employees to sign a noncompetition agreement preventing them from directly competing with you, you shall carve out from such restriction their ability to become an I LOVE KICKBOXING franchisee.

E. **Attendance at Meetings.** Unless we approve otherwise, you and your manager must attend all sales and operations meetings and annual franchise conventions we may hold or sponsor. If you are not able to attend a meeting or convention, you must notify us prior to the meeting and we may mandate that you substitute a person acceptable to us to attend on your behalf. We may charge reasonable fees for these programs, and you will be responsible for the wages and associated travel and living expenses for yourself and your manager or other designated attendee(s). Each Owner is required to purchase a ticket to annual convention. We reserve the right to collect these fees through billing software with your monthly royalties, and we may collect the fees in installments, at our option. In addition to this ticket price, you are responsible for all travel related expenses for each attendee.

F. **Instructor Certification.** We reserve the right to develop certification programs for Center personnel who provide personal fitness instruction, teach any form of exercise, or provide any kind of fitness or nutrition instruction or counseling. We may charge, and you agree to pay a fee for providing certification-related courses and services. We reserve the right to collect these fees through billing software with your monthly royalties.

## 8. ADVERTISING

8. You agree to actively promote your Center, to abide by all of our advertising requirements and to comply with the following provisions:

A. Brand Building Fund Fee. During the Term of this Agreement, you must pay us a monthly Brand Building Fund Fee, which is placed in the Brand Building Fund managed by us in our discretion. Our current Brand Building Fund Fee is listed on the Summary Page of this Agreement.

B. Grand Opening Marketing Fee. If you acquire franchise rights for a new Center, you must spend a minimum of \$25,000, as determined by us, for local grand opening marketing, which shall commence approximately twelve (12) weeks before the opening of your Center and approximately eight (8) weeks after the opening of your Center. You may spend more than the minimum amount. Of the Grand Opening Marketing Fee, you will pay \$17,500 directly to us within one (1) week of signing the lease for your Center, for your print materials and event starter kit, both of which contain various promotional materials, for digital marketing advertising, and for a minimum of five (5) months of digital marketing management fees. If you acquire the franchise rights to an existing Center, you must spend a minimum of \$10,000, as determined by us, for local new ownership marketing commencing when you launch the new ownership campaign on a date agreed to by us (such date will be after the Effective Date of this Agreement) and lasting for approximately twelve (12) weeks thereafter. You may spend more than the minimum amount. Of the Grand Opening Marketing Fee, you will pay \$8,000 directly to us, due at the time of signing the Franchise Agreement, which is for your print materials, which contains various promotional materials, for digital marketing advertising, and for a minimum of three (3) months of digital marketing management fees. The remaining amount will be paid to approved vendors for their respective products or services. During local grand opening marketing or local new ownership marketing, as the case may be, you must provide us with evidence, which may include, but is not limited to, cancelled checks, paid invoices or copies of advertisements, of the purchase of marketing materials or participation in marketing events or activities. Pre-opening and grand opening marketing or new ownership marketing will consist of a variety of marketing tactics including, but not limited to, digital advertising, email marketing, local networking, participation in local community events, public relations, and other marketing and advertising initiatives or materials intended to publicize the opening of your Center. Our marketing tactics are proprietary and are Confidential Information. Amounts that you spend on pre-opening and grand opening or new ownership marketing do not count toward any other advertising obligations you have under this Agreement. The portion of the Grand Opening Marketing Fee that is paid directly to us is deemed fully earned upon payment and is non-refundable. Unless otherwise canceled by you in writing, the digital marketing service will continue after the conclusion of local grand opening marketing or local new ownership marketing. You will be placed on our mid-tier digital marketing service at our then-current rates, which currently are a management fee of \$300 per month and a desired ad spend of \$750 per month, although the actual ad spend each month may be greater or less depending on ad interaction, billed via automatic withdrawal from your point-of-sales remits. You may cancel or change your digital marketing service tier or desired ad spend by notifying us in writing in accordance with our then current Standards. At the conclusion of local grand opening marketing or local new ownership marketing, any remaining funds of the Grand Opening Marketing Fee that were paid to us will be used for the digital marketing service. If we cease offering digital marketing services, we will cease charging you the monthly management fee. If you cancel the digital marketing services, you may later enter into our digital marketing services agreement at the then-current management fees and then-current required minimum desired ad spend per month, *provided that* we are offering digital marketing services at that time.

C. Minimum Local Advertising Expenditure; Approved Materials. You must use your best efforts to aggressively promote and advertise the Center in your local area, and participate in any local marketing and promotional programs that we establish from time to time (including but not limited to any in-Center marketing or promotions we may choose to run). You must conduct an initial promotional campaign in accordance with our standards and specifications. In addition to the Brand Building Fund Fee and any Brand Building Fund contributions, you must spend the higher of 8% of your Center's gross revenue or \$24,000

during each calendar year (a monthly average of at least \$2,000) on approved forms of advertising and marketing in your market area that conform to our standards and specifications. If you fail to add forty-five (45) memberships (excluding trial memberships or memberships lasting less than a full month) over any rolling three (3)-month period during the Term of this Agreement, we reserve the right to audit your marketing and advertising to ensure it conforms with our standards and specifications. If you have not spent the higher of 8% of your Center's gross revenue or \$6,000 per rolling three (3)-month period on local advertising, we reserve the right to collect the difference, through billing software, between how much you have spent in the applicable rolling three (3)-month period and the minimum required expenditure. Any amounts that we collect will be added to the Brand Building Fund. We reserve the right to audit your marketing and advertising to ensure it conforms to our standards and specifications. Only the types of advertising and marketing that we specify will count toward satisfaction of this requirement. Upon our request, you must provide us with an itemized accounting of your local advertising and marketing expenditures, in the form we require, with supporting documentation of the type we require. You must use only such marketing materials as we furnish, approve, or make available, and the materials must be used only in a manner that we require. Our marketing materials are proprietary and are Confidential Information. Furthermore, any promotional activities you conduct in the Center or on its premises are subject to our approval. We will not unreasonably withhold approval of any sales promotion materials and activities; provided that they are current, in good condition, in good taste, dignified, and accurately depict the Marks (any use of the Marks, or a new variation you propose to the Marks, without our prior written approval is prohibited).

D. Local Marketing Fund and Advertising Co-ops.

(i) In the future, we may, at our option, require you to make a contribution to a Local Marketing Fund or Local Cooperative. Any amount contributed to a Local Marketing Fund or Local Cooperative will be in addition to, and not in lieu of, the Brand Building Fund Fee described above. We have the right to determine the amount of contribution, in our sole judgment, provided that aggregate monthly contributions will not exceed \$750 per month (subject to adjustment based on the CPI as provided in Section 9.D.). If, however, a Local Cooperative chooses to contribute a greater amount and the amount is approved by a two-thirds majority of the Centers in the Local Cooperative, you must contribute such amount. Any contribution you make to a Local Marketing Fund or Local Cooperative will count towards the minimum local advertising expenditures outlined in Section 8.C.

(ii) If established, you must participate in any Local Marketing Fund or Local Cooperative formed to serve the geographic area in which the Center is located, and must promptly execute all participation documents that we require. For Local Cooperatives only, each Center in the Local Cooperative will have one vote. Each Local Cooperative will be required to adopt governing bylaws that meet our approval. We reserve the right to administer the Local Cooperatives' funds and require payment from its members via electronic funds transfer. The members of each Local Cooperative and their elected officers will be responsible for the administration of the Local Cooperative. We have the right to require Local Cooperatives to be formed, changed, dissolved or merged and may set the governing rules and bylaws.

E. Sponsorships and Partnerships. You may not enter into any sponsorship agreements or arrangements or any marketing partnerships without our prior written consent.

## **9. FEES, REPORTING AND AUDIT RIGHTS**

9. You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. Upon execution of this Agreement you must pay us the Initial Franchise Fee. The Initial Franchise Fee is deemed fully earned upon payment in consideration for our expenses incurred and services rendered in conjunction with reserving your right to the Preliminary Designated Area and is non-refundable. Failure to pay the Initial Franchise Fee upon execution of this Agreement will result in a non-curable default of this Agreement by you, and we will have the right to terminate this Agreement immediately.

B. Royalty Fee and Other Fees. In addition to the Initial Franchise Fee, in consideration of the rights and use of our intellectual property granted to you, you must pay to us the Royalty Fee. You must pay the Royalty Fee beginning the month that your Center opens and each following month through the Term of this Agreement. You will pay the full Royalty Fee for any partial month.

In addition to the Initial Franchise Fee and the Royalty Fee, you must pay to us the Brand Building Fund Fee and the Technology Fee. The Technology Fee is for online membership services, any I LOVE KICKBOXING app developed and controlled by us, the I LOVE KICKBOXING website, four (4) I LOVE KICKBOXING email addresses, and coaching screen system.

C. Member Services and Other Fees. Periodically, as technology and member demands evolve, we may change or provide additional member services. You agree to participate in our future member service initiatives and to pay the applicable fees at the then-current rates. We currently charge (i) \$126 to \$240 a month for insurance, depending on coverage; (ii) \$100 per hour for graphic design services; (iv) \$5 a month per additional I LOVE KICKBOXING email address granted to your Center. Each of the proceeding given fees in this Section 9.C. are subject to change or increase. Although you are not currently required to offer personal training to customers, we reserve the right to require you to offer the service in the future by providing you with prior written notice.

D. CPI Adjustment. Certain fees under this Agreement, including the Royalty Fee, Technology Fee, Brand Building Fund Fee, minimum local advertising and marketing expenditures, and Local Marketing Fund or Local Cooperative contribution (unless calculated as a percentage of sales), are subject to adjustment based on any increase in the CPI (meaning the annual average of the Consumer Price Index for All Urban Consumers, Other goods and services, 1982-1984=100, published by the Bureau of Labor Statistics of the United States Department of Labor). If the Bureau of Labor Statistics ceases publishing the named Consumer Price Index, then the successor or most nearly comparable index as we select within our Reasonable Business Judgment will be used. Fees will be changed no more than once per year. The increase will be based on the increase in the CPI Index between January 1 of any year and January 1 of the year of the Effective Date of this Agreement or the previous CPI adjustment.

E. Computations and Remittances. The Royalty Fee, Brand Building Fund Fee, Technology Fee, and the Local Marketing Fund or Local Cooperative contribution are due and owing on the first (1<sup>st</sup>) of the month. Any membership fees and member services fees are due and owing at the end of each month's operation. You must make all payments to us by the tenth (10<sup>th</sup>) of the month that the fees are due (or such other day as we designate). You may not withhold payment of any amounts owed to us and hereby waive any and all existing and future claims and offsets against any amounts due under this Agreement. Notwithstanding any designation by you, we will be entitled to apply your payments against any amounts due to us. We also may set off any amounts that may be held by us or our Affiliates on your behalf or owed to you by us or through our Affiliates against amounts you owe to us or our Affiliates.

F. Method of Payment. You must make payments to us and our Affiliates by electronic funds transfer or such alternative methods as we may designate. You must execute and deliver to us, our bank and your bank, as necessary, all forms and documents that we request to permit us to use any payment method we designate, including the electronic transfer of funds authorization attached as Attachment D. You must comply with all procedures we specify from time to time, and take such reasonable action as we request to assist in any of the payment methods. Specifically, you agree that upon notice by us, all payments owed to us and our Affiliates may be deducted from the monies your billing and payment processor collects on your behalf and you hereby authorize the billing and payment processor to deduct such amounts and to pay those amounts to us or our Affiliates **(i)** on the due date of such amount in the case of ongoing, continuing fees, such as Royalty Fees and marketing fees; or **(ii)** as incurred in the case of non-scheduled fees, such as Administrative Fees or purchases of equipment and products. You must maintain a balance in your account sufficient to allow us and our Affiliates to collect the amounts owed to us when due and must notify us at least twenty (20) days

before closing or changing the account against which such debits are to be made. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section.

G. Interest Charges. Any and all amounts that you owe to us or to our Affiliates will bear interest at the rate of 12% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual.

H. Financial Planning and Management. You are responsible for keeping your own general accounting books. We may periodically request financial information, including but not limited to, a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, membership and purchase records, invoices, inventories, payroll records, cash disbursement journals and general ledger, all of which accurately reflect the operations and condition of your Center operations. You must allow us electronic and manual access to any and all records relating to your Center.

I. Reports and Audit. In the event of an audit, you must verify the accuracy of the membership numbers on the fifth (5<sup>th</sup>) day of each month for the preceding month. Within ten (10) days after the request, you must submit to us a report with respect to our request in the form and content as we periodically require. The report must include, but not be limited to, the following information for the preceding month, or any other period we request within our Reasonable Business Judgment: (i) number of membership sales; and (ii) if we request, monthly sales summary and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent, other material cost items, and marketing and advertising spend. We may also request, at your expense, that you submit to us within ninety (90) days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year, including all adjustments necessary for fair presentation of the financial statements. You must certify all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirements on our other franchisees. If any audit determines that you have understated your income or your membership level by more than 2% and such understatement resulted in underpayment of any fees due to us, you must pay us all costs of the audit plus interest on the amount due to us at 12% per annum or the highest rate allowed by law, whichever is less.

We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Center are kept and to evaluate, copy and audit such books and records. In addition, upon our request, you must provide us the current information regarding the name and telephone number of the landlord, lender or vendors and suppliers for the Center. You agree that we have the right to communicate with the landlord, lender and other vendors related to your operation of the Center regarding the Center or any default by you under an agreement with the landlord, lender or vendor. You hereby authorize the landlord, lender and any vendor associated with your Center to communicate with us and provide us information regarding the Center.

J. Administrative Fee. If at any time your Center fails to conform to System Standards, we have the right to impose and collect from you an Administrative Fee as described in this paragraph. Specifically, we may impose and collect from you a \$250 Administrative Fee for each “enforcement effort” that we undertake on account of your noncompliance with System Standards (e.g., a letter, email, or telephone communication notifying you of noncompliance or continued noncompliance). We may provide such notice and any related communications by electronic means (including, without limitation, by facsimile, email, or through any electronic communications system we designate for the System). This fee is not a penalty, but is intended to compensate us for the additional costs that we incur in enforcing your compliance with System Standards, and is in addition to and not in lieu of any other rights or remedies that we may have based on your noncompliance with System Standards. We may impose and collect the Administrative Fee whether or not the noncompliance at issue is of the type or degree that constitutes a material default of your obligations under this Agreement and, if it is, whether or not a cure period applies. At our option, we may require you to demonstrate full compliance with your obligations by submitting to us a comprehensive walk-through video of your Center premises in accordance with our System Standards. Other than as provided at Section 11 of this Agreement, we may impose

and collect from you a \$250 Administrative Fee to process any agreements, addenda, amendments, or forms that you request we action in relation to your I LOVE KICKBOXING Center or this Agreement. This fee is intended to compensate us for the additional costs that we incur for processing documentation as requested by you. We reserve the right not to consent to or to process any such agreements, addenda, amendments, or forms, within our Reasonable Business Judgment.

K. Attorneys' Fees and Costs. Should your non-compliance with the Franchise Agreement cause us to incur attorneys' fees or costs, you will be required to reimburse us for the attorneys' fees and costs incurred. For purposes of this provision, "costs" include all costs of investigation, mediation (if the mediation does not result in settlement), discovery, trial, and appeal (if applicable), including private investigators' fees, experts' fees, clerks' fees, service fees, and court reporter fees.

L. Taxes. If any taxes, fees, or assessments are imposed on royalties or other fees by reason of us acting as franchisor or licensing the Marks or the System under this Agreement (for example, sales tax), you will reimburse us the amount of those taxes, fees, or assessments within fifteen (15) days after receipt of our written notice to you.

M. Cross Payments. If you or any of your Affiliates operates an I LOVE KICKBOXING center other than the one (1) contemplated by this Agreement, as of the Effective Date, you agree that upon notice by us, any amounts owed to us or our Affiliates related to such other center(s) may be deducted from the monies your billing and payment processor collects on your behalf and you hereby authorize the billing and payment processor to deduct such amounts and to pay those amounts to us or our Affiliates. You agree and acknowledge that such payments include, without limitation, any late payments, interest, administrative fees, and liquidated damages related to such other center or the franchise agreement governing such other center. If we elect to collect liquidated damages in installments, you agree that we may also collect interest at 12% on the amounts owed.

## 10. YOUR OTHER OBLIGATIONS; NON-COMPETE COVENANTS

10. You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to pay promptly when due: **(i)** all payments, obligations, assessments and taxes due and payable to us and our Affiliates, suppliers, lessors, federal, state or local governments, or creditors in connection with your business; **(ii)** amounts related to all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Center or business; and **(iii)** all accounts and other indebtedness of every kind incurred by you in the conduct of the Center or business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

B. Indemnification. You waive all claims against us for damages to property or injuries to persons arising out of the operation of your Center. You must fully defend, indemnify, and hold us and our owners, directors, officers, successors and assigns and our Affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Center (regardless of cause or any concurrent or contributing fault or negligence of us or our Affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for our costs and attorneys' fees immediately upon our request as they are incurred. This Section will survive the expiration or termination of this Agreement and applies to all losses and expenses even if they exceed the limits of your insurance coverage.

C. Insurance.

(i) You must maintain at your expense in full force and effect throughout the Term the types of insurance and the minimum policy limits and deductibles stated in the Manual from our then-current designated insurance carrier or alternatively, in our sole discretion, a carrier acceptable to us. The insurance policy or policies must protect you, us, our parents, our Affiliates, and each entity's respective, past, present, and future officers, directors, owners, managers, members, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage, or expense of any kind arising out of, or in connection with the Center, including the condition, operation, management, use, or occupancy of your Center.

(ii) To the fullest extent permitted by law, we and our parents, Affiliates, and subsidiaries (including each entity's respective, past, present, and future officers, directors, owners, managers, members, employees, consultants, attorneys, and agents) must be added/named as additional insureds on all coverages on which additional insureds can be added, even for claims regarding the additional insureds' sole negligence. The coverage offered to the additional insureds will be primary coverage to any other coverage maintained by the additional insureds and will not permit or require such other coverage to contribute to the payment of any loss. Policies must also contain a waiver of subrogation in favor of the additional insureds.

(iii) You must provide to us any documentation we require to evidence your compliance with this Section, where such documents may include, without limitation, additional insured endorsements and your insurance certificates.

(iv) We may require additional types of coverage or increase the required minimum amount of coverage on reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain.

(v) You acknowledge that the required minimum insurance requirements do not constitute advice or a representation that such coverages are necessary or adequate to protect you from losses in connection with the Center. Nothing in this Agreement prevents or restricts you from acquiring and maintaining insurance with higher policy limits or lower deductibles than what we require. Your insurer(s) must commit not to cancel or amend the policy or policies without at least thirty (30) days' prior written notice to us.

(vi) We have the right to implement an insurance administration program, pursuant to which we or our designee may facilitate policy procurement, premium payments, and renewals, and we or the service provider may impose a reasonable fee for such services. If implemented, you must participate in the program and pay required fees. To the extent permitted by applicable law, you shall obtain insurance from insurance carriers or brokers that we designate or approve. If you fail to obtain and maintain insurance coverage as required by this Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance plus a reasonable fee for our services in obtaining the insurance, which you agree to pay on demand.

D. Non-compete Covenants. You agree that you will receive training and Confidential Information that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following non-competition covenants:

(i) Persons Bound. We may require you to obtain from Covered Persons a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this Section 10.D.

(ii) During Term. During the Term of this Agreement, Covered Persons must not directly or indirectly, for themselves or through, on behalf of or in conjunction with any individual or business entity: (1) divert any Center member, prospective Center member or former Center member to any fitness center or club except another I LOVE KICKBOXING Center; or (2) own, operate, lease, franchise, engage in, be

connected with, have any interest in, or assist any person or entity engaged in any big-box fitness center or club, or any fitness club, studio, online fitness service, or exercise facility featuring boxing or kickboxing, or a circuit training program in the United States, except another I LOVE KICKBOXING Center pursuant to a valid franchise agreement with us.

(iii) After Termination. For a period of eighteen (18) months after the transfer, expiration or termination of this Agreement (and with respect to any Owner, for a period of eighteen (18) months after such person ceases to be an Owner, regardless of the reason), Covered Persons must not directly or indirectly, for themselves or through, on behalf of or in conjunction with any individual or business entity: (1) divert any Center member, prospective Center member or former Center member to any fitness center or club except another I LOVE KICKBOXING Center; or (2) own, operate, lease, franchise, engage in, be connected with, be employed by, have any interest in, or assist any person or entity engaged in any big-box fitness center or club, or fitness center, club, studio, online fitness service, or exercise facility featuring boxing, kickboxing, or a circuit training program that is located at or within a ten (10)-mile radius of the Authorized Location, that is located within a ten (10)-mile radius of any other I LOVE KICKBOXING Center in operation or under construction, or that is located in the Designated Area of any other I LOVE KICKBOXING franchisee, or, in the instance of online fitness services featuring boxing, kickboxing, or a circuit training program, it shall not be offered anywhere in the United States. The eighteen (18)-month period described in this paragraph will be tolled during any period of noncompliance.

(iv) Reasonableness. You agree that the scope of the prohibitions stated in this Section 10.D. is reasonable and necessary to protect us and the System (including other franchisees of the System). You agree that the prohibitions in this Section 10.D. must be very broad in order to prevent you from taking information, materials and training we are providing to you on an ongoing basis and using them to either compete with us, or preempt or otherwise restrict our ability to enter new markets. You agree that the time period and the scope of the prohibitions stated in this Section 10.D. are the reasonable and necessary time and distance needed to protect us if this Agreement expires or is terminated for any reason. You also agree that you have many other opportunities available to earn a living, and that these restrictions will not preclude you from engaging in a lawful trade or business for which you otherwise are qualified.

(v) Exception. The purchase of a publicly traded security of a corporation engaged in a competitive business or service will not in itself violate this Section 10.D. so long as you do not own, directly or indirectly, more than 5% of the securities of such corporation.

(vi) Reformation and Reduction of Scope of Covenants. If all or a portion of any covenant contained in this Section 10.D. is held to be unreasonable or unenforceable by a court or agency having valid jurisdiction in any un-appealed final decision to which we are a party, you and each Covered Person will be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 10.D. The parties acknowledge that the non-compete covenant contained this Section 10.D. is not intended to apply to the Center's employees (including managers and instructors); *however* such individuals may otherwise be reasonably found within the definition of *Covered Persons* in this Agreement to necessarily protect us, our Confidential Information, and the System. Notwithstanding the foregoing, we have the unilateral right, in our sole discretion, to reduce the scope of any covenant set forth in Section 10.D., or any portion thereof, which reduction will be effective immediately upon delivery of notice of the reduction.

(vii) Injunctive Relief. You and each Covered Person agree that the violation of any covenant contained in this Section 10.D. would result in immediate and irreparable injury to us for which there is no adequate remedy at law. You and each Covered Person therefore agree that in case of an alleged breach or violation of this Section, we may seek injunctive relief, in addition to all other remedies that may be available to us at equity or law. We will not be required to post a bond or other security for any injunctive proceeding.

(viii) Severability. Each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

E. Innovations. You agree to fully and promptly disclose and transfer or assign to us any and all Innovations conceived or developed by you, any Owner, or your employees during the Term of this Agreement. We and our Affiliates solely own and have the right to authorize other Centers to use any Innovations without any compensation to you, any Owner, or your employees. We and our Affiliates own all related trade secrets, patents, patent applications, and any other intellectual property rights of the Innovations as a work-for-hire and you agree to enter into any transfer or assignment of ownership we require. You and your Owners hereby assign to us any rights you or your Owners may have or acquire in the Innovations, including the right to modify the Innovations, and waive and release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist us in obtaining and enforcing the intellectual property rights to any such Innovation in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint us as agent and attorney-in-fact for you and for us to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such Innovations. In the event that the foregoing provisions of this section are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Innovations to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on you or your Owners' rights therein. Without limiting the foregoing, you and your Owners also agree to provide and disclose to us any improvements or concepts you and your Owners create and conceive concerning the operation of an I LOVE KICKBOXING Center, and that we and our Affiliates shall own, may use, and may permit others to use any such improvements or concepts without compensation to you or your Owners. Nothing in this Section modifies your obligations to comply with the System and the Manual.

F. Copyright. You hereby acknowledge and agree that the ownership of the Work belongs exclusively to us or our Affiliates and any copyright in respect to the Work belongs to us. In addition, you acknowledge that you have no right to manufacture any component of the Work or duplicate the Work and agree to purchase all components of (or rights of access to) the Work exclusively from us. You have no right to claim any proprietary interest in any of the Work. You must immediately notify us of any known infringement to the Work or to our copyright interest therein. We have the right to control any litigation related to our copyrights or the Work. You agree to assist us, as directed by us, in any claim or action against the infringer.

## **11. TRANSFER OR ASSIGNMENT OF FRANCHISE**

11. You agree that the following provisions govern any transfer or assignment or proposed transfer or proposed assignment:

A. Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Center. Consequently, your interest in this Agreement or in the Center, or any Owner's interest in a franchisee that is a partnership or entity, may not be transferred to or assumed by any other person or entity (the "**transferee**"), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with Section 11.E., and if we do not exercise such right, unless our prior written consent is obtained, and the transfer conditions described in Section 11.C. are satisfied. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting

the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, and other transfer conditions in this Section 11:

(i) Any change or series of changes in the percentage of the franchisee entity owned, directly or indirectly, by the Principal Owner (including any addition or deletion of any person or entity who qualifies as a Principal Owner);

(ii) Any change in the general partner of a franchisee that is a general, limited or other partnership entity; or

(iii) For purposes of this Section 11.A., a pledge or seizure of any ownership interests in you or in any Principal Owner that affects the ownership of 25% or more of you or a Principal Owner, which we have not approved in advance in writing.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in Section 11.E., and if we do not exercise such right, must apply for and obtain our consent to the transfer, and satisfy the transfer conditions described in Section 11.C. In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

You may not place in, on, or upon the location of the Center, any information relating to the sale of the Center, without our prior consent.

B. Consent to Transfer. We may consent or withhold consent to any requested transfer based on our sole discretion. Application for our consent to a transfer and tender of the right of first refusal provided for in Section 11.E. must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other required information. The application must indicate whether you or a Principal Owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer is subject to our prior written approval. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be null and void and will provide us with the right to elect either to default and immediately terminate this Agreement or to collect from you and the guarantors a fee of \$10,000.

C. Conditions of Transfer. We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity upon the following:

(i) Transferee Qualifications. The transferee must meet all of our then-current requirements for the franchise we are offering at the time of the proposed transfer, including having demonstrated the transferee has the personal character, financial assets, and business experience we deem suitable to be successful in our System.

(ii) Payment of Amounts Owed. All amounts owed by you to us or any of our Affiliates, your suppliers or any landlord for the Center premises and Authorized Location, or upon which we or any of our Affiliates have any contingent liability must be paid in full.

(iii) Reports. You must have provided all required reports to us in accordance with Section 9.I.

(iv) Modernization. You must have complied with the provisions of Section 5.F.

(v) Guarantee. In the case of an installment sale for which we have consented to you or any Principal Owner retaining a security interest or other financial interest in this Agreement or the business operated hereunder, you or such Principal Owner, and the guarantors, are obligated to guarantee the

performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

(vi) Consent to Transfer; General Release. You, each Principal Owner, and each guarantor must execute all transfer documents that we require and in the form we designate, which documents will include a general release of all claims arising out of or relating to this Agreement, your Center, or the parties' business relationship; provided, however, that the release will not be inconsistent with any state law regulating franchising.

(vii) Training. The transferee must, at your or the transferee's expense, comply with the training requirements of Section 7.B.

(viii) Financial Reports and Data. We have the right to require you to prepare and furnish to transferee and us such financial reports and other data relating to the Center and its operations as we deem reasonably necessary or appropriate for assignee and us to evaluate the Center and the proposed transfer. You agree that we have the right to confer with proposed transferees and furnish them with information concerning the Center and proposed transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Center and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

(ix) Transfer Fee. The transfer fee is an initial franchise fee and a purchaser of an existing I LOVE KICKBOXING franchise will be required to pay an initial franchise fee. Subject to Section 11.G. below, at our discretion, we may reduce or waive the transfer fee if you make a request to add an Owner.

(x) New Franchise Agreement. If the proposed transfer (or a series of transfers) would result in a change in control of the franchisee, the transferee must execute our then-current form of franchise agreement; and each of transferee's Principal Owners must execute our then-current form of personal guaranty and undertaking, and if applicable, corporate guaranty and undertaking. The parties acknowledge and agree that our then-current form of franchise agreement may be materially different than this Agreement and may include, among other things, different fees. Additionally, in the event of a transfer, we have the unilateral right to change or modify the boundaries of the Designated Area under the new franchise agreement. The Designated Area modification, if any, will be noted in the new franchise agreement issued with respect to the transfer.

(xi) Member Information. You must have provided us with a full and accurate list of your current and prospective members, and at our direction, provide the same to the transferee.

(xii) Social Networking Accounts. You must assign ownership of all Social Networking Accounts associated with the Center to us.

(xiii) Other Conditions. You must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies.

D. Death, Disability or Incapacity. If any individual who is a Principal Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a Principal Owner, such person or entity must apply for our consent under Section 11.B., comply with the training requirements of Section 7.B, and satisfy the transfer conditions under Section 11.C., as in any other case of a proposed transfer, all within one hundred and eighty (180) days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Center still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no Franchise Fee will be payable to us and we will not have a right of first refusal as stated in Section 11.E.

E. Right of First Refusal. If you propose to transfer or assign this Agreement or your interest herein or in the business, in whole or in part, to any third party, including, without limitation, any transfer contemplated by Section 11.D. or any transfer described in Section 11.A., you first must offer to sell to us your interest. In the

event of a bona fide offer from such third party, you must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer. In the event the proposed transfer results from a change in control of the franchisee or a Principal Owner under Sections 11.A.(i) through 11.A.(iii), or your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, you first must offer to sell to us your interest in this Agreement and the land, building, equipment, furniture and fixtures, and any leasehold interest used in the operation of your Center. Unless otherwise mutually agreed to in writing, the purchase price for our purchase of assets in the event of a transfer that occurs by a change in control or insolvency or bankruptcy filing will be established by a qualified appraiser selected by the parties and in accordance with the price determination formula established in Section 14.B. in connection with an asset purchase upon expiration. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If the parties cannot agree upon the selection of such an appraiser, we will select a mediator who will select an appraiser.

You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested. We then have forty-five (45) days from our receipt of the statement setting forth the third-party offer or the appraiser's report and other requested information to accept the offer by delivering written notice of acceptance to you. Our acceptance of any right of first refusal will be on the same price and terms listed in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the forty-five (45)-day period, you will be free for sixty (60) days after such period to effect the disposition described in the statement delivered to us provided such transfer is in accordance with this Section 11. You may effect no other sale or assignment of you, this Agreement or the business without first offering the same to us in accordance with this Section 11.E.

F. Transfer by Us. We have the right to sell or assign, in whole or in part, our interest in this Agreement and you hereby consent to any such sale or assignment.

G. Assignment.

(i) Individual Franchisee. If you are in full compliance with this Agreement, you may submit a request to assign this Agreement to a corporate or other business entity **(i)** which conducts no business other than operating your Center (and if applicable other I LOVE KICKBOXING Centers), **(ii)** in which you maintain management control, **(iii)** of which you own and control 100% of the equity and voting power of all issued and outstanding equity interests and **(iv)** further provided that all assets of the Center are owned, and the entire Center is conducted by a single business entity. Any assignment meeting the conditions in this Section 11.G.i. will not be subject to the conditions in Section 11.C., however, the corporation or other similar entity must execute a document substantially in a form approved by us and substantially in a form attached hereto as Attachment J in which it agrees to become a party to and be bound by all the provisions of this Agreement, to execute and deliver to us a corporate guaranty, and the Principal Owners must agree to remain personally liable under this Agreement. Your request to assign this Agreement must be accompanied by an assignment fee of \$500. This fee is non-refundable and may be collected by us pursuant to the methods set forth in Section 9.F.. The assignment fee will be waived if you submit a request to assign this Agreement pursuant to this Section 11.G.i. within three (3) months of the Effective Date of this Agreement.

(ii) Percentage Ownership. If you are in full compliance with this Agreement, you may submit a request to remove a minority partner, member, or other owner of your business, or to increase or decrease the percentage ownership of any minority partner, member, or other owner of your business. Any change in the percentage ownership of any existing Principal Owner or any change in the percentage ownership of your business that would create a new Principal Owner is considered a transfer and is governed by Section 11.A-C, above. Your request must be accompanied by an assignment fee of \$500. This fee is non-refundable and may be collected by us pursuant to the methods set forth in Section 9.F..

H. Securities Offerings.

(i) No Public Offerings. Neither you nor any of your Owners may issue or sell your securities or the securities of any of your Affiliates if: (1) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or such securities would be owned by more than 35 persons; or (2) after the issuance or sale, you or such Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended.

(ii) Private Placements. You, your Owners, and Affiliates may offer securities or partnership interests, by private offering or otherwise, only with our prior written consent, which will not be unreasonably withheld (except for public offerings prohibited above). All materials required for such offering by federal or state law must be submitted to us for review prior to their being filed with any government agency; and any materials to be used in any exempt offering must be submitted to us for review prior to their use. No offering may imply (by use of the Marks or otherwise) that we are participating in the underwriting, issuance or offer of securities and our review of any offering will be limited solely to the subject of the relationship between you and us. In preparing a prospectus or other offering materials, you must make any changes and incorporate any disclaimers we require with respect to your relationship with us and your use of the Marks. You, Owners and the other participants in the offering must fully indemnify us in connection with the offering. For each proposed offering, you must pay us for our reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. You must give us written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

## 12. DISPUTE RESOLUTION

12. The following provisions apply with respect to dispute resolution:

A. Mediation. Each party agrees to be bound by the provisions of any limitation on the period of time by which claims must be brought under this Agreement or applicable law, whichever expires first.

Before the filing of any proceedings, and except as provided below, the parties agree to first submit their dispute to mediation. Mediation will be conducted by a mediator or mediation program agreed to by the parties and will take place in Simpsonville, South Carolina. Persons authorized to settle the dispute must attend any mediation session. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within thirty (30) days of the notice from the party seeking to initiate the mediation procedures. If not resolved within thirty (30) days, the parties are free to pursue litigation.

B. Injunctive Relief and Collections. Notwithstanding Section 12.A., the parties agree that the following claims will not be subject to arbitration or mediation: **(i)** any action by us for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to our tangible or intangible property, including, without limitation, the Marks, brought at any time, including without limitation, prior to or during the pendency or any arbitration proceeding initiated under Section 12.A.; **(ii)** any action by us in ejectment or for possession of any interest in real or personal property; **(iii)** our decision in the first instance to issue a notice of default or notice of termination, or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between the parties; or **(iv)** any collection action by us for the payment of royalty fees or other amounts owed under this Agreement.

C. Attorneys' Fees. The prevailing party in any litigation, action, or proceeding arising under, out of, in connection with, or in relation to this Agreement or other dispute between the parties, any lease or sublease for the Center or Authorized Location, or the business will be entitled to recover its reasonable attorneys' fees and costs.

### 13. DEFAULT AND TERMINATION AND OTHER REMEDIES

13. The following provisions apply with respect to default and termination:

A. Termination by Us. You are in default if we determine that you or any Principal Owner or guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our Affiliates including, without limitation, any failure to pay fees or other amounts due under this Agreement. We have the right to terminate this Agreement in accordance with the following provisions:

(i) Termination After Opportunity to Cure. Except as otherwise provided in this Section 13.B.: (1) we may terminate this Agreement if you have failed to cure any default under this Agreement within thirty (30) days from the date of our issuance of a written notice of default, other than a failure to pay amounts due or submit required reports, in which case we may terminate this Agreement if you have failed to cure such default within ten (10) days of our issuance of a written notice of default; (2) your failure to cure a default within the applicable cure period will provide us with good cause to terminate this Agreement; (3) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and (4) the termination will be effective immediately upon our issuance of the written notice of termination.

(ii) Automatic Termination without Notice or Opportunity to Cure. In the event that any of the following defaults occur, this Agreement will terminate automatically, without notice and without providing you an opportunity to cure: (1) the filing of a voluntary or involuntary petition for bankruptcy relief by or against you or by or against any Principal Owner or guarantor; (2) your insolvency (meaning your inability to pay debts as and when they become due); (3) your making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

(iii) Immediate Termination with No Opportunity to Cure. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: (1) you failed to pay us the Initial Franchise Fee upon execution of this Agreement; (2) you have failed to identify a mutually acceptable site for the operation of the Center or to open the Center for business within the time period provided by this Agreement; (3) you failed to pay the Grand Opening Marketing Fee when due and owing; (4) you or any Owner has made any material misrepresentation or omission in your franchise application; (5) your voluntary abandonment of the franchised business; (6) the loss of your lease, or the failure to timely cure a default under the lease; (7) the loss of your right of possession or failure to reopen or relocate under Section 5.G.; (8) the closing of the Center by any state or local authorities for health or public safety reasons; (9) any unauthorized use of the Confidential Information; (10) conviction of you, any Principal Owners, or guarantors of (or pleading no contest to) any felony or misdemeanor that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your reputation or the goodwill of the Marks or the Center; (11) you, any Owner, guarantor or an Affiliate of any of you are listed by the United States or United Nations as being a terrorist, financier of terrorism or otherwise restricted from doing business in or with the United States; (12) intentionally understating or underreporting membership sales or any understatement or 2% variance on a subsequent audit within a two (2)-year period under Section 9.I.; (13) any unauthorized transfer or assignment in violation of Section 11; (14) you or any Owner or guarantor defaults under any other agreement between them and us, our Affiliates, or a third party essential to the operation of your Center (such as a landlord, vendor, or supplier), and has not been cured within any applicable cure period; or (15) the occurrence of two (2) or more defaults of the same or similar nature within any twelve (12)-month consecutive period, or the occurrence of four (4) or more defaults, regardless of their nature, within any twenty four (24)-month period, and regardless of whether the previous defaults were timely cured; (15) you have failed to meet the training requirements of Section 7.B. We also have the right to terminate this Agreement, effective upon delivery of written notice of termination, in the event of: (a) termination, on account of your default, of any other franchise agreement between you or your Affiliate, as franchisee, and us, as franchisor, or (b)

abandonment or unauthorized closure of any other Center operated under a franchise agreement between you or your Affiliate, as franchisee, and us, as franchisor.

(iv) Immediate Termination After No More than Seven (7) Days to Cure. In the event that any of the following defaults exist, you will have no more than seven (7) days after we provide written notice of the default to cure the default, and this Agreement will terminate effective immediately on our issuance of written notice of termination: (1) a default occurs that materially impairs the goodwill associated with any of the Marks, violates any health, safety or sanitation law or regulation, or if the operation of the Center presents a health or safety hazard to your members or to the public; (2) a default occurs that involves misuse of our Marks, including the offer or sale of unauthorized products or services at or from the Center premises or in conjunction with the Marks; (3) a default occurs that involves the installation or use of unauthorized equipment at the Center premises; or (4) a default occurs that involves the failure to follow our prescribed workout routines, or the offering of unauthorized workout routines.

(v) Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

B. Termination by You. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement provided that: **(i)** you provide us with written notice of the breach that identifies the grounds for the breach; and **(ii)** we fail to cure the breach within a reasonable time, which will in no event be less than sixty (60) days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective ninety (90) days after our receipt of your written notice of breach. Your termination of this Agreement under this Section will not release or modify your post-term obligations under Sections 10.D. and 14 of this Agreement.

C. Other Remedies. If you fail to identify a site for the Center or open the Center within the time required by this Agreement, or if a default occurs which allows us to terminate this Agreement, in lieu of terminating this Agreement, we may, at our sole option, amend the Franchise Agreement to eliminate any Designated Area protection or reservation provided to you under Section 2.C. of this Agreement. If you are in default under this Agreement, in addition to any other remedies we may have, we have the right to withhold services pending any cure of the default including: **(i)** removing your Center from any website we operate; **(ii)** suspending online enrollment; or **(iii)** suspending our facilitation of the member billing process.

D. Liquidated Damages.

(i) In the event that you prematurely cease operation of the Center in accordance with this Agreement, or if you commit a default that results in early termination of this Agreement, you must pay us, as liquidated damages and not as a penalty, the lesser of \$20,000 or an amount equal to the average monthly fees paid to us over the past twelve (12) months multiplied by the number of months remaining in the then-current Term, reduced to present value at a rate of 6%. The parties acknowledge and agree that such amount represents a reasonable estimate of the damages we will incur as a result of such default and premature termination. If you are party to any other agreement with us to operate one (1) or more other I LOVE KICKBOXING Centers, we have the discretion to deduct some or all of these liquidated damages from any accounts you maintain relating to those I LOVE KICKBOXING Centers. If we elect to deduct any liquidated damages from any other accounts you maintain, we reserve the right to collect these amounts in installments, payable at 6% interest for a term of up to twenty-four (24) months.

(ii) In the event that you sell any products or offer any services that we have not authorized for sale, you must pay us an amount equal to 70% of the gross revenue that you derived from the sale of unauthorized products, and 100% of the gross revenues that you derived from the offer of unauthorized services. We have the right to collect these amounts in the same way as we collect payment of royalty fees. The parties acknowledge and agree that 70% of gross revenue represents a reasonable estimate of the profits you

will derive as a result of selling unauthorized products, and that 100% of gross revenue represents a reasonable estimate of the profits you will derive as a result of offering unauthorized services.

E. Step In Rights. During any period that you are in default of this Agreement, you hereby authorize us, and we shall have the right, but not the obligation, to order the closure of the Center, to operate the Center on your behalf for as long as we deem necessary, and to coordinate the transfer of Memberships to other Centers, all without waiver of any other rights or remedies we may have under this Agreement or applicable law. If we or our representative undertakes to operate the Center pursuant to this Section 13.E., we shall have the right to collect all revenues of the Center, and **(i)** pay from such revenues all operating expenses of the Center including, without limitation, Royalty Fees, Brand Building Fund Fees, local advertising and marketing expenditures, Technology Fees, and all other amounts due under this Agreement, wages, salaries, occupancy costs, and taxes; **(ii)** reimburse ourselves from such revenues any out-of-pocket costs that we incur in connection with providing management services; and **(iii)** pay ourselves or our management services provider a management fee in an amount equal to 5% of Center gross revenues, calculated on a monthly basis.

F. Cross-Default. Any default by you or your Affiliates under any agreement between you or your Affiliates and us or our Affiliates, that is not cured within any applicable cure period, shall be considered a default by you under this Agreement and shall provide us with an independent basis for termination of this Agreement.

#### **14. POST-TERM OBLIGATIONS**

14. Upon the expiration or termination of this Agreement:

A. Reversion of Rights; Discontinuation of Trademark Use. All of your rights to the use of the Marks and all other rights and licenses granted in this Agreement and the right and license to conduct business under the Marks at the Authorized Location will revert to us without further act or deed of any party.

You shall immediately comply with the post-Term non-compete obligations under Section 10.D., cease all use and display of the Marks and of any proprietary material (including the Manual) and of all or any portion of promotional materials furnished or approved by us.

You shall assign all right, title and interest in the telephone numbers for the Center and assign or cancel, at our option, any assumed name rights or equivalent registrations filed with authorities.

You must pay all sums due to us, our Affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our Affiliates.

You must immediately return to us, at your expense, all copies of the Manuals then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of Section 6.H.

If we elect not to assume the Center lease according to the option described in 14.B., below, you shall promptly, at your expense, de-identify the Center premises. For purposes of this provision, “de-identify” means removing or obliterating all Center signage, displays and other materials that bear any of the Marks, confusingly similar trademarks or service marks, the Work, and our copyrighted works, and altering the appearance of the Center so that it no longer resembles a business operating under the System. As of the date of this Agreement, the obligation to de-identify the Center premises also includes, without limitation, the following: removal of any items or signs internally and externally bearing the Marks, removal of the coaching screen system and associated brackets, removal of any brick wall or faux brick wall covering, repainting or recovering of interior walls to remove any trade color wall covering, replacing any trade color floor coverings, wipe or purge computers of any and all heart rate monitor equipment and systems data, and as directed by us, deactivating and deleting, or transferring ownership to us, of the Center’s entire internet presence, including any and all Social Networking Accounts associated with the Center, whether created or inherited by you. If you fail or refuse to comply with the provisions of this paragraph within thirty (30) days, we have the right to enter upon the Center premises, or we may appoint the landlord of your Center to do so on our behalf, without being guilty

of trespass or any other crime or tort, for purposes of de-identifying the Center on your behalf, and you must reimburse us for our costs incurred. We have the right to communicate with the Center's lessor to complete the de-identification, and you agree to reimburse us, whether by direct payment or through our deduction or offset from amounts held by us or our Affiliates. At our discretion, we may charge you or otherwise withhold from payments due to you a reasonable estimate of our costs in advance of performing such de-identification in the event you do not comply with your obligations.

You are responsible for reimbursing members for all pre-paid services not rendered.

Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our Affiliates that expressly or by their nature survive the expiration or termination of this Agreement.

**B. Option to Assume Lease; Assume Telephone Numbers and Membership Contracts, and Purchase Assets.** Upon termination or expiration of this Agreement, we will have the option (but not the obligation) to do any or all of the following: *(i)* assume your Lease for the Center premises; *(ii)* assume all telephone numbers used in connection with the operation of the Center; *(iii)* assume all utilities used in connection with the operation of the Center; and *(iv)* assume your rights and interest in and to any Membership Contract to which you are a party, by delivering to you written notice of our election within thirty (30) days after termination or expiration of this Agreement.

Upon termination or expiration of this Agreement, we also will have the option, to purchase any or all of the assets used in connection with the operation of the Center including, without limitation, equipment, fixtures, signage, furnishings, and supplies. The purchase price for the assets will be determined by a qualified appraiser selected with the consent of both parties, provided we give you written notice of our preliminary intent to exercise our purchase rights under this Section 14.B. within thirty (30) days after the date of the expiration or termination of this Agreement. If the parties cannot agree upon the selection of an appraiser(s), each party will appoint their own appraiser and the two appraisers will select a neutral appraiser, who will independently perform the appraisal. Within forty-five (45) days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner. We and you will each pay one-half of the appraiser's fees and expenses. Our interest in the assets of the Center that are owned by you or your Affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your Affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your Affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefore, and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

You must execute all additional documentation that we designate to give effect to the options described in this Section 14.B. We may assign our option rights to any person of our choice.

**C. Claims.** You and your Principal Owners and guarantors may not assert any claim or cause of action against us or our Affiliates relating to this Agreement or the business contemplated under this Agreement after the shorter period of the applicable statute of limitations or one (1) year following the effective date of termination or expiration of this Agreement; provided that where the one (1)-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

## **15. GENERAL PROVISIONS**

15. The parties agree to the following provisions:

A. Severability. Should one (1) or more clauses of this Agreement be held void or unenforceable for any reason by any arbitrator or court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify the Marks, System, Manual, and to designate the Authorized Location and Designated Area as stated in this Agreement, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the addenda and appendices and the application form executed by you requesting us to enter into this Agreement constitute the sole agreement between the parties with respect to the entire subject matter of this Agreement and embody all prior agreements and negotiations with respect to the business. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your business. There are no representations or warranties of any kind, express or implied, except as contained in this Agreement and in the aforesaid application. Nothing in this Agreement is intended to disclaim the representations we have made in our Franchise Disclosure Document.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for in this Agreement must be in writing and signed by the party serving the same and **(i)** delivered personally; or **(ii)** delivered by a reputable overnight service (such as FedEx); or **(iii)** deposited in the United States mail, service or postage prepaid (and if such notice is a notice of default or of termination, by registered or certified mail), and addressed as follows:

1. If intended for us, addressed to CEO, 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, 847 NE Main Street, Simpsonville, SC 29681, with a copy marked to the attention of the General Counsel at the same address;

2. If intended for you, addressed to you at Address for Notices set forth on the Summary Pages or at the Authorized Location; or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Section. Notwithstanding the foregoing, we may also provide notice and communications to you, other than a notice of default or termination, by electronic means (including, without limitation, by facsimile, email, or through any electronic communications system we designate for the System).

D. Authority. Any modification, consent, approval, authorization or waiver granted in this Agreement required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by an authorized officer.

E. References. If the franchisee is two (2) or more persons, the persons are jointly and severally liable, and references to you in this Agreement includes all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

F. Guarantee. All Owners of a franchisee that is a corporation, partnership, limited liability company or partnership, or other legal entity, must execute the personal guaranty and undertaking in the form attached at Attachment C-1 and the corporate guaranty in the form attached at Attachment C-2 to this Agreement. At our request, the spouse of an Owner of a franchisee as described in the foregoing sentence must execute the personal guaranty and undertaking in the form attached at Attachment C-1 to this Agreement. Any person or entity that

at any time after the date of this Agreement becomes an Owner pursuant to the provisions of Section 11 or otherwise must execute the personal guaranty and undertaking in the form attached at Attachment C-1 and the corporate guaranty in the form attached at Attachment C-2 to this Agreement.

G. Successors/Assigns. Subject to the terms of Section 11 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

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

(i) Applicable Law and Waiver. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 12 of this Agreement, all claims arising out of or relating to this Agreement and the parties' relationship will be governed by, and will be interpreted in accordance with, the substantive laws of the state where our corporate headquarters are located (currently, South Carolina) (irrespective of any conflicts of laws); provided that any law or regulation applicable to the offer or sale of franchises or the franchise relationship will apply only if the jurisdictional provisions of the law are otherwise met.

(ii) Our Rights. Whenever this Agreement provides that we have 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, although this right does not modify any express limitations stated in this Agreement.

(iii) Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree 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. You acknowledge that we shall have no liability to you for the exercise of our Reasonable Business Judgment. IF WE TAKE ANY ACTION OR CHOOSE NOT TO TAKE ANY ACTION IN OUR DISCRETION WITH REGARD TO ANY MATTER RELATED TO THIS AGREEMENT AND ITS ACTION OR INACTION IS CHALLENGED FOR ANY REASON, THE PARTIES EXPRESSLY DIRECT THE TRIER OF FACT THAT OUR RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF OUR DISCRETION IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF OUR DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR OUR DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

(iv) Drafting Party. The parties acknowledge that each party and its counsel have reviewed this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties, and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement or any amendments or exhibits attached hereto.

I. Venue. Except as expressly provided in Section 12, any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties must be brought in the Federal District Court for the District where our corporate headquarters are located (currently, the District of South Carolina) or in the state court with jurisdiction where our corporate headquarters are located (currently, Greenville County Court of Common Pleas, Greenville, South Carolina). Both parties irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this Section will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Section, and with a complete understanding thereof, agree to be bound in the manner set forth.

J. Jury Trial Waiver. All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in

**connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement.**

K. **Waiver of Punitive, Consequential Damages and other Special Damages. With the exception of our right to seek indemnification for third party claims as set forth in this Agreement and our right to seek recovery of lost future profits as a common law remedy for premature termination of this Agreement, the parties hereby waive to the fullest extent permitted by law any right to or claim of any loss of revenues, loss of profits, loss of time, inconvenience, loss of use, or any other incidental, special, indirect, exemplary, punitive, or consequential loss against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of any actual damages sustained by the party.**

L. **Relationship of the Parties.** The parties' relationship is that of independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other 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.

M. **Adaptations and Variances.** Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the equipment offerings and other standards, specifications, and requirements for any franchised Center or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such Center, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard operations, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that our other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

N. **Notice of Potential Profit.** We and our Affiliates may from time to time make available to you supplies, equipment, products and services for use in your Center on the sale of which we or our Affiliates may make a profit. Further, we and our Affiliates may from time to time receive consideration from suppliers and manufacturers in respect to sales of supplies, equipment, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and our Affiliates are entitled to said profits and consideration.

O. **Force Majeure.** If a party's default under this Agreement (other than your obligations with respect to insurance and indemnification, to obtain a site and open the Center within a specified period, and to pay all fees and other amounts due to us and our Affiliates under this Agreement and any other agreement between you and us or our Affiliates), is caused in whole or in part by a force majeure, such default and any right of the other party to terminate this Agreement for such default is suspended for as long as the default is reasonably caused by such force majeure. Any suspension is effective only from the delivery of a notice of the force majeure to the other party stating the party's intention to invoke the force majeure. However, if such suspension continues for longer than six (6) months and the default still exists, either party has the right to terminate this Agreement upon thirty (30) days' notice to the other party. Events of force majeure are those that cannot be prevented, avoided or removed by the party invoking the force majeure despite the exercise of reasonable diligence, including acts of God, actions of the elements, lockouts, wars, riots, acts of terrorism, civil commotion, and acts of governmental authorities (not including a governmental authority's delaying or refusing to grant building permits, licenses and other permissions and approvals), and except as specifically provided for elsewhere in this Agreement.

P. **Your Representations to Us.** As an inducement to us to grant you the franchise contemplated by this Agreement, you hereby acknowledge and represent to us the following (and agree to notify us immediately in writing upon the occurrence of any act or event that would render any representation incorrect):

(i) **Corporate Ownership.** If you are a corporation, limited liability company, partnership or similar entity, you and each of your Owners represents and warrants that your ownership is completely and accurately listed on the Summary Page and that you will provide us with updated ownership information so that at all times the ownership information is current, complete and accurate. In addition, you represent and warrant that: (1) you are duly organized, in good standing and authorized to conduct business in your state of incorporation and the state where the Center is located; (2) you will confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Center or another Center under a Franchise Agreement with us; (3) all assets used in the operation of the Center are owned or leased by you; and (4) you have and will maintain stop transfer instructions on your records against the transfer of equity securities except in compliance with this Agreement and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

(ii) **Patriot Act.** You represent, warrant and certify that none of you, your Affiliates, officers or directors or holders of any equity interest in you is or will be named as a “specially designated national” or “blocked person” (or other similar classification) as designed by the United States Department of The Treasury’s Office of Foreign Assets Control (or other applicable governmental agency).

(iii) **Applicable Laws.** You acknowledge that there may be Applicable Laws that may affect the operation of the Center, that may conflict with your obligation to comply with our Standards, and that may negatively impact the financial performance of the Center. It is solely your responsibility, both prior to and after purchasing the franchise, to identify, understand and comply with all Applicable Laws. In entering into this Agreement, you are not relying in any way upon any representation or warranty (express or implied) by us or anyone associated with us that our System or Standards complies with Applicable Laws.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the dates written below.

**FRANCHISEE:** (For an entity)

**FRANCHISEE:** (For an individual)

Name of Entity: \_\_\_\_\_

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

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

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

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

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING

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

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

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

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

**Attachment A to the Franchise Agreement**

**DESIGNATED AREA**

**A. AUTHORIZED LOCATION.** The **Authorized Location** means the following area:

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**B. DESIGNATED AREA.** The **Designated Area** means the following area:

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If the Designated Area is not identified as of the date of this Franchise Agreement, we will determine the Designated Area when you sign the lease for the Authorized Location. The Designated Area will be an area of **up to three (3) miles** from the Authorized Location as we determine in our sole judgment after a review of relevant factors (see Section 2.C.).

The Designated Area may overlap with designated areas of other Centers. In the overlapping areas, each Center is permitted to market and solicit for members (see Section 6.B.). Once identified by us, the Designated Area is fixed for the Term of the Franchise Agreement unless you relocate the Center and upon renewal or transfer (see Sections 4.B., 5.G., and 11.C.). The driving miles are fixed as of the date the Designated Area is determined by us and based on our mapping program used at the time the Designated Area is determined. No Designated Area will be enlarged due to any future road construction or other alteration.

**FRANCHISEE:** (For an entity)

**FRANCHISEE:** (For an individual)

Name of Entity: \_\_\_\_\_

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

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

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

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

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING

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

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

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

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

**Attachment B to the Franchise Agreement**

**INFORMATION RELEASE CONSENT**

The undersigned entered into a Franchise Agreement for the operation of an I LOVE KICKBOXING Center under a license from 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING. In connection with the Franchise Agreement, I authorize 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING to discuss with and obtain information from the third party providers for any I LOVE KICKBOXING Center owned or guaranteed by my Principal Owners (directly or indirectly), including: (1) the landlord of the Center, (2) any lender providing financing for the Center or that holds any security interest in any of the assets of the Center or in the Franchisee (if a corporate entity), and (3) any other vendor or supplier for the Center. I authorize such persons to provide information regarding the I LOVE KICKBOXING Center to 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING.

**FRANCHISEE:** (For an entity)

**FRANCHISEE:** (For an individual)

Name of Entity: \_\_\_\_\_

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

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

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

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

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

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

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

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

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

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

**Attachment C-1 to the Franchise Agreement**  
**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND**  
**PERSONALLY BY THE TERMS AND CONDITIONS**  
**OF THE FRANCHISE AGREEMENT**

1. I have read the Franchise Agreement between 9ROUND HOLDING COMPANY, LLC d/b/a I LOVE KICKBOXING (the “**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”). Capitalized terms will have the meanings ascribed to them in the Franchise Agreement unless otherwise defined herein.
2. I recognize that this is a separate agreement from the Franchise Agreement, and I will read, consider, and sign this as such.
3. I own, or my spouse owns, as the case may be, a beneficial interest in the Franchisee and would be considered an “**Owner**” within the definition contained in Franchise Agreement.
4. I understand that, were it not for this Personal Guaranty and Undertaking (the “**Guaranty**”), Franchisor would not have agreed to enter into the Franchise Agreement with Franchisee.
5. This Guaranty operates to bind the individuals, and, as applicable, their spouses, associated with the entity, and as such, is meant to bind me in my individual capacity for any obligations outstanding to Franchisor.
6. If there are multiple owners of this Franchise, each signatory becomes jointly and severally liable for the obligations under the terms of the Franchise Agreement. I understand that fellow owners and I become co-guarantors.
7. Upon signature of this Guaranty, this Guaranty becomes a valid component of the Franchise Agreement and is therefore enforceable. This Guaranty is in addition to the Franchise Agreement and does not negate nor override any provisions of the Franchise Agreement.
8. I will personally comply with the provisions contained in Section 3 of the Franchise Agreement concerning the Franchisee’s use of Franchisor’s Marks (as that term is defined in the Franchise Agreement). I understand that, except for the license granted to the Franchisee, I have no individual right to use the Marks and I have no ownership interest in the Marks.
9. I will personally comply with all of the provisions contained in Section 6 of the Franchise Agreement concerning the use of the Manual and Confidential Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except **(a)** to the Franchisee’s employees on a need to know basis, **(b)** to the Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and **(c)** as otherwise may be required by law.
10. I will personally comply with all of the provisions contained in Section 11 of the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.
11. While I am an Owner of the Franchisee and, for a eighteen (18)-month period after I cease to be an Owner (or eighteen (18) months after termination or expiration (without renewal) of the Franchise Agreement, whichever occurs first), I will not:
  - (a)** Divert or attempt to divert any present, prospective, or former member of any I LOVE KICKBOXING Center to any competitor or do anything to harm the goodwill associated with the Marks and the System; or
  - (b)** Own, operate, lease, franchise, engage in, be connected with, have any interest in, or assist any person or entity engaged in any big-box center or club, or any fitness center, club, studio, online fitness service, or exercise facility featuring boxing, kickboxing or a circuit training program that is located at or within a ten (10)-mile radius of the former Authorized Location, that is located within a ten (10)-mile radius of any other I LOVE KICKBOXING Center in operation or under construction, or that is located in the

Designated Area of any other I LOVE KICKBOXING franchisee. This time period will be tolled during any period of my noncompliance and it may be extended at the Franchisor's sole discretion.

12. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant included within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

13. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

14. All judicial proceedings brought against Franchisee arising out of or relating to this Guaranty, the Franchise Agreement, or any other agreements, shall be brought in accordance with applicable law provisions of the Franchise Agreement.

15. I agree that the provisions contained in Section 12 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

16. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement.

17. I will pay all amounts due under this Guaranty within fourteen (14) calendar days after receiving notice from Franchisor that the Franchisee has failed to make the required payment. I understand and agree that Franchisor need not exhaust its remedies against Franchisee before seeking recovery from me under this Guaranty.

18. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

19. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND THE OFFER OR GRANT OF THE FRANCHISE.**

20. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

21. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one (1) business day after electronically confirmed transmission by facsimile or other electronic system; one (1) business day after delivery by Express Mail or other recognized, reputable overnight courier; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

It is further understood and agreed by the undersigned that the provisions, covenants, and conditions of this Guaranty will inure to the benefit of my successors and assigns.

Intending to be legally bound, I have executed this Guaranty on the date set forth below.

**FRANCHISEE:** \_\_\_\_\_(insert name of entity)

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

**PERSONAL GUARANTORS:**

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Individually

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Print Name

---

Address

---

City      State      Zip Code

---

Telephone

---

Individually

---

Print Name

---

Address

---

City      State      Zip Code

---

Telephone

**Attachment C-2 to the Franchise Agreement**

**CORPORATE GUARANTY**

Contemporaneous with the execution of this Corporate Guaranty \_\_\_\_\_ (“**Franchisee**”) is entering into a franchise agreement (“**Franchise Agreement**”) with 9ROUND HOLDING COMPANY, LLC d/b/a I LOVE KICKBOXING (“**Franchisor**”) for the operation of an I LOVE KICKBOXING franchised business \_\_\_\_\_ (“**Center**”). The undersigned (“**Guarantor**”) controls, is controlled by, or is under common control with Franchisee, and will receive a material benefit from Franchisee’s operations of the Center under the Franchise Agreement.

In consideration for such material benefit, and as an inducement for Franchisor to enter into the Franchise Agreement, and for other good and valuable consideration, the undersigned, for itself and its successors and assigns, hereby becomes surety and guarantor for the payment of all amounts and the performance of terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the dispute resolution provisions of the Agreement.

The undersigned acknowledges that, were it not for this guaranty, Franchisor would not have agreed to enter into the Franchise Agreement with franchisee.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by franchisee’s insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned; and (3) Franchisor may deduct any amounts owed by Franchisee from the monies Guarantor’s billing and payment processor collects on its behalf and Guarantor hereby authorizes the billing and payment processor to deduct such amounts and to pay those amounts to Franchisor.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this guaranty will inure to the benefit of our successors and assigns.

**GUARANTOR:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**ACKNOWLEDGED BY FRANCHISEE:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**Attachment D to the Franchise Agreement**

Electronic Transfer of Funds Authorization

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

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

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

NEW	CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, its parent company, designated billing provider or any affiliated entity (collectively, "I LOVE KICKBOXING"), to initiate weekly ACH debit entries against the account of the undersigned with you in payment of amounts for continuing fees, such as Royalty Fees, technology fees, and marketing fees or other amounts that become payable, by the undersigned, to I LOVE KICKBOXING. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by I LOVE KICKBOXING. This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization. Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

Sincerely yours,

\_\_\_\_\_

Bank Name

\_\_\_\_\_

Branch

\_\_\_\_\_

Street Address

\_\_\_\_\_

City                      State                      Zip Code

\_\_\_\_\_

Bank Telephone Number

\_\_\_\_\_

Routing Number

\_\_\_\_\_

Account Number

\_\_\_\_\_

Account Name

\_\_\_\_\_

Street Address

\_\_\_\_\_

City                      State                      Zip Code

\_\_\_\_\_

Telephone Number

SIGNATURE: \_\_\_\_\_

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

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

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

**Attachment E to the Franchise Agreement  
LEASE ADDENDUM**

This Lease Addendum (“**Addendum**”) dated \_\_\_\_\_, 20\_\_\_\_, is entered into between \_\_\_\_\_ (“**Landlord**”), and \_\_\_\_\_ (“**Tenant**”).

**BACKGROUND**

- A. The parties have entered into a Lease Agreement, dated \_\_\_\_\_ (the “**Lease**”) for the premises located at \_\_\_\_\_ (the “**Premises**”).
- B. Tenant has agreed to use the Premises only for the operation of a I LOVE KICKBOXING Center pursuant to a franchise agreement (“**Franchise Agreement**”) with 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING (“**ILKB**”).
- C. The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum.

**AGREEMENT**

1. Remodeling and Décor; Maintenance. Landlord agrees to allow Tenant to remodel, equip, paint and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises pursuant to the Franchise Agreement and any successor Franchise Agreement. Landlord agrees to cooperate and allow ILKB to enter the Premises, without cost and without being guilty of trespass or any other crime or tort and without incurring any liability to Landlord, to repair or replace any equipment, signage, similar items or to perform any maintenance on the Premises.
2. Assignment. Tenant has the right to assign all of its right, title and interest in the Lease to ILKB or its successor, or either company’s affiliates, at any time during the term of the Lease, including any extensions or renewals, without first obtaining Landlord’s consent, and Landlord agrees not to impose an assignment fee or similar assessment or to increase or accelerate rent under the Lease, in connection with such Assignment. No assignment will be effective, however, until ILKB or its successor or designated affiliate gives Landlord written notice of its acceptance of the assignment. If ILKB elects to assume the lease under this paragraph or unilaterally assumes the lease as provided for in subparagraphs 3(c) or 4(a), Landlord and Tenant agree that **(i)** Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption, and **(ii)** ILKB will have the right to sublease the Premises to another I LOVE KICKBOXING franchisee, without further need for Landlord approval, provided the franchisee agrees to operate the Center as an I LOVE KICKBOXING Center pursuant to a franchise agreement with ILKB. ILKB will be responsible for the lease obligations incurred after the effective date of the assignment.
3. Default and Notice.
  - (a) In the event there is a default or violation by Tenant under the terms of the Lease, Landlord agrees to give Tenant and ILKB written notice of such default or violation within a reasonable time after Landlord knows of its occurrence. Landlord agrees to provide ILKB the written notice of default as written and on the same day Landlord gives it to Tenant. Although ILKB is under no obligation to cure the default, ILKB will notify Landlord if it intends to cure the default and unilaterally assume Tenant’s interest in the lease as provided in Paragraph 3(c). ILKB will have an additional fifteen (15) days from the expiration of Tenant’s cure period in which to cure the default or violation.

- (b) All notices to ILKB must be sent by registered or certified mail, postage prepaid, to the following address:

9Round Holding Company, LLC d/b/a  
I LOVE KICKBOXING  
847 NE Main Street  
Simpsonville, SC 29681  
864-962-4600  
legal@strikingbrands.com

ILKB may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees to notify both Tenant and ILKB of any change in Landlord's mailing address to which notices should be sent.

- (c) Upon Tenant's default and failure to cure a default under either the Lease or the Franchise Agreement, ILKB has the right (but not the obligation) to unilaterally assume Tenant's interest in the Lease in accordance with Paragraph 2.

4. Termination or Expiration.

- (a) Upon the expiration or termination of the Franchise Agreement, ILKB has the right (but not the obligation) to unilaterally assume Tenant's interest in the Lease in accordance with Paragraph 2.
- (b) Upon the expiration or termination of the Lease, if ILKB does not assume Tenant's interest in the Lease, Landlord agrees to cooperate and allow ILKB to enter the Premises, without cost and without being guilty of trespass or any other crime or tort and without incurring any liability to Landlord, to remove all signs and all other items identifying the Premises as an I LOVE KICKBOXING Center and to make such other modifications as are reasonably necessary to protect the marks and system, and to distinguish the Premises from I LOVE KICKBOXING Centers. As of the date of this Addendum, the modifications include, without limitation, the following: removal of any items or signs internally or externally bearing the Marks, removal of coaching screen system and associated brackets, removal of any brick wall or faux brick wall covering, repainting or recovering of interior walls to remove any trade color wall covering, replacing any trade color floor coverings. In the event I LOVE KICKBOXING exercises its option to purchase assets of Tenant, Landlord agrees to permit ILKB to remove all such assets being purchased by ILKB. Landlord agrees not to assert a lien or priority on any items or property which are necessary to remove from the Premises for de-identification of the Premises.

5. Consideration; No Liability.

- (a) Landlord acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement and that Tenant may not lease the Premises without this Addendum.
- (b) Landlord acknowledges that Tenant is not an agent or employee of ILKB and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind ILKB or any affiliate of ILKB and that Landlord has entered into this Addendum with full understanding that it creates no duties, obligations, or liabilities of or against ILKB or any affiliate of ILKB.
- (c) Nothing contained in this Addendum makes ILKB or its affiliates a party or guarantor to the Lease, and does not create any liability or obligation of ILKB or its affiliates.

6. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained ILKB's written consent.

7. Reaffirmation of Lease. Except as amended or modified by this Addendum, all terms, conditions, and covenants of the Lease remain in full force and effect.

8. Miscellaneous.

- (a) ILKB is a third-party beneficiary of this Addendum, with independent rights of enforcement.
- (b) References to the Lease and to the Franchise Agreement include all amendments, addenda, extensions, and renewals to the documents.
- (c) References to Landlord, Tenant, and ILKB include the successors and assigns of each of the parties.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date written above.

TENANT:

LANDLORD:

\_\_\_\_\_

\_\_\_\_\_

Agreed and Acknowledged by  
9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING:

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

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

**Attachment F to the Franchise Agreement**  
**TELEPHONE NUMBER ASSIGNMENT AGREEMENT**

THIS TELEPHONE ASSIGNMENT AGREEMENT by and between the franchisee identified below (the “**Franchisee**”) and 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING (hereinafter “**ILKB**”).

**BACKGROUND:**

- A. ILKB owns the proprietary system (the “**System**”) for the operation of a boxing and kickboxing center under the trademark and logo I LOVE KICKBOXING™ (the “**Center**”);
- B. Franchisee has been granted a franchise to operate a Center pursuant to a Franchise Agreement and in accordance with the System;
- C. In order to operate its Center, the Franchisee will be acquiring one or more telephone numbers, telephone listings and telephone directory advertisements; and
- D. As a condition to the execution of the Franchise Agreement, ILKB has required that the Franchisee collaterally assign all of its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements to the ILKB in the event of expiration or termination of the Franchise Agreement.

**AGREEMENT**

In consideration of the foregoing, the mutual premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assignment. In the event of expiration or termination of the Franchise Agreement, and in order to secure continuity and stability of the operation of the Center, Franchisee hereby sells, assigns, transfers and conveys to the ILKB all of its rights, title and interest in and to all telephone numbers, telephone listings and telephone directory advertisements used in connection with the operation of the Center; provided, however, such Assignment will not be effective unless and until the Franchise Agreement has expired or is terminated in accordance with the provisions thereof and ILKB has delivered to Franchisee written notice of acceptance of the assignment. In the event of such assignment, ILKB assumes no liability for monies owed or other liabilities relating to the telephone numbers, telephone listings, and telephone directory advertisements that have accrued prior to the effective date of the assignment.

Franchisee hereby grants to ILKB an irrevocable power of attorney and appoint ILKB as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and Franchisee agrees that the telephone companies may accept this assignment and ILKB’s instructions as conclusive evidence of its rights in the telephone numbers and our authority to direct the amendment, termination or transfer of the telephone numbers, as if they had originally been issued to ILKB. In addition, Franchisee agrees to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by ILKB regarding the assignment contemplated in this Assignment.

2. Representation and Warranties of the Franchisee. Franchisee hereby represents, warrants and covenants to the ILKB that: (a) As of the effective date of the Assignment, all of Franchisee’s obligations and indebtedness for telephone, telephone listing services and telephone directory advertisement services will be paid and current; (b) As of the date hereof, Franchisee has full power and legal right to enter into, execute, deliver and perform this Agreement; (c) This Agreement is a legal and binding obligation of Franchisee, enforceable in accordance with the terms hereof; (d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which Franchisee is a party or by which Franchisee is bound, and no consent of

nor approval by any third party is required in connection herewith; and (e) Franchisee has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements, and Franchisee has obtained all necessary consents to this Assignment.

3. Cancellation. Notwithstanding the foregoing, ILKB may, in its sole discretion and at any time prior to effectiveness of the assignment, declare this Agreement and the assignment contemplated hereunder null and void.

4. Miscellaneous. The validity, construction and performance of this Assignment is governed by the laws of the State of South Carolina. All agreements, covenants, representations and warranties made herein will survive the execution hereof. All rights of the ILKB inure to its benefit and to the benefit of its successors and assigns.

IN WITNESS WHEREOF, each of the parties has executed this Assignment as of the Effective Date of the Franchise Agreement.

**FRANCHISEE:** (For an entity)

**FRANCHISEE:** (For an individual)

Name of Entity: \_\_\_\_\_

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

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

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

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

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

## Attachment G to the Franchise Agreement

### MEMBERSHIP CONTRACT ASSIGNMENT AGREEMENT

THIS MEMBERSHIP CONTRACT ASSIGNMENT AGREEMENT by and between the franchisee identified below (the “**Franchisee**”) and 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING (hereinafter “**ILKB**”).

#### BACKGROUND:

- A. ILKB has developed and owns the proprietary system (the “**System**”) for the operation of a boxing and kickboxing center under the trademark and logo, I LOVE KICKBOXING™ (the “**Center**”);
- B. Franchisee has been granted a franchise to operate a Center pursuant to a certain Franchise Agreement and in accordance with the System;
- C. During the term of the franchise, Franchisee will be entering into membership contracts with Center members permitting them access to the Center facilities and, where applicable, to on-demand streaming services (the “**Membership Contracts**”); and
- D. As a condition to the execution of the Franchise Agreement, ILKB has required that Franchisee collaterally assign all of its right, title and interest in the Membership Contracts to ILKB in the event of expiration or termination of the Franchise Agreement;

#### AGREEMENT

In consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assignment. In the event of expiration or termination of the Franchise Agreement, and in order to secure continuity and stability of the operation of the Center, Franchisee hereby sells, assigns, transfers and conveys to the ILKB all of its rights, title and interest in and to all Membership Contracts; provided, however, such Assignment will not be effective unless and until the Franchise Agreement has expired or is terminated in accordance with the provisions thereof and ILKB has delivered to Franchisee written notice of its acceptance of the assignment. In the event of such assignment, ILKB will assume no liability for monies owed or other liabilities relating to the Membership Contracts that have accrued prior to the effective date of the assignment.
2. Representation and Warranties of the Franchisee. Franchisee hereby represents, warrants and covenants to ILKB that:
  - (a) As of the effective date of the Assignment, all of Franchisee’s obligations under the Memberships Contracts have been satisfied;
  - (b) As of the date hereof, Franchisee has full power and legal right to enter into, execute, deliver and perform this Agreement;
  - (c) This Agreement is a legal and binding obligation of Franchisee, enforceable in accordance with the terms hereof;
  - (d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which Franchisee is a party or by which Franchisee is bound, and no consent of nor approval by any third party is required in connection herewith; and
  - (e) Franchisee has the specific power to assign and transfer its right, title and interest in its Membership Contracts and Franchisee has obtained all necessary consents to this Assignment.

3. Cancellation. Notwithstanding the foregoing, ILKB may, in its sole discretion and at any time prior to effectiveness of the assignment, declare this Agreement and the assignment contemplated hereunder null and void.

4. Miscellaneous. The validity, construction and performance of this Assignment is governed by the laws of the State of South Carolina. All agreements, covenants, representations and warranties made herein will survive the execution hereof. All rights of the ILKB inure to its benefit and to the benefit of its successors and assigns.

IN WITNESS WHEREOF, each of the parties has executed this Assignment as of the Effective Date of the Franchise Agreement.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**Attachment H to the Franchise Agreement**

**STEP UP PROGRAM ADDENDUM**

This Step up Program Addendum (“**Step Up Program Addendum**”) is made between 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, a South Carolina limited liability company with its principal business located at 847 NE Main Street, Simpsonville, South Carolina 29681 (“**we**”, “**us**”, or “**our**”), and the Franchisee identified on the Summary Page (“**you**” or “**your**”), to be effective on the Effective Date identified on the Summary Page of this Agreement, as defined below.

**BACKGROUND**

A. Franchise Agreements.

(i) You, your Affiliate, or one or more of your Owners, are a party to the following franchise agreement(s) (the “**Existing Franchise Agreement(s)**”):

<i>Existing Franchise Agreement No.</i>	<i>Existing Franchise Agreement Effective Date</i>	<i>Existing Franchise Agreement Expiration Date</i>	<i>Center Address</i>

(ii) Contemporaneously with the execution of this Step Up Program Addendum, you are entering into:

- 2nd Franchise Agreement for an initial franchise fee of \$15,000, or
- 3rd Franchise Agreement for an initial franchise fee \$15,000, or
- 4th and each additional Franchise Agreement for an initial franchise fee of \$15,000,

I LOVE KICKBOXING then-current franchise agreement (the “**Franchise Agreement**”) pursuant to our Step Up Program to develop and operate an additional new Center.

B. The Center licensed under the Franchise Agreement constitutes the “**Development Center**”.

C. The parties mutually desire enter into this Step Up Program Addendum in order to clarify certain obligations under the Franchise Agreement, as they relate to the Development Center.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

**AGREEMENT**

1. Definitions. Capitalized terms will have the meanings ascribed to them in the Franchise Agreement unless otherwise defined herein. The term “**this Agreement**” refers to the Franchise Agreement modified by this Addendum.

2. Initial Franchise Fee. The initial franchise fees applicable to the second Development Center Franchise Agreement will be \$15,000, the initial franchise fee applicable to the third Development Center Franchise Agreement will be \$15,000, and the initial franchise fee applicable to the fourth and each additional Development Center Franchise Agreement thereafter will be \$15,000.

3. Opening Schedule. With respect to the Development Center, and for the avoidance of doubt, the site selection and opening timelines stated in this Agreement apply.

4. Failure to Meet Opening Schedule. If any deadline in Section 3 above is not met and if the Development Center developed under this Agreement is not open and operating at the time of the failure,

we may, at our sole and unilateral option, **(i)** terminate this Agreement; and **(ii)** amend this Agreement to eliminate the designated protection afforded by Sections 2.B. and 2.C. of this Agreement.

5. Initial Training. As you are an existing Franchisee of the System, the Franchisor will act in good faith when determining the training requirements set forth under Section 7.B. of this Agreement. For the avoidance of doubt, the forgoing does not alter any Ongoing Training requirements, which the parties have agreed are subject to change.

6. Ratification. All other terms and conditions of this Agreement are hereby ratified and confirmed.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**Attachment I to the Franchise Agreement**  
**I LOVE KICKBOXING**  
**ASSIGNMENT AND CONSENT AGREEMENT**  
**(Individual to Entity)**

THIS ASSIGNMENT AND CONSENT AGREEMENT is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ (the “**Effective Date**”), by and among:

- **9Round Holding Company, LLC d/b/a I LOVE KICKBOXING**, a South Carolina limited liability company with its principal address at **847 NE Main Street, Simpsonville, SC 29681** (“**Franchisor**”);
- \_\_\_\_\_, address at \_\_\_\_\_ (“**Owner**”); and
- \_\_\_\_\_, a \_\_\_\_\_ with its principal address at \_\_\_\_\_ (“**New Entity**”).

**BACKGROUND**

- A. Owner, in his or her individual capacity, and Franchisor entered into a Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”), pursuant to which Owner was granted the right to operate an I LOVE KICKBOXING Center with a Preliminary Designated Area of \_\_\_\_\_ (the “**Center**”).
- B. Owner has formed New Entity for the purpose of operating the Center and desires to assign the Franchise Agreement to New Entity. Under the terms of the Franchise Agreement, Franchisor must consent in writing to the assignment.
- C. Franchisor is willing to consent to the assignment on the terms and conditions set forth in this Agreement.

THEREFORE, the parties agree as follows:

**AGREEMENT**

1. Assignment and Assumption. Owner assigns to New Entity all right, title, and interest in and to the Franchise Agreement and Center. New Entity unconditionally assumes and accepts the assignment of the Franchise Agreement and Center, and agrees to be bound by all the duties, obligations, and liabilities of Existing Entity under the Franchise Agreement.
2. Representations and Ownership. Owner and New Entity represent and warrant to Franchisor that they have completed all documentation and transactions necessary to transfer the Franchise Agreement and Center to New Entity. New Entity represents and warrants to Franchisor that the following individuals are the owners of New Entity:

Name of Owner	Percentage of Ownership in New Entity (total must equal 100%)
	%
	%

	%
<b>Total</b>	<b>100%</b>

3. Personal Guaranty. Owner, as Personal Guarantor under the Franchise Agreement and as owner of New Entity, must execute the personal guaranty attached as Exhibit A to this Agreement (the “**Personal Guaranty**”).
4. Corporate Guaranty. New Entity must execute the corporate guaranty attached as Exhibit B to this Agreement (the “**Corporate Guaranty**”).
5. Consent to Assignment. Franchisor hereby waives its right of first refusal and any option to purchase the Business in connection with this transaction and consents to the assignment to New Entity, subject to all the terms and conditions of this Agreement. Franchisor’s consent to the assignment is not a waiver of any rights or a release under the Franchise Agreement and is not a consent to any additional or subsequent assignments or transfers.
6. Miscellaneous. All capitalized terms not defined in this Agreement have the respective meanings set forth in the Franchise Agreement. This Agreement, and the documents referred to herein, represent the entire agreement among the parties respecting the subject matter hereof. No amendment will be binding unless in writing and signed by the party against whom enforcement is sought. If New Entity consists of more than one individual or entity, their liability under this Agreement will be joint and several.
7. Counterparts. This Agreement may be executed by the parties in counterparts, and delivered by e-mail or facsimile, each of which shall be deemed to be an original instrument, but all of which together shall constitute one and the same instrument.
8. Electronic Signatures. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as handwritten signatures.

Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record.

[Signature Page to Follow]

**OWNER:**

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

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

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

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

**NEW ENTITY:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

## EXHIBIT A

### PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

1. I have read the Franchise Agreement between 9ROUND HOLDING COMPANY, LLC d/b/a I LOVE KICKBOXING (the “**Franchisor**”) and \_\_\_\_\_ (the “**Franchisee**”). Capitalized terms will have the meanings ascribed to them in the Franchise Agreement unless otherwise defined herein.
2. I recognize that this is a separate agreement from the Franchise Agreement, and I will read, consider, and sign this as such.
3. I own or my spouse owns, as the case may be, a beneficial interest in the Franchisee and would be considered an “**Owner**” within the definition contained in the Franchise Agreement.
4. I understand that, were it not for this Personal Guaranty and Undertaking (the “**Guaranty**”), Franchisor would not have entered into the Franchise Agreement with Franchisee.
5. This Guaranty operates to bind the individuals, and, as applicable, their spouses, associated with the entity, and as such, is meant to bind me in my individual capacity for any obligations outstanding to Franchisor.
6. If there are multiple owners of this Franchise, each signatory becomes jointly and severally liable for the obligations under the terms of the Franchise Agreement. I understand that fellow owners and I become co-guarantors.
7. Upon signature of this Guaranty, this Guaranty becomes a valid component of the Franchise Agreement and is therefore enforceable. This Guaranty is in addition to the Franchise Agreement and does not negate nor override any provisions of the Franchise Agreement.
8. I will personally comply with the provisions contained in Section 3 of the Franchise Agreement concerning the Franchisee’s use of Franchisor’s Marks (as that term is defined in the Franchise Agreement). I understand that, except for the license granted to the Franchisee, I have no individual right to use the Marks and I have no ownership interest in the Marks.
9. I will personally comply with all of the provisions contained in Section 6 of the Franchise Agreement concerning the use of the Manual and Confidential Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except (a) to the Franchisee’s employees on a need-to-know basis, (b) to the Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and (c) as otherwise may be required by law.
10. I will personally comply with all of the provisions contained in Section 11 of the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.
11. While I am an Owner of the Franchisee and, for a eighteen (18)-month period after I cease to be an Owner (or eighteen (18) months after termination or expiration (without renewal) of the Franchise Agreement, whichever occurs first), I will not:

(a) Divert or attempt to divert any present, prospective, or former member of any I LOVE KICKBOXING Center to any competitor or do anything to harm the goodwill associated with the Marks and the System; or

(b) Own, operate, lease, franchise, engage in, be connected with, have any interest in, or assist any person or entity engaged in any big-box center or club, or any fitness center, club, studio, online fitness service, or exercise facility featuring boxing, kickboxing or a circuit training program that is located at or within a ten (10)-mile radius of the former Authorized Location, that is located within a ten (10)-mile radius of any other I LOVE KICKBOXING Center in operation or under construction, or that is located in the Designated Area of any other I LOVE KICKBOXING franchisee. This time period will be tolled during any period of my noncompliance, and it may be extended at the Franchisor's sole discretion.

12. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant included within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

13. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

14. All judicial proceedings brought against Franchisee arising out of or relating to this Guaranty, the Franchise Agreement, or any other agreements, shall be brought in accordance with applicable law provisions of the Franchise Agreement.

15. I agree that the provisions contained in Section 12 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

16. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement.

17. I will pay all amounts due under this Guaranty within fourteen (14) calendar days after receiving notice from Franchisor that the Franchisee has failed to make the required payment. I understand and agree that Franchisor need not exhaust its remedies against Franchisee before seeking recovery from me under this Guaranty.

18. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

**19. I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF**

**OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.**

20. I understand that Franchisor’s rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

21. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one (1) business day after electronically confirmed transmission by facsimile or other electronic system; one (1) business day after delivery by Express Mail or other recognized, reputable overnight courier; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty will inure to the benefit of my successors and assigns.

Intending to be legally bound, I have executed this Guaranty on the date set forth below.

FRANCHISEE: \_\_\_\_\_ (insert name of entity)

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

**PERSONAL GUARANTORS:**

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Individually

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

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

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Telephone

## EXHIBIT B

### CORPORATE GUARANTY

Contemporaneous with the execution of this Corporate Guaranty, \_\_\_\_\_ (“**Franchisee**”) is entering into a franchise agreement (“**Franchise Agreement**”) with 9ROUND HOLDING COMPANY, LLC d/b/a I LOVE KICKBOXING (“**Franchisor**”) for the operation of an I LOVE KICKBOXING franchised business at \_\_\_\_\_ (“**Center**”).

The undersigned (“**Guarantor**”) controls, is controlled by, or is under common control with Franchisee, and will receive a material benefit from Franchisee’s operations of the Center under the Franchise Agreement.

In consideration for such material benefit, and as an inducement for Franchisor to consent to assignment of the Franchise Agreement, and for other good and valuable consideration, the undersigned, for itself and its successors and assigns, hereby becomes surety and guarantor for the payment of all amounts and the performance of terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the dispute resolution provisions of the Agreement.

The undersigned acknowledges that, were it not for this guaranty, Franchisor would not have agreed to enter into the Franchise Agreement with Franchisee.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by franchisee’s insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned; and (3) Franchisor may deduct any amounts owed by Franchisee from the monies Guarantor’s billing and payment processor collects on its behalf and Guarantor hereby authorizes the billing and payment processor to deduct such amounts and to pay those amounts to Franchisor.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this guaranty will inure to the benefit of our successors and assigns.

[Signature Page to Follow]

**GUARANTOR:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**ACKNOWLEDGED BY FRANCHISEE:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**Attachment J to the Franchise Agreement**  
**FRANCHISE RESALE AMENDMENT**

This Franchise Resale Amendment (the “**Amendment**”) is made between 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, a South Carolina limited liability company with its principal business located at 847 NE Main Street, Simpsonville, South Carolina 29681 (“**ILKB**”), and the Franchisee identified on the Summary Page (the “**Franchisee**” or “**you**”) (each a “**Party**” and collectively referred to as the “**Parties**”), to be effective on the Effective Date identified on the Summary Page of the Franchise Agreement, as defined below.

**BACKGROUND**

A. You are purchasing an I LOVE KICKBOXING Center from an existing ILKB franchisee (“**Existing Franchisee**”) who is a party to a certain franchise agreement with an effective date of \_\_\_\_\_ (the “**Original Franchise Agreement**”), pursuant to which Existing Franchisee was granted the right to develop and operate an ILKB Center located at \_\_\_\_\_, and identified by ILKB number IL\_\_\_\_\_.

B. The Parties and Existing Franchisee have entered into a certain consent to transfer agreement (the “**Consent to Transfer**”) whereby ILKB and Existing Franchisee mutually agreed and consented to transfer and assign all right, title, and interest in the I LOVE KICKBOXING Center, including the franchise rights, to you and you accepted the assignment and shall assume all of the duties, obligations, and liability of Existing Franchisee thereunder, and furthermore, that ILKB and Existing Franchisee mutually agreed and consented to terminate the Original Franchise Agreement subject to the terms of the Consent to Transfer.

C. Simultaneously with this Amendment, the Parties are entering into a franchise agreement (the “**Franchise Agreement**”) whereby Franchisee has applied for a right to operate a Center using the Systems and Marks.

D. The Parties mutually desire for the Franchise Agreement to be amended to reflect that the Center has been developed and is operating subject to the provisions in this Amendment.

E. Franchisor has the right to require Franchisee to make updates to the appearance of the Center, as are more fully set forth in the Franchise Agreement, and Franchisee agrees to make certain specific updates to the Center according to the timeframe set forth in this Amendment.

In consideration of the foregoing and the mutual premises contained in this Amendment and other valuable consideration in receipt and sufficiently of which is hereby acknowledged, the Parties agree as follows:

**AGREEMENT**

1. **Definitions.** Capitalized terms will have the meanings ascribed to them in the Franchise Agreement unless otherwise defined herein.

2. The Franchise Agreement is amended as follows:

a) The Initial Franchise Fee amount detailed on the Summary Page is deleted and replaced with, “\_\_\_\_\_”.

b) **Site Selection.** Section 5.A. is deleted in the entirety and replaced with,

“The parties mutually acknowledge that a site for the Center has been identified and is detailed at the Preliminary Designated Area on the Summary Page and Attachment A to the Franchise Agreement. **The parties acknowledge and agree that our site approval is not an assurance that the Center will achieve a certain sales volume or level of profitability; it means only that the site met our then-current minimum site selection criteria. We assume or have assumed no liability or responsibility for (i) evaluation of the location’s soil for hazardous substances; (ii)**

**inspection of any structure for asbestos or other toxic or hazardous materials; (iii) compliance with the ADA; or (iv) compliance with any other applicable law. It is solely your responsibility to obtain satisfactory evidence and assurances that the Center premises (and any structures thereon) is free from environmental contamination and is in compliance with the requirements of the ADA and other applicable laws.”**

c) Lease. Section 5.B. deleted in the entirety and replaced with,

“If you occupy the Center premises pursuant to a Lease, the Lease or any other arrangement with a lessor must not prevent you from performing your obligations under this Agreement, including any requirements to build out or modernize the Center premises to meet our current brand standards, and the Lease and lessor must permit us to exercise our rights pursuant to this Agreement. We may condition our approval or have conditioned our approval of the site on the full execution of a Lease Addendum substantially in the form attached as Attachment E to this Agreement. You may not execute a Lease without the Lease Addendum, except with our prior written consent. You must deliver to us a fully executed copy of the Lease as amended by the Lease Addendum for the Center within ten (10) days after its execution or within ten (10) days after the Effective Date of this Agreement, whichever occurs first. The parties acknowledge and agree that our approval of a Lease does not mean that the economic terms of the Lease are favorable; it means only that the Lease contains the minimum lease terms that we require.”

d) Construction. Section 5.C., second sentence, is amended to insert and commence with, “At our request,”.

e) Opening. Section 5.D. is deleted in the entirety and replaced with,

“The parties mutually acknowledge that the Center is open and operating.”

f) Initial Training. Section 7.B., third sentence, “prior to opening” is deleted and replaced with, “within a period of time as specified by us after the Effective Date of this Agreement”.

All other provisions of Section 7.B of the Franchise Agreement remain unaltered.

For the avoidance of doubt, the forgoing does not alter any Ongoing Training requirements detailed in the Franchise Agreement, which the Parties have agreed are subject to change.

3. Upgrade of Center Equipment and Appearance. Upon successful transfer and assignment of the Center to Franchisee under the terms of and as defined in that certain Consent to Transfer, Franchisee agrees to purchase and install all items necessary for the upgrade and modernization of the Center to meet all then-current brand standards for new ILKB franchisees. **Franchisee acknowledges that prior to execution of this Amendment, Franchisor has provided Franchisee with its list of items (and good faith estimated itemized prices) necessary to comply with Franchisor’s then-current brand standards.**

**Franchisee Initial:** \_\_\_\_\_

Within thirty (30) days after the initial in-person coaching field visit at the Center, Franchisor will provide to Franchisee a location specific current brand standards list that includes the items necessary for installation in the Center, with a good faith pricing estimate, along with the date by when Franchisee must complete the necessary installations, to bring the Center up to then-current brand standards, and, at such time, the parties may execute an ‘I LOVE KICKBOXING Brand Standards Addendum’ that appends the location specific brand standards list. Franchisor has the right to request proof of Franchisee’s compliance with this requirement in a form acceptable to Franchisor. **Franchisee acknowledges that Franchisor is not responsible or liable for any of Franchisee’s modernization obligations, losses, or expenses Franchisee**

**might incur for Franchisee’s failure to comply with these obligations.** Franchisor is also entitled to injunctive relief or specific performance under Section 12.B. of the Franchise Agreement for Franchisee’s failure to comply with Franchisee’s obligations. Further, if Franchisee fails to comply with its modernization obligations, Franchisor may, in its sole and unilateral judgment, exercise its termination rights in accordance with Section 13.

4. Entire Agreement. This Amendment represents the fully integrated and complete agreement between the Parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written.

5. Conflicting Terms. In the event of a conflict between the terms of the Franchise Agreement and this Amendment, the terms of this Amendment will control.

6. Affirmation. The Parties hereby ratify and affirm all provisions of the Franchise Agreement.

Each of the undersigned hereby acknowledges having read and understood this Amendment and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING

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

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

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

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

## Attachment K to the Franchise Agreement

### FRANCHISE RESALE AMENDMENT

This Franchise Resale Amendment (the “**Amendment**”) is made between 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, a South Carolina limited liability company with its principal business located at 847 NE Main Street, Simpsonville, South Carolina 29681 (“**ILKB**”), and the Franchisee identified on the Summary Page (the “**Franchisee**” or “**you**”) (each a “**Party**” and collectively referred to as the “**Parties**”), to be effective on the Effective Date identified on the Summary Page of the Franchise Agreement, as defined below.

#### BACKGROUND

A. You are purchasing an I LOVE KICKBOXING Center from an existing ILKB franchisee (“**Existing Franchisee**”) who is a party to a certain franchise agreement with an effective date of \_\_\_\_\_ (the “**Original Franchise Agreement**”), pursuant to which Existing Franchisee was granted the right to develop and operate an ILKB Center located at \_\_\_\_\_, and identified by ILKB number IL\_\_\_\_\_.

B. The Parties and Existing Franchisee have entered into a certain consent to transfer agreement (the “**Consent to Transfer**”), whereby ILKB and Existing Franchisee mutually agreed and consented to transfer and assign all right, title, and interest in the ILKB Center, including the franchise rights, to you and you accepted the assignment and assumed all of the duties, obligations, and liability of Existing Franchisee thereunder, and furthermore, that ILKB and Existing Franchisee mutually agreed and consented to terminate the Original Franchise Agreement subject to the terms of the Consent to Transfer.

C. Simultaneously with this Amendment, the Parties are entering into a franchise agreement (the “**Franchise Agreement**”) whereby Franchisee has applied for a right to operate a Center using the Systems and Marks.

D. The Parties mutually desire for the Franchise Agreement to be amended to reflect that the Center has been developed and is operating subject to the provisions in this Amendment.

F. Franchisor has the right to require Franchisee to make updates to the appearance of the Center, as are more fully set forth in the Franchise Agreement, and Franchisee agrees to make certain specific updates to the Center according to the timeframe set forth in this Amendment.

In consideration of the foregoing and the mutual premises contained in this Amendment and other valuable consideration in receipt and sufficiently of which is hereby acknowledged, the Parties agree as follows:

#### AGREEMENT

1. Definitions. Capitalized terms will have the meanings ascribed to them in the Franchise Agreement unless otherwise defined herein.

2. The Franchise Agreement is amended as follows:

a) The Initial Franchise Fee amount detailed on the Summary Page is deleted and replaced with, “\_\_\_\_\_”.

b) Site Selection. Section 5.A. is deleted in the entirety and replaced with,

“The parties mutually acknowledge that a site for the Center has been identified and is detailed at the Preliminary Designated Area on the Summary Page and Attachment A to the Franchise Agreement. **The parties acknowledge and agree that our site approval is not an assurance that the Center will achieve a certain sales volume or level of profitability; it means only that the site met our then-current minimum site selection criteria. We assume or have assumed no liability or responsibility for (i) evaluation of the location’s soil for hazardous substances; (ii)**

**inspection of any structure for asbestos or other toxic or hazardous materials; (iii) compliance with the ADA; or (iv) compliance with any other applicable law. It is solely your responsibility to obtain satisfactory evidence and assurances that the Center premises (and any structures thereon) is free from environmental contamination and is in compliance with the requirements of the ADA and other applicable laws.”**

c) Lease. Section 5.B. is deleted in the entirety and replaced with,

“If you occupy the Center premises pursuant to a Lease, the Lease or any other arrangement with a lessor must not prevent you from performing your obligations under this Agreement, including any requirements to build out or modernize the Center premises to meet our current brand standards, and the Lease and lessor must permit us to exercise our rights pursuant to this Agreement. We may condition our approval or have conditioned our approval of the site on the full execution of a Lease Addendum substantially in the form attached as Attachment E to this Agreement. You may not execute a Lease without the Lease Addendum, except with our prior written consent. You must deliver to us a fully executed copy of the Lease as amended by the Lease Addendum for the Center within ten (10) days after its execution or within ten (10) days after the Effective Date of this Agreement, whichever occurs first. The parties acknowledge and agree that our approval of a Lease does not mean that the economic terms of the Lease are favorable; it means only that the Lease contains the minimum lease terms that we require.”

d) Construction. Section 5.C., second sentence, is amended to insert and commence with, “At our request,”.

e) Opening. Section 5.D. is deleted in the entirety and replaced with,

“The parties mutually acknowledge that the Center is open and operating.”

f) Initial Training. Section 7.B., third sentence, is deleted and replaced with, “Specifically, within a period of time as specified by us after the Effective Date of this Agreement, we may require that you re-attend our initial training program and complete the training to our satisfaction and failure to do so will be considered a breach of the Agreement under Section 13.A.”.

All other provisions of Section 7.B of the Franchise Agreement remain unaltered.

For the avoidance of doubt, the forgoing does not alter any Ongoing Training requirements detailed in the Franchise Agreement, which the Parties have agreed are subject to change.

3. Upgrade of Center Equipment and Appearance. Upon successful transfer and assignment of the Center to Franchisee under the terms of and as defined in that certain Consent to Transfer, Franchisee agrees to purchase and install all items necessary for the upgrade and modernization of the Center to meet all then-current brand standards for new ILKB franchisees. **Franchisee acknowledges that prior to execution of this Amendment, Franchisor has provided Franchisee with its list of items (and good faith estimated itemized prices) necessary to comply with Franchisor’s then-current brand standards.**

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

Within either, i) thirty (30) days after an in-person coaching field visit at the Center, or ii) thirty (30) days after Franchisor receives a sufficient walk-through video of the Center, Franchisor will provide to Franchisee a location specific current brand standards list that includes the items necessary for installation in the Center, with a good faith pricing estimate, along with the date by when Franchisee must complete the necessary installations, to bring the Center up to then-current brand standards, and, at such time, the parties may execute an ‘I LOVE KICKBOXING Brand Standards Addendum’ that appends the location specific brand standards list. Franchisor has the right to request proof of Franchisee’s compliance with this requirement in a form acceptable to Franchisor. Franchisee acknowledges that Franchisor is not responsible

or liable for any of Franchisee’s modernization obligations, losses, or expenses Franchisee might incur for Franchisee’s failure to comply with these obligations. Franchisor is also entitled to injunctive relief or specific performance under Section 12.B. of the Franchise Agreement for Franchisee’s failure to comply with Franchisee’s obligations. Further, if Franchisee fails to comply with its modernization obligations, Franchisor may, in its sole and unilateral judgment, exercise its termination rights in accordance with Section 13.

4. Entire Agreement. This Amendment represents the fully integrated and complete agreement between the Parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written.

5. Conflicting Terms. In the event of a conflict between the terms of the Franchise Agreement and this Amendment, the terms of this Amendment will control.

6. Affirmation. The Parties hereby ratify and affirm all provisions of the Franchise Agreement.

Each of the undersigned hereby acknowledges having read and understood this Amendment and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING

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

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

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

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

## **LIGHTWEIGHT FRANCHISE AGREEMENT**



## Lightweight Franchise Agreement Summary Page

### Franchisee Information:

Complete Business Name: \_\_\_\_\_

Principal Owner(s): \_\_\_\_\_ %  
(25% or more ownership, direct or indirect) Full Name Percentage Interest

\_\_\_\_\_ %

Full Name Percentage Interest

\_\_\_\_\_ %

Full Name Percentage Interest

\_\_\_\_\_ %

Full Name Percentage Interest

Additional Owners: \_\_\_\_\_ %  
(less than 25% ownership) Full Name Percentage Interest

\_\_\_\_\_ %

Full Name Percentage Interest

Address for Notices (not a P.O. Box): \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Facsimile No.: \_\_\_\_\_

Mobile Phone: \_\_\_\_\_

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

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

Initial Franchise Fee: \$2,500

Continuing Fee: \$\_\_\_\_\_, per month\*

Term: The initial term of this Agreement is \_\_\_\_\_ months, commencing on the Effective Date.

\*Subject to CPI adjustment.

See Sections 8 and 9 for additional fee information.

**To be completed by us:**  
Effective Date: \_\_\_\_\_  
Franchise Number: IL \_\_\_\_\_

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### ATTACHMENTS

Attachment A –	Authorized Location and Existing Fitness Center
Attachment B –	Information Release
Attachment C-1 –	Personal Guaranty
Attachment C-2 –	Corporate Guaranty
Attachment D –	Electronic Transfer of Funds Authorization
Attachment E –	Step Up Program Addendum
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Franchisee Acknowledgment  
Sample Renewal Addendum  
State Specific Addendum

# I LOVE KICKBOXING

## LIGHTWEIGHT FRANCHISE AGREEMENT

This franchise agreement (the “**Franchise Agreement**” or “**Agreement**”) is made between 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, a South Carolina limited liability company with its principal business located at 847 NE Main Street, Simpsonville, South Carolina 29681, and the Franchisee identified on the Summary Page, to be effective on the Effective Date identified on the Summary Page.

### BACKGROUND

- A. We have developed a System for operating a Center that features a specialized program that offers a boxing and kickboxing physical fitness training program through scheduled classes in a group environment with instructional staff and which includes a proprietary system of challenging workouts.
- B. The System includes a distinct interior layout, design, décor, color scheme, graphics, fixtures and furnishings, operating and customer service standards and procedures including proprietary workout routines and technology, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures, that we may designate, collectively the Standards.
- C. Centers operating under the System are identified by the trade name and Mark “I LOVE KICKBOXING” that we designate to identify businesses operating under the System.
- D. You have applied for the right to operate a Center using the System and Marks, and we have approved your application in reliance on the representations contained therein, including those concerning your financial resources, your business experience and interests, and the manner in which the Center will be owned and operated.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

### AGREEMENT

#### 1. DEFINITIONS

- 1. For purposes of this Agreement:
  - A. “**I LOVE KICKBOXING**” or “**ILKB**”, “**Franchisor**”, “**we**”, “**our**”, and “**us**” means 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, as identified above in the preamble of this Agreement, and its Affiliates as the context may dictate, but not where the context is referencing “I LOVE KICKBOXING<sup>TM</sup>”, as the brand or its Marks.
  - B. “**ADA**” means the Americans with Disabilities Act.
  - C. “**Administrative Fee**” means the \$250 fee that we may impose and collect if your Center fails to conform to the System Standards, and such fee is not a penalty, but is intended to compensate us for the additional costs that we incur.
  - D. “**Affiliate**” or “**Affiliates**” means an affiliate of a named person identified as any person or entity that is controlled by, controlling, or under common control with such named person.
  - E. “**Agreement**” or “**Franchise Agreement**” means this agreement as defined in the preamble.
  - F. “**Applicable Laws**” means federal, state, or local laws that may exist today, or may be enacted in the future.
  - G. “**Approved Suppliers List**” means the list of approved manufacturers, suppliers, and distributors as we may amend from time to time.

- H. **“Approved Supplies”** means the equipment, products, furniture, fixtures, signage, stationary, advertising and marketing materials, music providers, digital communication providers, trademarked items, collateral merchandise (such as gloves, heart rate monitors and belts, coaching screen system, clothing, and equipment), and other items as stated in the Approved Supplies List and Approved Suppliers List, as designate as necessary to operate the Center, and as we may amend from time to time.
- I. **“Approved Supplies List”** means the list of Approved Supplies, as we may amend from time to time.
- J. **“Authorized Location”** means the Center identified on Attachment A to this Agreement and that meets our then-current site selection criteria, as more fully described at Section 2 of this Agreement.
- K. **“Center(s)”** or **“I LOVE KICKBOXING Center(s)”** means a fitness center that features the then-current specialized proprietary program developed around our System of boxing and kickboxing physical fitness training through scheduled classes in a group environment with instructional staff and which includes a proprietary system of challenging workouts, and that uses the System, Standards, and Marks.
- L. **“Confidential Information”** means and includes all proprietary information and know-how relating to the System, including all of the System Standards, business techniques, marketing statistics and strategy, and technology-related information, regardless of the method by which it is conveyed, and, without limitation, Member Information, any and all proprietary information contained in the Manual or otherwise communicated to you in writing, verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Center (including methods of instruction, room conditions (such as lighting and temperature), music (including type of music, music mix, and decibel level), proprietary systems developed by us, such as the coaching screens, and workout program (including technique and the sequence of movements).
- M. **“Continuing Fee”** means the nonrefundable ongoing, monthly continuing fee in the amount reflected on the Summary Page and as described at Section 9 of this Agreement.
- N. **“Covered Person(s)”** includes, collectively and individually, each Owner (and each Owner’s immediate family members, including, without limitation, their spouse, domestic partner, cohabitant, child, stepchild, grandchild, parent, stepparent, parent-in-law, child-in-law, grandparent, sibling, half-sibling, stepsibling, sibling-in-law, aunt, uncle, niece, nephew, or first cousin) and all guarantors, officers, directors, managers, partners, as the case may be, and any of the Center’s managers, instructors, and other employees receiving training or Confidential Information.
- O. **“CPI”** means the Consumer Price Index.
- P. **“Effective Date”** means the date stated on the Summary Page of this Agreement.
- Q. **“Existing Fitness Center”** means the existing business your Center will operate within, which has been approved by us, and is identified on Attachment A.
- R. **“Franchise Agreement”** or **“Agreement”** means this agreement as defined in the preamble.
- S. **“Franchisee”** or **“you”** means the party identified on the Summary Page of this Agreement.
- T. **“Franchisor”** or **“I LOVE KICKBOXING”**, **“ILKB”** **“we”**, **“our”**, and **“us”** means 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, as identified above in the preamble of this Agreement, and its Affiliates as the context may dictate but not where the context is referencing ‘I LOVE KICKBOXING™’ as the brand or its Marks.

- U. **“Gross Sales”** is defined as the aggregate of all revenue from the sale of services and products from all sources in connection with the business at your Center or online, whether for check, cash credit, or otherwise, (and regardless of collectability), and all proceeds from any business interruption insurance, but does not include (a) the sale price of products returned in good faith by customers of the business, and (b) any sales tax or other taxes collected from customers of the business by you for remittance to the appropriate taxing authority.
- V. **“Initial Franchise Fee”** means the nonrefundable initial franchise fee in the amount reflected on the Summary Page and as described at Section 9 of this Agreement.
- W. **“Innovations”** means any and all ideas, plans, improvements, concepts, methods, and techniques relating to the development or operation (including marketing, advertising, and promotions) of the Center or any similar aspect of the business conceived or developed by you, any Owner, or your employees during the Term of this Agreement.
- X. **“Interim Period”** means the period as described at Section 4 of this Agreement.
- Y. **“Lease”** means a lease, sublease, or other type of agreement serving the purpose of a lease, between you and the owner, manager, or lessor of a premises or property that you propose to occupy for the purposes of operating the Center.
- Z. **“Lightweight Center”** means an I LOVE KICKBOXING Center that operates within an Existing Fitness Center.
- AA. **“Local Cooperative”** means any designated local or regional advertising cooperative controlled by majority vote of its members, such designations shall solely be at our option.
- BB. **“Local Marketing Fund”** means any designated geographic area in which at least two (2) I LOVE KICKBOXING franchises are located as a ‘designated advertising area’ for the purposes of establishing a Local Marketing Fund that we control, and such designations shall solely be at our option.
- CC. **“Manual”** means any confidential operating manuals and other written directives, including, but not limited to, audio or visual materials, system newsletters or bulletins, emails that may be sent to you or all franchisees from time to time with information relevant to the System or operation of the Center, and covering the proper operating and marketing techniques of the System or a I LOVE KICKBOXING Center (including training and workout routines) and that reflects the Standards, whether provided online or through other electronic media. The term “Manual” includes all modifications and supplements to the Manual, and all components thereof.
- DD. **“Mark”** or **“Marks”** means the I LOVE KICKBOXING™ trademarks, and other trademarks, service marks, trade names, trade identifiers that we may designate, and other commercial symbols as we may modify and change from time to time.
- EE. **“Member Information”** means all member information and information concerning prospective and former members.
- FF. **“Memberships”** means the memberships that you are required to offer and sell only on the terms and conditions that we specify periodically which may include, without limitation, price and service offering requirements.
- GG. **“Membership Agreement(s)”** means the written or, if approved or required by us, electronic agreements.

- HH. “**National Accounts**” means the contracts with corporations, affinity groups and insurance plans that we, from time to time, will negotiate, and as more fully described at Section 6 of this Agreement.
- II. “**Owner**” means any person who directly or indirectly owns any interest in the franchisee, including the Principal Owner(s). It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of a trust. If any “Owner” is, itself, a partnership or other entity, then the term “Owner” includes each individual or entity holding a beneficial ownership in the partnership or entity; the intent being that the term “Owner” is intended to include all individuals holding a beneficial interest in the franchisee, either directly or indirectly.
- JJ. “**Principal Owner**” means any person who directly or indirectly owns a 25% or greater interest in the franchisee when the franchisee is a corporation, limited liability company or a similar entity other than a partnership entity. If the franchisee is a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If the franchisee is one or more individuals, each individual is a Principal Owner of the franchisee. Each franchisee must have at least one (1) Principal Owner.
- KK. “**Reasonable Business Judgment**” means a decision or action by us that is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest, and even if other reasonable or even arguably preferable alternatives are available. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks or the I LOVE KICKBOXING brand, improving member service and satisfaction, improving product quality, improving uniformity, enhancing, or encouraging modernization and improving the competitive position of the System.
- LL. “**Remittances**” means the remittances as more fully particularized at Section 9 of this Agreement.
- MM. “**Social Media**” means and includes, without limitation, personal blogs; common social media websites and networks such as, but not limited to, Facebook, Threads, Snapchat, Instagram, LinkedIn, X (formerly Twitter), TikTok, Reddit, or YouTube, and any associated business managers or profiles; internet listing sites such as Wikipedia, Google, Foursquare, and Yelp, and any associated business managers or profiles; applications supported by mobile platforms such as iOS and Android; virtual worlds; file, audio, and video-sharing sites; and other similar internet, social networking, or media sites, mobile platforms, or tools.
- NN. “**Social Networking Accounts**” includes, without limitation, common social media websites such as, but not limited to, Facebook, Threads, Snapchat, Instagram, LinkedIn, X (formerly Twitter), TikTok, Reddit, and YouTube, and any business managers or profiles or advertising accounts associated with a social media website; internet listing websites such as, but not limited to, Google My Business, Apple Maps, Bing, and Yelp; applications supported by mobile platforms such as iOS and Android; personal blogs; virtual worlds; file, audio, and video-sharing websites; and other similar websites, mobile platforms, or tools, whether created or inherited by Franchisee.
- OO. “**Special Sites**” means certain locations that may be near the Authorized Location that are by their nature unique and separate in character from sites generally developed as I LOVE KICKBOXING Centers, including but not limited to: military bases; public transportation facilities, including, without limitation, airports, limited access highway travel plazas and other transportation terminals; sports facilities, including race tracks, big-box fitness facilities, gyms, and sports clubs; student unions or other similar buildings on college or university campuses; hotels, resorts or similar short-term lodging; apartment or condominium complexes; and corporate office buildings or office parks.

- PP. **“Standards”** or **“System Standards”** means the then-current standards, requirements, and specifications for the development, construction, operation, and promotion of I LOVE KICKBOXING Centers, which may include standards relating to a distinct interior layout, design, décor, color scheme, graphics, fixtures and furnishings, equipment (including workout equipment, medical equipment, computer equipment, heart rate monitor equipment and systems, coaching screen system, security systems, and audio-visual equipment), operating standards and procedures (including methods of instruction, room conditions (such as lighting and temperature), music requirements (including type of music and decibel level), television requirements (including type of broadcasts, decibel level, and closed captioning requirements), workout routines (including techniques and sequence of movements), customer service standards and procedures, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures, that we may designate.
- QQ. **“System”** means the then-current I LOVE KICKBOXING proprietary business format and system, which includes the Marks, trade dress, and the goodwill associated therewith, Licensor’s know-how in developing, constructing, operating, and promoting I LOVE KICKBOXING Centers (i.e., Licensor’s practical knowledge, skill, and expertise), the System Standards, the Confidential Information, and all information contained in the Manual.
- RR. **“Technology System”** means the technology system that we develop or select for the Center or System, including all future updates, supplements, and modifications. The Technology System may include, without limitation, all hardware and software used in the operation of the Center, including **(i)** all computer hardware and related accessories and peripheral equipment, intranet and extranet, portals, platforms, websites, network systems, network services, digital media, email marketing software, any I LOVE KICKBOXING app, body composition analyzer, music provider, business text messaging software, audio, computers, monitors, screens, heart rate monitors, coaching screen system, telephone systems, remote control computer software, camera and security systems, and any app in connection with a then-current program or business practice; and **(ii)** the billing, electronic point-of-sale cash registers, Center management and back office programs used to record, analyze and report sales and Center operations.
- SS. **“Term”** means the initial term granted as reflected on the Summary Page and pursuant to Section 4.A., the renewal term granted pursuant to Section 4.B., and any extension or renewal thereof or any hold over period in which Franchisee continues to operate any component of the Center after the expiration of the initial term or renewal term.
- TT. **“Work”** means all printed, audio, and visual material and any other material whatsoever (including all Confidential Information) being part of the Center or System.
2. All capitalized terms not defined in this Section 1 or the Background have the meaning given in the text of this Agreement.

## 2. GRANT OF LICENSE

2. The following provisions control with respect to the license granted hereunder:

A. Grant of License. We hereby grant you the right and license, and you undertake the obligation, subject to the terms and conditions of this Agreement **(i)** to operate a single Lightweight Center, **(ii)** to sell authorized products and services at and from the Center premises, **(iii)** to use the Marks in connection with operating and promoting the Center, and **(iv)** the right to solicit memberships in your local area. You may not solicit memberships online, in person or through advertising or other direct marketing method inside the designated area of our other franchisees or our Affiliates' franchisees, except with our prior written approval and in strict accordance with our then-current policies and restrictions (which may include membership assignment policies).

Except when you have our prior written approval, which we may withdraw at any time for any reason, the license granted by this Agreement does not include **(i)** any right to sell services or products identified by the Marks at any location other than the Authorized Location, or through any other channels or methods of distribution, including the internet (or any other existing or future form of electronic commerce), catalog sales, telemarketing or other direct marketing, **(ii)** any right to sell services or products identified by the Marks to any person or entity for resale or further distribution, or **(iii)** any right to exclude, control or impose conditions on our development of future franchised, company or affiliate owned Centers at any time or at any location.

B. Authorized Location. You may operate the Center only at the Authorized Location and within the Existing Fitness Center. Our permission to operate the Center at the Authorized Location constitutes neither a representation nor guarantee that the Center will be successful at the Authorized Location; it means only that the Authorized Location meets our then-current minimum site selection criteria for Lightweight Centers. You may not use the Center premises or Authorized Location for any purpose not first agreed to by us in writing during the Term of this Agreement. Should you not open your Center in accordance with the timelines required in this Agreement, in addition to our right to terminate this Agreement, we reserve the right to withdraw our approval of, and your rights to, an Authorized Location by providing you written notice.

You acknowledge and agree that we and our Affiliates have the right to develop and operate and grant others the right to develop and operate I LOVE KICKBOXING Centers, regardless of their proximity to the Authorized Location or any negative impact they may have on your Center.

We and our Affiliates also have the right to develop and operate and grant others the right to develop and operate fitness centers and other businesses under a different trademark near your Authorized Location which may be similar to or competitive with I LOVE KICKBOXING Centers.

You do not have any right to sublicense or sub-franchise. Under this Agreement you do not have the right to operate more than one Center without our prior written approval, and you must sign a separate Franchise Agreement for an additional Center.

C. Reserved Rights.

(i) We reserve to ourselves all other rights to use the System and Marks anywhere and in any manner including, without limitation, the right to offer, sell, or distribute items such as workout and training classes and videos, equipment, athletic gear, etc., associated with the System (now or in the future) or identified by the Marks, or any other trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisee.

(ii) These distribution channels or methods may include, without limitation, retail stores, mail order, wholesale, or on-demand streaming or other means through the internet (including other existing or future form of electronic commerce).

(iii) These rights also include the right to provide and license third parties to provide the I LOVE KICKBOXING workout program and other ancillary programs developed by or for us or our Affiliates at host

locations (such as apartments, condo associations, corporate offices, schools, community centers, and inside other gyms and fitness centers) near your Authorized Location and without compensation to you.

(iv) You acknowledge and agree that certain locations are by their nature unique and separate in character from sites generally developed as I LOVE KICKBOXING Centers. As a result, you agree that we have the right to develop, license or franchise Centers within such Special Sites.

D. Additional Centers. This Agreement does not grant you a right to acquire additional franchises beyond the one (1) granted herein. If you or any of your Affiliates is party to an agreement with us to operate any other I LOVE KICKBOXING center, or desires to operate any other I LOVE KICKBOXING center, other than the one (1) contemplated by this Agreement, as of the Effective Date, you and each Affiliate, as applicable, may be required to enter into a Step Up Program Addendum in substantially the form attached hereto as Attachment H, as the case may be, to modify the terms of the franchise agreement(s) governing such centers. The parties acknowledge and agree that the Step Up Program Addendum may result in material changes to, and have different provisions than, any other franchise agreement. You and each Affiliate must also execute and deliver to us a corporate guaranty in substantially the form attached hereto as Attachment C-2 to guaranty the obligations of your and your Affiliates operating under franchise agreements with us.

### 3. TRADEMARK STANDARDS AND REQUIREMENTS

3. You acknowledge and agree that, as between you and us, the Marks are our property. You further acknowledge that your right to use the Marks is specifically conditioned upon the following:

A. Ownership of the Marks. The Marks are our valuable property or the valuable property of our Affiliate, and we are the owner of all right, title, and interest in and to the Marks and all past, present, or future goodwill of the Center and of the business conducted at the Authorized Location that is associated with or attributable to the Marks. Your use of the Marks will inure solely to our benefit or the benefit of our Affiliate. You may not, during or after the Term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest our rights in any of the Marks or the goodwill associated with the Marks, including any use of the Marks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

B. Use of the Marks. You shall use only the Marks designated by us. You may use the Marks only in connection with such services and products as we specify and only in the form and manner we require in writing. You must comply with all trademark, trade name, and service mark notice marking requirements. You may use the Marks only in association with services and products approved by us and that meet our standards or requirements with respect to quality, safety and performance. To the extent permissible by law, you must refrain, and cause each Covered Person and each of your employees and independent contractors to refrain, from making or publishing any remarks that disparage or derogate us or the I LOVE KICKBOXING™ brand. This prohibition applies to oral remarks and remarks that are published in print, electronic, and social media. Your use of the Marks on the internet is governed by Section 6.K. below. A breach of your obligations under this Section 3.B. is a material default under this Agreement.

C. Center Identification. In addition to any name, mark or words identifying the Existing Fitness Center, you must use the name “I LOVE KICKBOXING” as the trade name of the Center and you may not use any other mark or words to identify the Center without our prior written consent. You may not use the word “I LOVE KICKBOXING” or any of the other Marks as part of the name of your corporation, partnership, limited liability company or other similar entity. You may use the Marks on various materials, such as business cards, stationery and checks, provided you (i) accurately depict the Marks on the materials, (ii) include a statement on the materials indicating that the business is independently owned and operated by you, (iii) do not use the Marks in connection with any other trademarks, trade names or service marks unless we specifically approve in writing prior to such use, and (iv) make available to us, upon our request, a copy of any materials depicting the Marks. You must post a prominent sign in the Center identifying you as a I LOVE

KICKBOXING franchisee in a format we deem reasonably acceptable, including an acknowledgment that you independently own and operate the Center and that the I LOVE KICKBOXING Mark is owned by us and your use is under a license we have issued to you.

D. Litigation. In the event any person or entity improperly uses or infringes the Marks or challenges your use or our use or ownership of the Marks, we will control all litigation and we have the right to determine whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware or any challenge or claim arising out of your use of any Mark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Marks in violation of this Agreement.

E. Changes. You may not make any changes or substitutions to the Marks unless we direct in writing. We reserve the right to change the Marks at any time. Upon receipt of our notice to change the Marks, you must cease using the former Marks and commence using the changed Marks, at your expense.

#### 4. TERM AND RENEWAL

4. The following provisions control with respect to the initial term and renewal of this Agreement:

A. Term. The initial term of this Agreement is the Term stated on the Summary Page, commencing on the Effective Date stated on the Summary Page. Upon your written request, we may extend this initial term in writing for a limited period of time to correspond with the end of a calendar month.

B. Renewal Term and Conditions of Renewal. You may renew your license for one (1) two (2)-year renewal term, provided that with respect to each renewal: **(i)** you meet our then-current criteria and qualifications for new franchisees; **(ii)** you have given us written notice of your decision to renew at least three (3) months but not more than six (6) months prior to the end of the expiring initial term; **(iii)** you pay a renewal fee equal to 25% of the then-current initial franchise fee; **(iv)** you sign at least three (3) months but not more than six (6) months prior to the end of the expiring initial term, at our sole option either (1) our then-current form of franchise agreement, the terms and conditions of which may be materially different than the terms and conditions of our current franchise agreement and may reflect, among other things, different fees and advertising obligations, and, as applicable, a renewal instrument amending the relevant terms of the new franchise agreement, or (2) an instrument extending for the duration of the renewal term, all the covenants, conditions and provisions contained in this Agreement; **(v)** you have complied with the provisions of Section 5.F. regarding any modernization and have agreed, in writing, to make such capital expenditures necessary to refurbish, replace and modernize your Center so that it will conform to our then-current standards for Lightweight Centers; **(vi)** you are not in default of this Agreement, any other agreement pertaining to the franchise or our Affiliates, any other agreement with us, or any obligation to us, and have satisfied all monetary and material obligations on a timely basis during the Term and are in good standing; **(vii)** if leasing the Center premises, you have renewed the lease and have provided written proof of your ability to remain in possession of the premises throughout the renewal period; **(viii)** you comply with our then-current training requirements; **(ix)** you and your Owners and guarantors execute a general release in a form we require in favor of us and our Affiliates and each company's respective present and former officers, directors, managers, and employees; provided, however, that such release will not be inconsistent with any state law regulating franchising; and **(x)** you have submitted to us a walk-through video of your Center, or other forms of proof acceptable to us, enabling us to virtually tour and inspect every element of the Center that we require, including without limitation, the storefront of the Center, all exterior and interior signage, the interior of the Center (including the entrance, each station, the restroom, and any additional areas), measurements of equipment placements and distances between equipment or furnishings, all doors, light switches and outlets, and visibility of equipment, furnishing, accessories and licenses.

C. Interim Period. If you continue to accept the benefits of this Agreement after the expiration of the initial term but do not complete the requirements in Section 4.B., then at our sole option, this Agreement may

be treated as **(i)** expired as of the date of the expiration and you will be operating without a franchise or license to do so and in violation of our rights to the Marks and System; or **(ii)** continued on a month-to-month basis and all your obligations will remain in full force and effect during the Interim Period as if the Agreement had not expired except that the Continuing Fee will be \$1,000 per month (subject to adjustment based on the CPI as provided in Section 9.D.). Each Interim Period expires at the end of each calendar month unless this Agreement is continued as provided in this Section. The Interim Period does not create any new franchise rights and upon expiration of the final Interim Period, you will be bound by all post-term obligations as provided in this Agreement.

## 5. CENTER STANDARDS AND MAINTENANCE

5. You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of I LOVE KICKBOXING Centers to protect the distinction, goodwill and uniformity symbolized by the Marks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

A. Existing Fitness Center. We have approved the Existing Fitness Center identified on Attachment A as an acceptable site for the Center as it appears as of the Effective Date. Any material changes to the Existing Fitness Center's appearance or the goods or services offered during the Term, must be approved by us in writing prior to any changes being made. You acknowledge and agree if any material changes to the Existing Fitness Center's appearance, or the goods or services offered, are made without our prior written approval, such changes shall constitute a material breach of this Agreement and we may, in our sole and unilateral judgment, exercise our termination rights in accordance with Section 13. **The parties acknowledge and agree that our site approval is not an assurance that the Center will achieve a certain sales volume or level of profitability; it means only that the proposed site meets our then-current minimum site selection criteria. We assume no liability or responsibility for (i) evaluation of the location's soil for hazardous substances; (ii) inspection of any structure for asbestos or other toxic or hazardous materials; (iii) compliance with the Americans with Disabilities Act; or (iv) compliance with any other applicable law. It is solely your responsibility to obtain satisfactory evidence and assurances that the Center premises (and any structures thereon) is free from environmental contamination and is in compliance with the requirements of the ADA and other applicable laws.**

B. Lease. If you occupy the Existing Fitness Center pursuant to a Lease, you must provide to us the prior written approval from the lessor to operate the Center within the Existing Fitness Center and be able to perform your obligations under this Agreement, including any requirements to build out the Center premises to meet our current brand standards for a Lightweight Center, and the Lease and lessor must permit us to exercise our rights pursuant to this Agreement. **The parties acknowledge and agree that our approval of any Lease does not mean that the economic terms of the Lease are favorable; it means only that the Lease contains the minimum lease terms that we require.**

C. Construction; Future Alteration. You must construct and equip the Center in strict accordance with our then-current approved specifications and standards pertaining to equipment, signage, fixtures and design and layout of the building. You must purchase from us or the approved suppliers all items contained in the I LOVE KICKBOXING start-up kit and pay the then-current purchase price therefore in accordance with the then-current payment terms. Without limiting the generality of the foregoing, if applicable, you must promptly after signing this Agreement **(i)** have engaged a third party contractor to prepare the basic plans for your I LOVE KICKBOXING Center; **(ii)** purchase or lease and then use only the approved equipment, fixtures, and signs; **(iii)** complete the equipment, fixtures, and sign installation and decorating of the Center in full compliance with plans and specifications we approve and all applicable ordinances, building codes and permit requirements without any unauthorized alterations; **(iv)** obtain all necessary permits, licenses and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment and premises, including, but not limited to, the ADA; and **(v)** obtain and maintain all required zoning changes, building, utility, sign permits and licenses and any other required permits and licenses. It is your

responsibility to comply with the foregoing conditions. Any change to the plans or any replacement, reconstruction, addition or modification in the premises, interior or exterior décor or image, equipment or signage of the Center made after our consent to the initial plans, whether at the request of you, us or a third party, may be made only with our prior written consent.

D. Opening. You must open the Center for business no later than sixty (60) days from the Effective Date. You may not open your Center for business, however, until we have notified you in writing that you have satisfied your pre-opening obligations as identified in Sections 5.A., 5.B., and 5.C., and we have approved your Center for opening (which approval may be based on our review of a walk-through video that you submit). We are not responsible or liable for any of your pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. We also are entitled to injunctive relief or specific performance under Section 12.B. for your failure to comply with your obligations. Further, if you fail to open the Center in the timeframe required by this Agreement, we may, in our sole and unilateral judgment exercise our termination rights in accordance with Section 13.

E. Maintenance. The building (exterior and interior), equipment, fixtures, signage and I LOVE KICKBOXING trade dress employed in the operation of your Center must be maintained and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon our periodic evaluations of the premises. Within a period of thirty (30) days (as we determine depending on the work needed) after the receipt of any particular report prepared following such an evaluation, you must effect the items of maintenance we designate, including the repair of defective equipment and items such as carpet and the replacement of irreparable or obsolete items of equipment and signage. If, however, any condition presents a threat to members or to public safety, you must effect the items of maintenance immediately, as further described in Section 6.E. If you fail to complete the required maintenance, we reserve the right (but no obligation) to do so on your behalf and you must reimburse us for our costs and expenses.

F. Modernization. From time to time as we require, but no more than once every two (2) years, you must modernize or replace items of the I LOVE KICKBOXING trade dress or equipment as may be necessary for your Center to conform to the standards for similarly situated new I LOVE KICKBOXING Centers. You may offer your old equipment to anyone (provided that any Marks affixed to the equipment are removed if the equipment is not being sold to another Center), but we have the right of first refusal to buy the equipment on the same terms and conditions as any potential buyer. You must give us seven (7) days' written notice of any potential sale of your old equipment and a reasonable opportunity to match any offer you have that you intend to accept. We are under no obligation to actually exercise our right of first refusal. A transfer of any interest in this Agreement or your business governed by Section 11 or renewal covered by Section 4 is expressly conditioned upon your (or the transferee, as applicable) modernizing the Center to conform to the standards for new I LOVE KICKBOXING Centers. You acknowledge and agree that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of the Center and to avoid deterioration in connection with the operation of your Center. If you fail to make any improvement or perform the maintenance listed above, we may, in addition to our other rights under this Agreement, effect such improvement or maintenance on your behalf and you must reimburse us for the costs and expenses we incur.

G. Relocation. You may not relocate your Center without our prior written consent, which consent will not be unreasonably withheld, and which will be given or refused within fifteen (15) days of receipt. If we do not accept the proposed site within fifteen (15) days it will be deemed disapproved. Your request for relocation must be made in writing, state your proposed new location, be received by us at least sixty (60) days prior to your intended date of relocation, and accompanied by a relocation fee of \$1,500. We will refund \$750 of the relocation fee if we do not approve your relocation. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us, is reasonably suited for a Center, complies with any other site-related obligations set forth in this Agreement (including, without limitation, those related to Leases of a site for your Center), and does not infringe on the rights of any other I LOVE KICKBOXING franchisee, provided

that the new Center is open and operating within sixty (60) days after you discontinue operation at the present Center, all in accordance with our then-current standards. If you voluntarily decide to relocate the Center, your right to relocate the Center will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to relocate not less than sixty (60) days prior to relocation or closing the Center, whichever occurs first, have procured a site that we have accepted within the terms of this Agreement, have opened the new Center for business within seven (7) days of closing the original Center and complied with any other conditions that we reasonably require. Additionally, if you relocate your Center without obtaining our prior written approval and we later approve the relocation, you will be assessed a relocation fee of \$5,000, which is non-refundable. All relocation fees may be collected by us pursuant to the methods set forth in Section 9.F. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur.

If your Center is destroyed or damaged and you repair the Center at the Authorized Location (rather than relocate the Center), you must repair and reopen the Center at the Authorized Location in accordance with our then-current standards for the destroyed or damaged area within twenty (20) days of the date of occurrence of the destruction or damage, or such longer time as we reasonably determine, in our sole judgment, is required given the nature and extent of the damage.

We have the right to refuse to consent to a relocation in the event you lose the right to occupy the Center premises because of the termination of your lease due to your breach. Further, the cancellation of your lease due to your breach is grounds for immediate termination under Section 13.A.(iii).

H. Field Visits. Upon opening a new location or purchasing an existing location, we will provide initial in-person coaching at your Center.

## **6. PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS**

6. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity. The following provisions control with respect to products and operations:

A. Authorized Equipment. You must use in the operation of the Center only the proprietary or non-proprietary equipment that we specify or allow in the then-current Manuals or other written directives. You must purchase or lease all equipment we designate (including the Technology System) from our approved suppliers. We will supply to you a copy of the current equipment list within thirty (30) days after the Effective Date. You acknowledge and agree that we may change the list periodically and that you are obligated to conform to the requirements. You may not open or operate the Center with any unapproved equipment.

B. Authorized Products and Services; Memberships. Other than that of the Existing Fitness Center, you may offer and sell only approved products and approved services in the Center as listed in the approved products and approved services lists, as we may amend from time to time. You must maintain in stock an inventory of approved products sufficient to meet customer demand and as set forth in the Manuals for operating a Lightweight Center. Other than that of the Existing Fitness Center, you may not offer, sell or supply any products or services which are not approved products or approved services (including products or services that we have withdrawn), and may not conduct any unapproved workout routines or unapproved modifications to approved workout routines, without our prior written consent. If you sell any products or services which are not approved products or approved services, without our prior written consent, you must pay to us liquidated damages based on the sale of the unauthorized products or services, as stated in Section 13.D., below. You must also conform to all quality and customer service standards we require in writing.

You must offer and sell Memberships only on the terms and conditions that we specify periodically which may include, without limitation, price and service offering requirements. You shall participate in and offer all customer membership marketing programs and packages that we develop from time to time. We will communicate to you in writing the details of each program or package, and you shall promptly display all related information at such places within the Center as we may designate. You shall purchase and distribute all

collateral merchandise designated by us and shall purchase equipment necessary for use in connection with each such program or package. All Memberships must be evidenced by a Membership Agreement and all member and billing information must be promptly and accurately entered into the approved system according to our then-current policies. We have the right to communicate directly with your members. We may require you to use Membership Agreements that are based on or substantially similar to our then-current standard form of Membership Agreement, with the exception, however, that there may be state and local laws that may require you to alter the Membership Agreement in the jurisdictions under which your Center operates. You must abide by those laws, and you accept sole responsibility for ensuring that your Membership Agreement complies with all applicable laws. Any changes to the form document must be approved in writing by us. The Membership Agreement must include: **(i)** a waiver and release of us and our Affiliates and **(ii)** a statement identifying the Center as an independently-owned franchised location. We also have the right to establish a reciprocity program that permits members from your Center to use other I LOVE KICKBOXING Centers and permits another I LOVE KICKBOXING Center member to also use your Center under such terms and conditions as we may state in writing from time to time.

You may only solicit memberships within your local area (unless otherwise authorized by us in writing). We or other franchisees may solicit memberships near to your Authorized Location (for example, if designated areas overlap). Unless approved in writing by us, all membership sales must be made face-to-face, although you may solicit membership sales by mail, telemarketing (so long as you abide by the no-call lists), or other non-face-to-face basis within your local area. You may solicit, advertise and accept memberships online or outside your local area only with our prior written approval or in accordance with our then-current policies; *for example*, provided if such solicitation does not encroach on the designated area of other franchisees. We have the right, but not duty, to prohibit or cancel memberships you sell that will expire beyond the expiration date of your Term or any exercised renewal term. You are solely responsible for all refunds or liabilities to your members due to the cancelation of memberships.

C. Approved Supplies and Suppliers. We will furnish to you from time to time lists of Approved Supplies or approved suppliers. You must only use Approved Supplies in the Center as listed in the Approved Supplies List and from suppliers on our Approved Suppliers List, as we may amend from time to time. Although we do not do so for every item, we have the right to require you purchase certain products and services (which currently include, without limitation, gloves, supportive hand wraps, punching bags, certain print materials, heart rate monitors and belts, website services, graphic design services, coaching screen system music,) from approved suppliers or designated sources. You acknowledge and agree that certain Approved Supplies may only be available from one (1) source, and we or our Affiliates may be that source. You will pay the then-current price in effect for Approved Supplies you purchase from us or our Affiliates. All inventories, products, operating forms, materials and other items and supplies used in the operation of the Center must be purchased from approved suppliers and any items not included on the Approved Supplies List or Approved Suppliers List must be approved by us and conform to the specifications and standards we establish from time to time. **ALTHOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION ANY REQUIRED TECHNOLOGY SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS.** Except for instances where we designate a single source supplier, if you wish to purchase any products or services for which we have established approved suppliers from an unapproved supplier, you may request our consent in writing. You must pay our costs and expenses, which we expect will range from \$1,000 to \$5,000, but may exceed this range depending on the product. If we request, you must submit samples and other information as we require for testing or to otherwise determine whether the product, material or supply, or the proposed supplier meets our specifications and quality and safety standards. We generally will notify you in writing of supplier approval or disapproval within thirty (30) days of our receipt of all the information and samples we request. You must pay the reasonable cost of the inspection and evaluation and the actual cost of the test. The supplier also may be required to sign a supplier agreement. We may re-inspect the facilities and products of any supplier of an approved supplier or item and

revoke our approval of any supplier or item that fails to continue to meet any of our criteria. Once approved, you may contract directly with the approved supplier. We will send written notice of any revocation of an approved supplier or Approved Supplies.

We apply the following general criteria in approving a proposed supplier: (1) ability to make product in conformity with our specifications; (2) reputation and integrity of supplier; (3) financial condition and insurance coverage of the supplier; and (4) system-wide strategic direction and system uniformity.

D. Technology System. You must purchase and use the Technology System. Requirements for use may include, among other things, connection to remote servers, off-site electronic repositories, high speed internet connections, managed network systems and services, and establishment of one (1) or more email accounts.

You must: *(i)* use any proprietary software programs, including cloud-based software, system documentation manuals, websites, and other proprietary materials that we provide to you in connection with your operation of the Center; *(ii)* input and maintain in your computers such data and information as we require in the Manual and other written directives; and *(iii)* purchase new or upgraded hardware, software programs, system documentation manuals, and other proprietary materials at then-current prices whenever we adopt such new or upgraded programs, manuals, and materials. You must enter into all software license agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner we require, and pay all fees imposed by us, our Affiliate or any third-party software and software service providers there under.

You acknowledge that we may independently access from a remote location, at any time, all information input to and compiled by your Technology System or an off-site server, including Member Information (subject to applicable laws concerning data protection and privacy). We have the right to require that you install remote control computer software and grant us administrator rights to your computer for the Technology System. You acknowledge and agree that we may independently access from a remote location, at any time, your computer to make remote changes. We have the right to require that you install a camera or security system and its related software and services. You further acknowledge and agree that we may independently access from a remote location, at any time, to view and record any images or video recorded by any camera or security systems, and you agree not to interfere with or impair our access to such recordings.

You acknowledge that technology is ever changing and that, as technology or software is developed in the future, we may, in our Reasonable Business Judgment, require you to: *(x)* add to your Technology System hardware, memory, ports, network system, and other accessories or peripheral equipment or additional, new, or substitute software, including cloud-based software; and *(y)* replace or upgrade your Technology System, network services, and software, including cloud-based software.

We reserve the right to designate a single source from whom you must purchase the Technology System.

E. Evaluations. We or our authorized representative have the right to enter your Center at all reasonable times when the Center is open to the public for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your premises, equipment and member satisfaction. Our inspections and evaluations may be conducted by our personnel or by a third-party “mystery shopper.” Or, at our request, we may require you to conduct and submit to us a “walk-through” video of your Center, conducted in accordance with our Standards, within the time period that we require. If we determine that any condition in the Center presents a threat to members or public health or safety or is not compliant with our specifications or standards, we may take whatever measures we deem necessary, including requiring you to immediately close the Center until the situation is remedied to our satisfaction. There is no limitation on the number of inspections we may conduct or the number of walk through videos we may request, or the scope of any inspection. A breach of your obligations under this Section 6.E. is a material default under this Agreement. If we request you to submit a “walk-through” video of your Center and you do not

comply within the time period that we require, then you must reimburse us for all out-of-pocket costs, including, without limitation, travel and lodging costs, that we incur in connection with any subsequent evaluations or inspections conducted by our personnel or by a third party “mystery shopper.”

F. Period of Operation. Subject to any contrary requirements of state or local law, your Center must be open to the public and operated during the hours and on the days that we require. Any variance from this provision must be authorized by us in writing. You acknowledge and agree that if your Center is closed for a period of seven (7) or more consecutive business days or fifteen (15) or more business days in any twelve (12)-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement. We reserve the right to change the minimum hours of operation as part of our Standards.

G. Operating Procedures. You must adopt and use as your continuing operational routine the required standards, procedures, methods of operation and management and security systems described in our Manual. We will revise the Manual and these standards and systems periodically to meet changing conditions of operation and will notify of the changes primarily through electronic communications. The Manual at all times is our sole property. You must at all times treat the Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. You will be required to sign a confidentiality agreement at the time of access. We may from time to time revise the contents of the Manual and you expressly agree to comply with each new or changed requirement. You acknowledge and agree that the Manual and other system communications may only be available on the internet or other online or computer communications. You must perform all exercise and fitness training functions and services as we designate from time to time and may not offer any exercise instruction, class or other services that we do not approve. Your Center must offer or perform all such services, as we periodically modify them.

H. Confidential Information. You may not, during the Term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it in order to operate the Center. You hereby acknowledge and agree that all Confidential Information belongs exclusively to us. You and each Owner agree to maintain the confidentiality of all Confidential Information and Member Information, not to duplicate any materials containing Confidential Information or Member Information, and not to divulge any Confidential Information, except to other franchisees and to your employees and professional advisors on a need to know basis. You may use the Confidential Information and Member Information, only for the purpose of operating the Center, and you shall not sell or share any personal data as defined by applicable statute. You shall defend, indemnify, and hold us harmless from and against any and all proceedings, claims, investigations, and causes of action arising out of or related to your violation of the provisions of this Section. This provision will survive expiration of this Agreement.

I. Compliance with Standards and Specifications; Participation in Joint Advertising Campaigns and Endorsements. You further agree to comply with all System specifications, standards and operating procedures (whether contained in the Manual or any other written communication) relating to the appearance, function, cleanliness, operation and promotion of a Lightweight Center including, without limitation (i) sales and marketing procedures and customer service; (ii) advertising and promotional programs; (iii) member loyalty and reward programs; (iv) layout and décor; (v) appearance and dress of employees; (vi) safety, maintenance, appearance, cleanliness, sanitation, standards of service, and operation of the Center; (vii) submission of requests for approval of brands of products, supplies and suppliers; (viii) use and illumination of signs, posters, displays, standard formats and similar items; (ix) use of audio equipment and type and decibel levels of music; (x) use of video equipment and type and decibel level of television broadcasts (including closed captioning requirements); (xi) types of fixtures, furnishings, and equipment; (xii) the make, type, location and decibel level of any game, entertainment or vending machine (and restrictions against the use of gaming, entertainment or vending machines); (xiii) use of coaching

screen system; **(xiv)** hours of operation within your Center; and **(xv)** exercise and any other services you are authorized to offer at the studio.

Upon our request, you must acknowledge receipt of our communications, including electronic communications, and respond to such communications within twenty-four (24) hours of delivery.

From time to time, we and our Affiliates also may participate in and require your participation in joint advertising campaigns and endorsement of third-party products or services (which participation may include, among other things, broadcasting audio-visual advertising on in-Center televisions or computer monitors or placing promotional items at required locations throughout the Center). You agree to participate in all such campaigns and endorsements according to our directives, provided that we will provide you all promotional items necessary for participation free of charge. You further acknowledge and agree that we or our Affiliates may receive revenue, and may retain all revenue received, on account of your participation and other franchisee's participation in such campaigns and endorsements.

J. Compliance with Law; Licenses and Permits. You have an obligation, both prior to and after purchasing the franchise, to review the laws of the area in which you will be operating to determine what statutes, regulations, ordinances, or other laws may have an impact on your ability to operate the franchise. We are not responsible for reviewing the laws, and we make no representation or warranty (express or implied) that the System we have developed complies with the laws of your particular area. You represent and agree that you have conducted a review of the potentially applicable laws and that you have provided to us, in writing, a statement of all legal issues that you feel may have a significant impact on your ability to follow the system or to operate your business. You must at all times maintain your premises and conduct your Center operations in compliance with all applicable laws, regulations, codes and ordinances including, without limitation, **(i)** all governmental regulations relating to sales, advertising and membership cancellation rights of health club memberships, and all bonding requirements, and **(ii)** all applicable laws pertaining to the privacy of consumer, employee and transactional information. If there is a conflict between our standards and policies and actual applicable law, you must comply with the requirements of applicable law, immediately give us notice of said conflict and promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies within the bounds of applicable law. You must secure and maintain in force all required licenses, permits and certificates relating to your Center. You acknowledge that you are an independent business and responsible for control and management of your Center, including, but not limited to, the hiring and discharging of your employees and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility or liability in respect to the hiring, discharging, setting and paying of wages or related matters. You must not publish, disseminate, implement, revise or rescind a data privacy policy without our prior written consent. You must immediately notify us in writing of any claim, litigation, proceeding or complaint (whether from individuals or governmental agencies) that arises from or affects the operation or financial condition of your I LOVE KICKBOXING business or Center.

K. Participation in Internet Websites, Online Communications Networks, and Email Systems; Social Media. You must participate, at your expense, in our I LOVE KICKBOXING website, on-demand streaming services, cloud-based software, cloud-based security system, if applicable, intranet or extranet system we may develop, and in other electronic communications systems and networks (including email marketing system and business text messaging system) as we may require, and must pay associated fees. Required participation includes, without limitation, maintaining and communicating at all times and for all business purposes through an email address provided by our approved vendor and promptly responding to all communications, including electronic communications, sent by us. We have the right to determine the content and use of our I LOVE KICKBOXING website, on-demand streaming services, cloud-based software, cloud-based security system, if applicable, and any intranet or extranet system we may develop and will establish the rules under which franchisees may or must participate. You may not use the Marks or any part or derivative thereof on the internet, except as we expressly permit in writing and as authorized by our then-current policies. Without limiting the generality of the foregoing, you may not use the Marks

or any part or derivative of the Marks as part of any URL or domain name or as part of any unauthorized email address and may only register the Marks or any part or derivative of the Marks as part of any user name on any gaming website or social networking website (including but not limited to Facebook, Threads, Snapchat, Instagram, TikTok, or X (formerly Twitter)) in accordance with our then-current policies. You also shall refrain from displaying on any website (including commercial websites, gaming websites, and social networking websites) any of our copyrighted works (including the design portion of the Marks), and shall refrain from streaming on any website any video reflecting the Marks or our proprietary workout routines, except with our written permission and in strict accordance with such permission. This includes, without limitation, offering merchandise identified by the Marks on any internet website and uploading or streaming any video on sites such as YouTube or TikTok. We have the right to terminate our website or any on-demand streaming services, cloud-based software, cloud-based security system, if applicable, intranet or extranet system at any time. Your general conduct on our website or any on-demand streaming services, intranet and extranet system or other online communications and specifically your use of the Marks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our website or any on-demand streaming services, cloud-based software, cloud-based security system, if applicable, intranet or extranet system may be considered Confidential Information, including access codes, keys, passwords, usernames, and identification codes. Your right to participate in our website or any on-demand streaming services, cloud-based software, cloud-based security system, if applicable, intranet and extranet system, or otherwise use the Marks or System on the internet or other online communications, will terminate when this Agreement expires or terminates.

You shall follow our mandatory specifications, standards, operating procedures, and rules for using Social Media in connection with your operation of the Center and you agree to comply with any Social Media policy we implement. We have the right (but not the obligation) to create and own all Social Media accounts used in operation of the Center and shall allow your access and use only in strict compliance with our rules. If we allow you to create a Social Media account, you must give us all administrator capabilities as if we were the creator of the account. We reserve our right to remove your access to Social Media accounts at any time in our sole discretion. Upon termination of this Agreement for any reason, your access to all Social Media accounts will terminate.

L. Public Relations. You shall not make any public statements (including giving interviews or issuing press releases) regarding the business or any particular incident, occurrence, or event related to the business or Center, without our prior written approval.

M. Association with Causes. You shall not in the name of I LOVE KICKBOXING or the business, without our prior written approval: **(i)** donate money, products, or services to any charitable, political, religious, or other organization; or **(ii)** act in support of any such organization (including acting in support of any such organization on any website or social media platform).

N. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we require under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and other changes as we deem appropriate. This right includes, but is not limited to, the right to introduce new products and services. You must comply with these modifications, additions or rescissions at your expense, subject to the express limitations listed in this Agreement.

You must operate your Center in strict compliance with all applicable laws and with the standard procedures, policies, rules and regulations established by us and incorporated herein or in the Manual or in I LOVE KICKBOXING system bulletins or other publications that are distributed to franchisees from time to time. Such standard procedures, policies, rules and regulations established by us may be revised from time to time as circumstances warrant, and you must comply with all such procedures as they exist from time to time as though they were specifically listed in this Agreement and when incorporated in a system bulletin or other written notice to franchisees, the same is incorporated herein by reference. These standard procedures, policies,

rules, and regulations may include operational matters, advertising or marketing matters, employee matters, membership issues, relationships between you and other franchisees, accounting issues, and any other issues that we believe, in our business judgment, are required to generally benefit the I LOVE KICKBOXING System and its franchisees.

O. Pricing Policies. We have the right to establish prices for the products and services you sell, both minimum and maximum, to the extent permitted by applicable law. You agree to comply with all such pricing requirements.

P. National Accounts. From time to time, we will negotiate contracts with corporations, affinity groups and insurance plans that will require that certain terms or discounts be offered to members of that corporation, affinity group, or insurance plan by all franchisees at all locations. You are required to provide the special terms or discounts to these National Accounts.

Q. Member Administration and Mediation. We or an Affiliate may from time to time engage in administrative tasks related to member administration such as administering online enrollment or membership transfer and reciprocity programs. You agree that we may take those actions in accordance with our then-current policies, which may include transferring members or Membership Contracts to or from your Center and providing on-line member enrollment. You agree that we may make such corrections as necessary, including that if a member is mistakenly transferred to the wrong Center, we may issue credits and charges for the membership dues to the affected Centers. Any actions we take for member administration are for the benefit of the brand and uniformity in the System and not to exercise control over your business.

R. Payment Systems. You may accept debit cards, credit cards, stored value cards, and other non-cash systems (including, for example, Apple Pay and Google Wallet) to enable customers to purchase authorized products and services. You will be responsible, at your expense, for acquiring and installing all necessary hardware and software used in connection with these non-cash systems. The parties acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly, you shall cause your Center to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Standards Council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information. You are solely responsible for your own education concerning these regulations and standards and for achieving and maintaining applicable compliance certifications. You shall defend, indemnify, and hold us harmless from and against all claims arising out of or related to your violation of the provisions of this Section.

## 7. PERSONNEL AND SUPERVISION STANDARDS

7. The following provisions and conditions control with respect to personnel, training, and supervision:

A. Supervision. You must ensure that the Center is operated in accordance with the terms and conditions of this Agreement. If you employ a general manager, he or she must attend and successfully complete all required training, as listed in Sections 7.B. and 7.C.

B. Training. You must, at your expense, comply with all of the training requirements we require for the Center to be developed and operated under this Agreement. If you employ a general manager, he or she also must comply with all training requirements. Specifically, prior to opening or within sixty (60) days of the Effective Date if the Center is open and operating, you must complete the initial training to our satisfaction and failure to do so will be considered a breach of the Agreement under Section 13.A. Our initial training program may be delivered at our training center, other location we designate, or online. If you do not meet your obligations under this Section 7.B. and if, in our sole discretion and as an alternative to exercising our rights under Section 13.A, we opt to send up to two (2) I LOVE KICKBOXING representatives to your Center to complete the then-current initial training program (the “**Training Program Visit**”), you agree to pay to us a fee of \$10,000, not as a penalty but to compensate us for the additional costs incurred in facilitating the Training

Program Visit, and such fee shall be fully earned and non-refundable. In the event you are given notice of default as described in Section 13.A. and the default relates, in whole or in part, to your failure to meet any operational standards, we have the right to require as a condition of curing the default that you, at your expense, comply with the additional training requirements we require. Any new general manager must comply with our training requirements within a reasonable time as we specify. Under no circumstances may you permit management of the Center's operations on a regular basis by a person who has not successfully completed to our satisfaction all applicable training we require.

C. Ongoing Training. We may require you and other key employees of the Center to attend, at your expense, ongoing training at our training center, the Authorized Location or other location we designate, or online. Beyond our initial training program, you must pay our then-current training fee for all training we conduct for you and your travel expenses.

D. Staffing. You shall maintain a competent, conscientious, and trained staff (who shall have been adequately trained by you) in numbers sufficient to service customers promptly and properly (including daily Center opening and closing procedures, as applicable), and shall take such steps as are necessary to ensure that your employees preserve good customer relations and comply with such dress code as we may require. In addition, you and your employees shall handle all customer complaints, refunds, returns or other adjustments in accordance with our policies as set forth in the Manuals or otherwise in writing. The parties acknowledge and agree that these requirements are necessary to preserve the goodwill identified by the Marks and System. The parties further acknowledge and agree that we neither dictate nor control labor or employment matters for you or your employees. You are exclusively responsible for hiring personnel, for determining the number of jobs offered or job vacancies to be filled, for determining and changing employee wages and benefits and work hours, and for disciplining and discharging your employees. You are exclusively responsible for labor relations with your employees. You shall defend, indemnify, and hold us harmless against any and all proceedings, claims, investigations, and causes of action instituted by your employees or by others that arise from your employment practices. In the event that you require your employees to sign a noncompetition agreement preventing them from directly competing with you, you shall carve out from such restriction their ability to become a I LOVE KICKBOXING franchisee.

E. Attendance at Meetings. Unless we approve otherwise, you and your manager must attend all sales and operations meetings we may hold or sponsor. Should we hold an annual franchise convention, you are encouraged but not required to attend. If you are not able to attend a meeting, you must notify us prior to the meeting and we may mandate that you substitute a person acceptable to us to attend on your behalf. We may charge reasonable fees for these programs, and you will be responsible for the wages and associated travel and living expenses for yourself and your manager or other designated attendee(s). We reserve the right to collect these fees through billing software with your monthly continuing fees, and we may collect the fees in installments, at our option. In addition to this ticket price, you are responsible for all travel related expenses for each attendee.

F. Instructor Certification. We reserve the right to develop certification programs for Center personnel who provide personal fitness instruction, teach any form of exercise, or provide any kind of fitness or nutrition instruction or counseling. We may charge, and you agree to pay a fee for providing certification-related courses and services. We reserve the right to collect these fees through billing software with your monthly royalties.

## **8. ADVERTISING**

8. You agree to actively promote your Center, to abide by all of our advertising requirements and to comply with the following provisions:

A. Grand Opening Marketing Fee. You must use your best efforts to promote your Center in your local area. We recommend that you spend a minimum of \$5,000, for local grand opening marketing, which commences approximately four (4) weeks before the opening of your Center and approximately eight (8) weeks

after the opening of your Center. You may spend more than the minimum amount. Pre-opening and grand opening marketing should consist of a variety of marketing tactics including, but not limited to, digital advertising, email marketing, local networking, participation in local community events, public relations, and other marketing and advertising initiatives or materials intended to publicize the opening of your Center. Our marketing tactics are proprietary and are Confidential Information. Amounts that you spend on pre-opening and grand opening or new ownership marketing do not count toward any other advertising obligations you have under this Agreement..

B. Recommended Local Advertising Expenditure; Approved Materials. You must use your best efforts to aggressively promote and advertise the Center in your local area, and participate in any local marketing and promotional programs that we establish from time to time (including but not limited to any in-Center marketing or promotions we may choose to run). You must conduct an initial promotional campaign in accordance with our standards and specifications. We reserve the right to audit your marketing and advertising to ensure it conforms with our standards and specifications. Upon our request, you must provide us with an itemized accounting of your local advertising and marketing expenditures, in the form we require, with supporting documentation of the type we require. You must use only such marketing materials as we furnish, approve, or make available, and the materials must be used only in a manner that we require. Our marketing materials are proprietary and are Confidential Information. Furthermore, any promotional activities you conduct in the Center or on its premises are subject to our approval. We will not unreasonably withhold approval of any sales promotion materials and activities; provided that they are current, in good condition, in good taste, dignified, and accurately depict the Marks (any use of the Marks, or a new variation you propose to the Marks, without our prior written approval is prohibited).

C. Sponsorships and Partnerships. You may not enter into any sponsorship agreements or arrangements or any marketing partnerships without our prior written consent.

## **9. FEES, REPORTING AND AUDIT RIGHTS**

9. You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. Upon execution of this Agreement you must pay us the Initial Franchise Fee. The Initial Franchise Fee is deemed fully earned upon payment in consideration for our expenses incurred and services rendered in conjunction with reserving your right to open and operate the Center at the Authorized Location and is non-refundable. Failure to pay the Initial Franchise Fee upon execution of this Agreement will result in a non-curable default of this Agreement by you, and we will have the right to terminate this Agreement immediately.

B. Continuing Fee and Other Fees. In addition to the Initial Franchise Fee, in consideration of the rights and use of our intellectual property granted to you (including, but not limited to, Marks, Confidential Information, and certain technology), you must pay to us the Continuing Fee. A Continuing Fee of \$499 shall apply if you have elected a thirty-eight (38) month Term. A Continuing Fee of \$599 shall apply if you have elected a twenty-six (26) month Term. Your Continuing Fee is the amount reflected on the Summary Page. You must pay the Continuing Fee beginning the earlier of the date that your Center opens or sixty (60) days from the Effective Date, and each following month through the Term of this Agreement. You will pay the full Continuing Fee for any partial month.

C. Member Services and Other Fees. Periodically, as technology and member demands evolve, we may change or provide additional member services. You agree to participate in our future member service initiatives and to pay the applicable fees at the then-current rates. We currently charge (i) \$126 to \$240 a month for insurance, depending on coverage; (ii) \$100 per hour for graphic design services; and (iii) \$5 a month per additional I LOVE KICKBOXING email address granted to your Center. Each of the proceeding given fees in this Section 9.C. are subject to change or increase. Although you are not currently required to offer personal training to customers, we reserve the right to require you to offer the service in the future by providing you prior written notice.

D. CPI Adjustment. Certain fees under this Agreement, including the Continuing Fee, are subject to adjustment based on any increase in the CPI (meaning the annual average of the Consumer Price Index for All Urban Consumers, Other goods and services, 1982-1984=100, published by the Bureau of Labor Statistics of the United States Department of Labor). If the Bureau of Labor Statistics ceases publishing the named Consumer Price Index, then the successor or most nearly comparable index as we select will be used. Fees will be changed no more than once per year. The increase will be based on the increase in the CPI Index between January 1 of any year and January 1 of the year of the Effective Date of this Agreement or the previous CPI adjustment.

E. Computations and Remittances. The Continuing Fee is due and owing on the first (1<sup>st</sup>) of the month. Any membership fees and member services fees are due and owing at the end of each month's operation. You must make all payments to us by the tenth (10<sup>th</sup>) of the month that the fees are due (or such other day as we designate). You may not withhold payment of any amounts owed to us and hereby waive any and all existing and future claims and offsets against any amounts due under this Agreement. Notwithstanding any designation by you, we will be entitled to apply your payments against any amounts due to us. We also may set off any amounts that may be held by us or our Affiliates on your behalf or owed to you by us or through our Affiliates against amounts you owe to us or our Affiliates.

F. Method of Payment. You must make payments to us and our Affiliates by electronic funds transfer or such alternative methods as we may designate. You must execute and deliver to us, our bank and your bank, as necessary, all forms and documents that we request to permit us to use any payment method we designate, including the electronic transfer of funds authorization attached as Attachment D. You must comply with all procedures we specify from time to time, and take such reasonable action as we request to assist in any of the payment methods. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section.

G. Interest Charges. Any and all amounts that you owe to us or to our Affiliates will bear interest at the rate of 12% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual.

H. Financial Planning and Management. You are responsible for keeping your own general accounting books. We may periodically request financial information, including but not limited to, a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, membership and purchase records, invoices, inventories, payroll records, cash disbursement journals and general ledger, all of which accurately reflect the operations and condition of your Center operations. You must allow us electronic and manual access to any and all records relating to your Center.

I. Reports and Audit. In the event of an audit, you must verify the accuracy of the membership numbers on the fifth (5<sup>th</sup>) day of each month for the preceding month. Within ten (10) days after the request, you must submit to us a report with respect to our request in the form and content as we periodically require. The report must include, but not be limited to, the following information for the preceding month, or any other period we request within our Reasonable Business Judgment: (i) number of membership sales; and (ii) if we request, monthly sales summary and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent, other material cost items, and marketing and advertising spend. We may also request, at your expense, that you submit to us within ninety (90) days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year, including all adjustments necessary for fair presentation of the financial statements. You must certify all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirements on our other franchisees. If any audit determines that you have understated your income or your membership level by more than 2% and such understatement resulted in underpayment of any fees due to us, you must pay us all costs of the audit plus interest on the amount due to us at 12% per annum or the highest rate allowed by law, whichever is less.

We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Center are kept and to evaluate, copy and audit such books and records. In addition, upon our request, you must provide us the current information regarding the name and telephone number of the landlord, lender or vendors and suppliers for the Center. You agree that we have the right to communicate with the landlord, lender and other vendors related to your operation of the Center regarding the Center or any default by you under an agreement with the landlord, lender or vendor. You hereby authorize the landlord, lender and any vendor associated with your Center to communicate with us and provide us information regarding the Center.

J. Administrative Fee. If at any time your Center fails to conform to System Standards, we have the right to impose and collect from you an Administrative Fee as described in this paragraph. Specifically, we may impose and collect from you a \$250 Administrative Fee for each “enforcement effort” that we undertake on account of your noncompliance with System Standards (e.g., a letter, email, or telephone communication notifying you of noncompliance or continued noncompliance). We may provide such notice and any related communications by electronic means (including, without limitation, by facsimile, email, or through any electronic communications system we designate for the System). This fee is not a penalty, but is intended to compensate us for the additional costs that we incur in enforcing your compliance with System Standards, and is in addition to and not in lieu of any other rights or remedies that we may have based on your noncompliance with System Standards. We may impose and collect the Administrative Fee whether or not the noncompliance at issue is of the type or degree that constitutes a material default of your obligations under this Agreement and, if it is, whether or not a cure period applies. At our option, we may require you to demonstrate full compliance with your obligations by submitting to us a comprehensive walk-through video of your Center premises in accordance with our System Standards. Other than as provided at Section 11 of this Agreement, we may impose and collect from you a \$250 Administrative Fee to process any agreements, addenda, amendments, or forms that you request we action in relation to your I LOVE KICKBOXING Center or this Agreement. This fee is intended to compensate us for the additional costs that we incur for processing documentation as requested by you. We reserve the right not to consent to or to process any such agreements, addenda, amendments, or forms within our Reasonable Business Judgment.

K. Attorneys’ Fees and Costs. Should your non-compliance with the Franchise Agreement cause us to incur attorneys’ fees or costs, you will be required to reimburse us for the attorneys’ fees and costs incurred. For purposes of this provision, “costs” include all costs of investigation, mediation (if the mediation does not result in settlement), discovery, trial, and appeal (if applicable), including private investigators’ fees, experts’ fees, clerks’ fees, service fees, and court reporter fees.

L. Taxes. If any taxes, fees, or assessments are imposed on royalties or other fees by reason of us acting as franchisor or licensing the Marks or the System under this Agreement (for example, sales tax), you will reimburse us the amount of those taxes, fees, or assessments within fifteen (15) days after receipt of our written notice to you.

M. Cross Payments. If you or any of your Affiliates operates a I LOVE KICKBOXING center other than the one contemplated by this Agreement, as of the Effective Date, you agree that upon notice by us, any amounts owed to us or our Affiliates related to such other center(s) may be deducted from the monies your billing and payment processor collects on your behalf and you hereby authorize the billing and payment processor to deduct such amounts and to pay those amounts to us or our Affiliates. You agree and acknowledge that such payments include, without limitation, any late payments, interest, administrative fees, and liquidated damages related to such other center or the franchise agreement governing such other center. If we elect to collect liquidated damages in installments, you agree that we may also collect interest at 12% on the amounts owed.

## 10. YOUR OTHER OBLIGATIONS

10. You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to pay promptly when due: **(i)** all payments, obligations, assessments and taxes due and payable to us and our Affiliates, suppliers, lessors, federal, state or local governments, or creditors in connection with your business; **(ii)** amounts related to all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Center or business; and **(iii)** all accounts and other indebtedness of every kind incurred by you in the conduct of the Center or business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

B. Indemnification. You waive all claims against us for damages to property or injuries to persons arising out of the operation of your Center. You must fully defend, indemnify, and hold us and our owners, directors, officers, successors and assigns and our Affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Center (regardless of cause or any concurrent or contributing fault or negligence of us or our Affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for our costs and attorneys' fees immediately upon our request as they are incurred. This Section will survive the expiration or termination of this Agreement and applies to all losses and expenses even if they exceed the limits of your insurance coverage.

C. Insurance.

(i) You must maintain at your expense in full force and effect throughout the Term the types of insurance and the minimum policy limits and deductibles stated in the Manual from our then-current designated insurance carrier or alternatively, in our sole discretion, a carrier acceptable to us. The insurance policy or policies must protect you, us, our parents, our Affiliates, and each entity's respective, past, present, and future officers, directors, owners, managers, members, employees, consultants, attorneys, and agents against any loss, liability, personal injury, death, property damage, or expense of any kind arising out of, or in connection with the Center, including the condition, operation, management, use, or occupancy of your Center.

(ii) To the fullest extent permitted by law, we and our parents, Affiliates, and subsidiaries (including each entity's respective, past, present, and future officers, directors, owners, managers, members, employees, consultants, attorneys, and agents) must be added/named as additional insureds on all coverages on which additional insureds can be added, even for claims regarding the additional insureds' sole negligence. The coverage offered to the additional insureds will be primary coverage to any other coverage maintained by the additional insureds and will not permit or require such other coverage to contribute to the payment of any loss. Policies must also contain a waiver of subrogation in favor of the additional insureds.

(iii) You must provide to us any documentation we require to evidence your compliance with this Section, where such documents may include, without limitation, additional insured endorsements and your insurance certificates.

(iv) We may require additional types of coverage or increase the required minimum amount of coverage on reasonable notice. Your obligation to obtain coverage is not limited in any way by insurance that we maintain.

(v) You acknowledge that the required minimum insurance requirements do not constitute advice or a representation that such coverages are necessary or adequate to protect you from losses in connection with the Center. Nothing in this Agreement prevents or restricts you from acquiring and maintaining insurance with higher policy limits or lower deductibles than what we require. Your insurer(s)

must commit not to cancel or amend the policy or policies without at least thirty (30) days' prior written notice to us.

(vi) We have the right to implement an insurance administration program, pursuant to which we or our designee may facilitate policy procurement, premium payments, and renewals, and we or the service provider may impose a reasonable fee for such services. If implemented, you must participate in the program and pay required fees. To the extent permitted by applicable law, you shall obtain insurance from insurance carriers or brokers that we designate or approve. If you fail to obtain and maintain insurance coverage as required by this Agreement, we have the right, but not the obligation, to obtain the required insurance on your behalf and to charge you for the cost of the insurance plus a reasonable fee for our services in obtaining the insurance, which you agree to pay on demand.

D. Innovations. You agree to fully and promptly disclose and transfer or assign to us any and all Innovations conceived or developed by you, any Owner, or your employees during the Term of this Agreement. We and our Affiliates solely own and have the right to authorize other Centers to use any Innovations without any compensation to you, any Owner, or your employees. We and our Affiliates own all related trade secrets, patents, patent applications, and any other intellectual property rights of the Innovations as a work-for-hire and you agree to enter into any transfer or assignment of ownership we require. You and your Owners hereby assign to us any rights you or your Owners may have or acquire in the Innovations, including the right to modify the Innovations, and waive and release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist us in obtaining and enforcing the intellectual property rights to any such Innovation in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint us as agent and attorney-in-fact for you and for us to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such Innovations. In the event that the foregoing provisions of this section are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Innovations to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on you or your Owners' rights therein. Without limiting the foregoing, you and your Owners also agree to provide and disclose to us any improvements or concepts you and your Owners create and conceive concerning the operation of a I LOVE KICKBOXING Center, and that we and our Affiliates shall own, may use, and may permit others to use any such improvements or concepts without compensation to you or your Owners. Nothing in this Section modifies your obligations to comply with the System and the Manual.

E. Copyright. You hereby acknowledge and agree that the ownership of the Work belongs exclusively to us or our Affiliates and any copyright in respect to the Work belongs to us. In addition, you acknowledge that you have no right to manufacture any component of the Work or duplicate the Work and agree to purchase all components of (or rights of access to) the Work exclusively from us. You have no right to claim any proprietary interest in any of the Work. You must immediately notify us of any known infringement to the Work or to our copyright interest therein. We have the right to control any litigation related to our copyrights or the Work. You agree to assist us, as directed by us, in any claim or action against the infringer.

## **11. TRANSFER OR ASSIGNMENT OF FRANCHISE**

11. You agree that the following provisions govern any transfer or assignment or proposed transfer or proposed assignment:

A. Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Center. Consequently, your interest in this Agreement or in the Center, or any Owner's interest in a franchisee that is a partnership or entity, may not be transferred to or assumed by any other person or entity

(the “**transferee**”), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with Section 11.E., and if we do not exercise such right, unless our prior written consent is obtained, and the transfer conditions described in Section 11.C. are satisfied. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, and other transfer conditions in this Section 11:

- (i) Any change or series of changes in the percentage of the franchisee entity owned, directly or indirectly, by the Principal Owner (including any addition or deletion of any person or entity who qualifies as a Principal Owner);
- (ii) Any change in the general partner of a franchisee that is a general, limited or other partnership entity; or
- (iii) For purposes of this Section 11.A., a pledge or seizure of any ownership interests in you or in any Principal Owner that affects the ownership of 25% or more of you or a Principal Owner, which we have not approved in advance in writing.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in Section 11.E., and if we do not exercise such right, must apply for and obtain our consent to the transfer, and satisfy the transfer conditions described in Section 11.C. In addition, you or the assignee must pay the attorneys’ fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

You may not place in, on, or upon the location of the Center, any information relating to the sale of the Center, without our prior consent.

**B. Consent to Transfer.** We may consent or withhold consent to any requested transfer based on our sole discretion. Application for our consent to a transfer and tender of the right of first refusal provided for in Section 11.E. must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other required information. The application must indicate whether you or a Principal Owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer is subject to our prior written approval. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be null and void and will provide us with the right to elect either to default and immediately terminate this Agreement or to collect from you and the guarantors a fee of \$2,500.

**C. Conditions of Transfer.** We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity upon the following:

- (i) **Transferee Qualifications.** The transferee must meet all of our then-current requirements for the franchise we are offering at the time of the proposed transfer, including having demonstrated the transferee has the personal character, financial assets, and business experience we deem suitable to be successful in our System.
- (ii) **Payment of Amounts Owed.** All amounts owed by you to us or any of our Affiliates, your suppliers or any landlord for the Center premises and Authorized Location, or upon which we or any of our Affiliates have any contingent liability must be paid in full.

(iii) Reports. You must have provided all required reports to us in accordance with Section 9.I.

(iv) Modernization. You must have complied with the provisions of Section 5.F.

(v) Guarantee. In the case of an installment sale for which we have consented to you or any Principal Owner retaining a security interest or other financial interest in this Agreement or the business operated hereunder, you or such Principal Owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

(vi) Consent to Transfer; General Release. You, each Principal Owner, and each guarantor must execute all transfer documents that we require and in the form we designate, which documents will include a general release of all claims arising out of or relating to this Agreement, your Center, or the parties' business relationship; provided, however, that the release will not be inconsistent with any state law regulating franchising.

(vii) Training. The transferee must, at your or the transferee's expense, comply with the training requirements of Section 7.B.

(viii) Financial Reports and Data. We have the right to require you to prepare and furnish to transferee and us such financial reports and other data relating to the Center and its operations as we deem reasonably necessary or appropriate for assignee and us to evaluate the Center and the proposed transfer. You agree that we have the right to confer with proposed transferees and furnish them with information concerning the Center and proposed transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Center and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

(ix) Transfer Fee. The transfer fee is an initial franchise fee and a purchaser of an existing I LOVE KICKBOXING franchise will be required to pay an initial franchise fee. Subject to Section 11.G. below, at our discretion, we may reduce or waive the transfer fee if you make a request to add an Owner.

(x) New Franchise Agreement. If the proposed transfer (or a series of transfers) would result in a change in control of the franchisee, the transferee must execute our then-current form of franchise agreement; and each of transferee's Principal Owners must execute our then-current form of personal guaranty and undertaking, and if applicable, corporate guaranty and undertaking. The parties acknowledge and agree that our then-current form of franchise agreement may be materially different than this Agreement and may include, among other things, different fees.

(xi) Member Information. You must have provided us with a full and accurate list of your current and prospective members, and at our direction, provide the same to the transferee.

(xii) Social Networking Accounts. You must assign ownership of all Social Networking Accounts associated with the Center to us.

(xiii) Other Conditions. You must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies.

D. Death, Disability or Incapacity. If any individual who is a Principal Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a Principal Owner, such person or entity must apply for our consent under Section 11.B., comply with the training requirements of Section 7.B, and satisfy the transfer conditions under Section 11.C., as in any other case of a proposed transfer, all within one hundred and eighty (180) days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Center still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no Franchise Fee will be payable to us and we will not have a right of first refusal as stated in Section 11.E.

E. Right of First Refusal. If you propose to transfer or assign this Agreement or your interest herein or in the business, in whole or in part, to any third party, including, without limitation, any transfer contemplated by Section 11.D. or any transfer described in Section 11.A., you first must offer to sell to us your interest. In the event of a bona fide offer from such third party, you must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer. In the event the proposed transfer results from a change in control of the franchisee or a Principal Owner under Sections 11.A.(i) through 11.A.(iii), or your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, you first must offer to sell to us your interest in this Agreement and the land, building, equipment, furniture and fixtures, and any leasehold interest used in the operation of your Center. Unless otherwise mutually agreed to in writing, the purchase price for our purchase of assets in the event of a transfer that occurs by a change in control or insolvency or bankruptcy filing will be established by a qualified appraiser selected by the parties and in accordance with the price determination formula established in Section 14.B. in connection with an asset purchase upon expiration. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If the parties cannot agree upon the selection of such an appraiser, we will select a mediator who will select an appraiser.

You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested. We then have forty-five (45) days from our receipt of the statement setting forth the third-party offer or the appraiser's report and other requested information to accept the offer by delivering written notice of acceptance to you. Our acceptance of any right of first refusal will be on the same price and terms listed in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the forty-five (45)-day period, you will be free for sixty (60) days after such period to effect the disposition described in the statement delivered to us provided such transfer is in accordance with this Section 11. You may effect no other sale or assignment of you, this Agreement or the business without first offering the same to us in accordance with this Section 11.E.

F. Transfer by Us. We have the right to sell or assign, in whole or in part, our interest in this Agreement and you hereby consent to any such sale or assignment.

G. Assignment.

(i) Individual Franchisee. If you are in full compliance with this Agreement, you may submit a request to assign this Agreement to a corporate or other business entity **(i)** in which you maintain management control, **(ii)** of which you own and control 100% of the equity and voting power of all issued and outstanding equity interests and **(iii)** further provided that all assets of the Center are owned, and the entire Center is conducted by a single business entity. Any assignment meeting the conditions in this Section 11.G.i. will not be subject to the conditions in Section 11.C., however, the corporation or other similar entity must execute a document substantially in a form approved by us and substantially in a form attached hereto as Attachment J in which it agrees to become a party to and be bound by all the provisions of this Agreement, to execute and deliver to us a corporate guaranty, and the Principal Owners must agree to remain personally liable under this Agreement. Your request to assign this Agreement must be accompanied by an assignment fee of \$500. This fee is non-refundable and may be collected by us pursuant to the methods set forth in Section 9.F.. The assignment fee will be waived if you submit a request to assign this Agreement pursuant to this Section 11.G.i. within three (3) months of the Effective Date of this Agreement.

(ii) Percentage Ownership. If you are in full compliance with this Agreement, you may submit a request to remove a minority partner, member, or other owner of your business, or to increase or decrease the percentage ownership of any minority partner, member, or other owner of your business. Any change in the percentage ownership of any existing Principal Owner or any change in the percentage ownership of your business that would create a new Principal Owner is considered a transfer and is governed by Section 11.A-

C, above. Your request must be accompanied by an assignment fee of \$500. This fee is non-refundable and may be collected by us pursuant to the methods set forth in Section 9.F.

H. Securities Offerings.

(i) No Public Offerings. Neither you nor any of your Owners may issue or sell your securities or the securities of any of your Affiliates if: (1) such securities would be required to be registered pursuant to the Securities Act of 1933, as amended, or such securities would be owned by more than 35 persons; or (2) after the issuance or sale, you or such Affiliate would be required to comply with the reporting and information requirements of the Securities Exchange Act of 1934, as amended.

(ii) Private Placements. You, your Owners, and Affiliates may offer securities or partnership interests, by private offering or otherwise, only with our prior written consent, which will not be unreasonably withheld (except for public offerings prohibited above). All materials required for such offering by federal or state law must be submitted to us for review prior to their being filed with any government agency; and any materials to be used in any exempt offering must be submitted to us for review prior to their use. No offering may imply (by use of the Marks or otherwise) that we are participating in the underwriting, issuance or offer of securities and our review of any offering will be limited solely to the subject of the relationship between you and us. In preparing a prospectus or other offering materials, you must make any changes and incorporate any disclaimers we require with respect to your relationship with us and your use of the Marks. You, Owners and the other participants in the offering must fully indemnify us in connection with the offering. For each proposed offering, you must pay us for our reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. You must give us written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

## 12. DISPUTE RESOLUTION

12. The following provisions apply with respect to dispute resolution:

A. Mediation. Each party agrees to be bound by the provisions of any limitation on the period of time by which claims must be brought under this Agreement or applicable law, whichever expires first.

Before the filing of any proceedings, and except as provided below, the parties agree to first submit their dispute to mediation. Mediation will be conducted by a mediator or mediation program agreed to by the parties and will take place in Simpsonville, South Carolina. Persons authorized to settle the dispute must attend any mediation session. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within thirty (30) days of the notice from the party seeking to initiate the mediation procedures. If not resolved within thirty (30) days, the parties are free to pursue litigation.

B. Injunctive Relief and Collections. Notwithstanding Section 12.A., the parties agree that the following claims will not be subject to arbitration or mediation: **(i)** any action by us for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to our tangible or intangible property, including, without limitation, the Marks, brought at any time, including without limitation, prior to or during the pendency or any arbitration proceeding initiated under Section 12.A.; **(ii)** any action by us in ejectment or for possession of any interest in real or personal property; **(iii)** our decision in the first instance to issue a notice of default or notice of termination, or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between the parties; or **(iv)** any collection action by us for the payment of continuing fees or other amounts owed under this Agreement.

C. Attorneys' Fees. The prevailing party in any litigation, action, or proceeding arising under, out of, in connection with, or in relation to this Agreement or other dispute between the parties, any lease or sublease for

the Center or Authorized Location, or the business will be entitled to recover its reasonable attorneys' fees and costs.

### **13. DEFAULT AND TERMINATION AND OTHER REMEDIES**

13. The following provisions apply with respect to default and termination:

A. Termination by Us. You are in default if we determine that you or any Principal Owner or guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our Affiliates including, without limitation, any failure to pay fees or other amounts due under this Agreement. We have the right to terminate this Agreement in accordance with the following provisions:

(i) Termination After Opportunity to Cure. Except as otherwise provided in this Section 13.B.: (1) we may terminate this Agreement if you have failed to cure any default under this Agreement within thirty (30) days from the date of our issuance of a written notice of default, other than a failure to pay amounts due or submit required reports, in which case we may terminate this Agreement if you have failed to cure such default within ten (10) days of our issuance of a written notice of default; (2) your failure to cure a default within the applicable cure period will provide us with good cause to terminate this Agreement; (3) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and (4) the termination will be effective immediately upon our issuance of the written notice of termination.

(ii) Automatic Termination without Notice or Opportunity to Cure. In the event that any of the following defaults occur, this Agreement will terminate automatically, without notice and without providing you an opportunity to cure: (1) the filing of a voluntary or involuntary petition for bankruptcy relief by or against you or by or against any Principal Owner or guarantor; (2) your insolvency (meaning your inability to pay debts as and when they become due); (3) your making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

(iii) Immediate Termination with No Opportunity to Cure. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: (1) you failed to pay us the Initial Franchise Fee upon execution of this Agreement; (2) you or any Owner has made any material misrepresentation or omission in your franchise application; (3) your voluntary abandonment of the franchised business or the Existing Fitness Center; (4) the loss of your lease, or the failure to timely cure a default under the lease; (5) the loss of your right of possession or failure to reopen or relocate under Section 5.G.; (6) the closing of the Center by any state or local authorities for health or public safety reasons; (7) any unauthorized use of the Confidential Information; (8) changing the goods or services offered at the Existing Fitness Center without our prior written consent; (9) conviction of you, any Principal Owners, or guarantors of (or pleading no contest to) any felony or misdemeanor that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair your reputation or the goodwill of the Marks or the Center; (10) you, any Owner, guarantor or an Affiliate of any of you are listed by the United States or United Nations as being a terrorist, financier of terrorism or otherwise restricted from doing business in or with the United States; (11) intentionally understating or underreporting membership sales or any understatement or 2% variance on a subsequent audit within a one (1)-year period under Section 9.I.; (12) any unauthorized transfer or assignment in violation of Section 11; (13) you or any Owner or guarantor defaults under any other agreement between them and us, our Affiliates, or a third party essential to the operation of your Center (such as a landlord, vendor, or supplier), and has not been cured within any applicable cure period; or (14) the occurrence of two (2) or more defaults of the same or similar nature within any twelve (12)-month consecutive period, or the occurrence of four (4) or more defaults, regardless of their nature, within any twenty four (24)-month period, and regardless of whether the previous defaults were timely cured; (15) you have failed to meet the training requirements of Section 7.B. We also have the right to terminate this Agreement, effective upon delivery of written notice of termination, in the event of: (a) termination, on account of your default, of any other franchise agreement between you or your Affiliate, as franchisee, and us, as franchisor, or (b)

abandonment or unauthorized closure of any other Center operated under a franchise agreement between you or your Affiliate, as franchisee, and us, as franchisor.

(iv) Immediate Termination After No More than Seven (7) Days to Cure. In the event that any of the following defaults exist, you will have no more than seven (7) days after we provide written notice of the default to cure the default, and this Agreement will terminate effective immediately on our issuance of written notice of termination: (1) a default occurs that materially impairs the goodwill associated with any of the Marks, violates any health, safety or sanitation law or regulation, or if the operation of the Center presents a health or safety hazard to your members or to the public; (2) a default occurs that involves misuse of our Marks, including the offer or sale of unauthorized products or services at or from the Center premises or in conjunction with the Marks; (3) a default occurs that involves the installation or use of unauthorized equipment at the Center premises; or (4) a default occurs that involves the failure to follow our prescribed workout routines, or the offering of unauthorized workout routines.

(v) Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

B. Termination by You. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement provided that: **(i)** you provide us with written notice of the breach that identifies the grounds for the breach; and **(ii)** we fail to cure the breach within a reasonable time, which will in no event be less than sixty (60) days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective ninety (90) days after our receipt of your written notice of breach. Your termination of this Agreement under this Section will not release or modify your post-term obligations under Sections 10.D. and 14 of this Agreement.

C. Other Remedies. If you are in default under this Agreement, in addition to any other remedies we may have, we have the right to withhold services pending any cure of the default including: **(i)** removing your Center from any website we operate; **(ii)** suspending online enrollment; or **(iii)** suspending our facilitation of the member billing process.

D. Liquidated Damages.

(i) In the event that you prematurely cease operation of the Center in accordance with this Agreement, or if you commit a default that results in early termination of this Agreement, you must pay us, as liquidated damages and not as a penalty, the lesser of \$7,000 or an amount equal to the average monthly fees paid to us over the past twelve (12) months multiplied by the number of months remaining in the then-current Term, reduced to present value at a rate of 6%. The parties acknowledge and agree that such amount represents a reasonable estimate of the damages we will incur as a result of such default and premature termination. If you are party to any other agreement with us to operate one (1) or more other I LOVE KICKBOXING Centers, we have the discretion to deduct some or all of these liquidated damages from any accounts you maintain relating to those I LOVE KICKBOXING Centers. If we elect to deduct any liquidated damages from any other accounts you maintain, we reserve the right to collect these amounts in installments, payable at 6% interest for a term of up to twenty-four (24) months.

(ii) In the event that you sell any products or offer any services that we have not authorized for sale, you must pay us an amount equal to 70% of the gross revenue that you derived from the sale of unauthorized products, and 100% of the gross revenues that you derived from the offer of unauthorized services. We have the right to collect these amounts in the same way as we collect payment of Continuing Fees. The parties acknowledge and agree that 70% of gross revenue represents a reasonable estimate of the profits you will derive as a result of selling unauthorized products, and that 100% of gross revenue represents a reasonable estimate of the profits you will derive as a result of offering unauthorized services.

E. Cross-Default. Any default by you or your Affiliates under any agreement between you or your Affiliates and us or our Affiliates, that is not cured within any applicable cure period, shall be considered a default by you under this Agreement and shall provide us with an independent basis for termination of this Agreement.

#### 14. POST-TERM OBLIGATIONS

14. Upon the expiration or termination of this Agreement:

A. Reversion of Rights; Discontinuation of Trademark Use. All of your rights to the use of the Marks and all other rights and licenses granted in this Agreement and the right and license to conduct business under the Marks at the Authorized Location will revert to us without further act or deed of any party.

You shall immediately comply with the post-Term obligations, cease all use and display of the Marks and of any proprietary material (including the Manual) and of all or any portion of promotional materials furnished or approved by us.

You shall assign all right, title and interest in the telephone numbers for the Center and assign or cancel, at our option, any assumed name rights or equivalent registrations filed with authorities.

You must pay all sums due to us, our Affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our Affiliates.

You must immediately return to us, at your expense, all copies of the Manuals then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of Section 6.H.

If we elect not to assume the Center lease according to the option described in 14.B., below, you shall promptly, at your expense, de-identify the Center premises. For purposes of this provision, “de-identify” means removing or obliterating all Center signage, displays and other materials that bear any of the Marks, confusingly similar trademarks or service marks, the Work, and our copyrighted works, and altering the appearance of the Center so that it no longer resembles a business operating under the System. As of the date of this Agreement, the obligation to de-identify the Center premises also includes, without limitation, the following: removal of any items or signs internally and externally bearing the Marks, removal of coaching screens and associated brackets, removal of any brick wall or faux brick wall covering, repainting or recovering of interior walls to remove any trade color wall covering, replacing any trade color floor coverings, wipe or purge computers of any and all heart rate monitor equipment and systems data, and as directed by us, deactivating and deleting, or transferring ownership to us, of the Center’s entire internet presence, including any and all Social Networking Accounts associated with the Center, whether created or inherited by you. If you fail or refuse to comply with the provisions of this paragraph within thirty (30) days, we have the right to enter upon the Center premises, or we may appoint the landlord of your Center to do so on our behalf, without being guilty of trespass or any other crime or tort, for purposes of de-identifying the Center on your behalf, and you must reimburse us for our costs incurred. We have the right to communicate with the Center’s lessor to complete the de-identification, and you agree to reimburse us, whether by direct payment or through our deduction or offset from amounts held by us or our Affiliates. At our discretion, we may charge you or otherwise withhold from payments due to you a reasonable estimate of our costs in advance of performing such de-identification in the event you do not comply with your obligations.

You are responsible for reimbursing members for all pre-paid services not rendered.

Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our Affiliates that expressly or by their nature survive the expiration or termination of this Agreement.

B. Option to Assume Lease; Assume Telephone Numbers and Membership Contracts, and Purchase Assets. Upon termination or expiration of this Agreement, we will have the option (but not the obligation) to do any or all of the following, *provided that* in so exercising our rights, we do not interfere with the Existing

Fitness Center's legal obligations or business operations: **(i)** assume your Lease for the Center premises; **(ii)** assume all telephone numbers used in connection with the operation of the Center; **(iii)** assume all utilities used in connection with the operation of the Center; and **(iv)** assume your rights and interest in and to any Membership Contract to which you are a party, by delivering to you written notice of our election within thirty (30) days after termination or expiration of this Agreement.

Upon termination or expiration of this Agreement, we also will have the option, to purchase any or all of the assets used in connection with the operation of the Center including, without limitation, equipment, fixtures, signage, furnishings, and supplies. The purchase price for the assets will be determined by a qualified appraiser selected with the consent of both parties, provided we give you written notice of our preliminary intent to exercise our purchase rights under this Section 14.B. within thirty (30) days after the date of the expiration or termination of this Agreement. If the parties cannot agree upon the selection of an appraiser(s), each party will appoint their own appraiser and the two appraisers will select a neutral appraiser, who will independently perform the appraisal. Within forty-five (45) days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner. We and you will each pay one-half of the appraiser's fees and expenses. Our interest in the assets of the Center that are owned by you or your Affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your Affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your Affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefore, and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

You must execute all additional documentation that we designate to give effect to the options described in this Section 14.B. We may assign our option rights to any person of our choice.

C. **Claims.** You and your Principal Owners and guarantors may not assert any claim or cause of action against us or our Affiliates relating to this Agreement or the business contemplated under this Agreement after the shorter period of the applicable statute of limitations or six (6) months following the effective date of termination or expiration of this Agreement; provided that where the six (6)-month limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

## 15. GENERAL PROVISIONS

15. The parties agree to the following provisions:

A. **Severability.** Should one (1) or more clauses of this Agreement be held void or unenforceable for any reason by any arbitrator or court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. **Waiver/Integration.** No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights

to modify the Marks, System, Manual, and to designate the Authorized Location as stated in this Agreement, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the addenda and appendices and the application form executed by you requesting us to enter into this Agreement constitute the sole agreement between the parties with respect to the entire subject matter of this Agreement and embody all prior agreements and negotiations with respect to the business. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your business. There are no representations or warranties of any kind, express or implied, except as contained in this Agreement and in the aforesaid application. Nothing in this Agreement is intended to disclaim the representations we have made in our Franchise Disclosure Document.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for in this Agreement must be in writing and signed by the party serving the same and **(i)** delivered personally; or **(ii)** delivered by a reputable overnight service (such as FedEx); or **(iii)** deposited in the United States mail, service or postage prepaid (and if such notice is a notice of default or of termination, by registered or certified mail), and addressed as follows:

1. If intended for us, addressed to CEO, 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, 847 NE Main Street, Simpsonville, SC 29681, with a copy marked to the attention of the General Counsel at the same address;

2. If intended for you, addressed to you at Address for Notices set forth on the Summary Pages or at the Authorized Location; or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Section. Notwithstanding the foregoing, we may also provide notice and communications to you, other than a notice of default or termination, by electronic means (including, without limitation, by facsimile, email, or through any electronic communications system we designate for the System).

D. Authority. Any modification, consent, approval, authorization or waiver granted in this Agreement required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by an authorized officer.

E. References. If the franchisee is two (2) or more persons, the persons are jointly and severally liable, and references to you in this Agreement includes all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

F. Guarantee. All Owners of a franchisee that is a corporation, partnership, limited liability company or partnership, or other legal entity, must execute the personal guaranty and undertaking in the form attached at Attachment C-1 and the corporate guaranty in the form attached at Attachment C-2 to this Agreement. At our request, the spouse of an Owner of a franchisee as described in the foregoing sentence must execute the personal guaranty and undertaking in the form attached at Attachment C-1 to this Agreement. Any person or entity that at any time after the date of this Agreement becomes an Owner pursuant to the provisions of Section 11 or otherwise must execute the personal guaranty and undertaking in the form attached at Attachment C-1 and the corporate guaranty in the form attached at Attachment C-2 to this Agreement.

G. Successors/Assigns. Subject to the terms of Section 11 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

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

(i) Applicable Law and Waiver. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 12 of this Agreement, all claims arising out of or relating to this Agreement and the parties' relationship will be governed by, and will be

interpreted in accordance with, the substantive laws of the state where our corporate headquarters are located (currently, South Carolina) (irrespective of any conflicts of laws); provided that any law or regulation applicable to the offer or sale of franchises or the franchise relationship will apply only if the jurisdictional provisions of the law are otherwise met.

(ii) **Our Rights.** Whenever this Agreement provides that we have 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, although this right does not modify any express limitations stated in this Agreement.

(iii) **Our Reasonable Business Judgment.** Whenever we reserve discretion in a particular area or where we agree 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. You acknowledge that we shall have no liability to you for the exercise of our Reasonable Business Judgment. IF WE TAKE ANY ACTION OR CHOOSE NOT TO TAKE ANY ACTION IN OUR DISCRETION WITH REGARD TO ANY MATTER RELATED TO THIS AGREEMENT AND ITS ACTION OR INACTION IS CHALLENGED FOR ANY REASON, THE PARTIES EXPRESSLY DIRECT THE TRIER OF FACT THAT OUR RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF OUR DISCRETION IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF OUR DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR OUR DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

(iv) **Drafting Party.** The parties acknowledge that each party and its counsel have reviewed this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties, and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement or any amendments or exhibits attached hereto.

I. **Venue.** Except as expressly provided in Section 12, any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties must be brought in the Federal District Court for the District where our corporate headquarters are located (currently, the District of South Carolina) or in the state court with jurisdiction where our corporate headquarters are located (currently, Greenville County Court of Common Pleas, Greenville, South Carolina). Both parties irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this Section will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Section, and with a complete understanding thereof, agree to be bound in the manner set forth.

J. **Jury Trial Waiver. All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement.**

K. **Waiver of Punitive, Consequential Damages and other Special Damages. With the exception of our right to seek indemnification for third party claims as set forth in this Agreement and our right to seek recovery of lost future profits as a common law remedy for premature termination of this Agreement, the parties hereby waive to the fullest extent permitted by law any right to or claim of any loss of revenues, loss of profits, loss of time, inconvenience, loss of use, or any other incidental, special, indirect, exemplary, punitive, or consequential loss against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of any actual damages sustained by the party.**

L. **Relationship of the Parties.** The parties' relationship is that of independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may

obligate the other 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.

M. Adaptations and Variances. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the equipment offerings and other standards, specifications, and requirements for any franchised Center or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such Center, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard operations, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that our other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

N. Notice of Potential Profit. We and our Affiliates may from time to time make available to you supplies, equipment, products and services for use in your Center on the sale of which we or our Affiliates may make a profit. Further, we and our Affiliates may from time to time receive consideration from suppliers and manufacturers in respect to sales of supplies, equipment, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and our Affiliates are entitled to said profits and consideration.

O. Force Majeure. If a party's default under this Agreement (other than your obligations with respect to insurance and indemnification, to obtain a site and open the Center within a specified period, and to pay all fees and other amounts due to us and our Affiliates under this Agreement and any other agreement between you and us or our Affiliates), is caused in whole or in part by a force majeure, such default and any right of the other party to terminate this Agreement for such default is suspended for as long as the default is reasonably caused by such force majeure. Any suspension is effective only from the delivery of a notice of the force majeure to the other party stating the party's intention to invoke the force majeure. However, if such suspension continues for longer than six (6) months and the default still exists, either party has the right to terminate this Agreement upon thirty (30) days' notice to the other party. Events of force majeure are those that cannot be prevented, avoided or removed by the party invoking the force majeure despite the exercise of reasonable diligence, including acts of God, actions of the elements, lockouts, wars, riots, acts of terrorism, civil commotion, and acts of governmental authorities (not including a governmental authority's delaying or refusing to grant building permits, licenses and other permissions and approvals), and except as specifically provided for elsewhere in this Agreement.

P. Your Representations to Us. As an inducement to us to grant you the franchise contemplated by this Agreement, you hereby acknowledge and represent to us the following (and agree to notify us immediately in writing upon the occurrence of any act or event that would render any representation incorrect):

(i) Corporate Ownership. If you are a corporation, limited liability company, partnership or similar entity, you and each of your Owners represents and warrants that your ownership is completely and accurately listed on the Summary Page and that you will provide us with updated ownership information so that at all times the ownership information is current, complete and accurate. In addition, you represent and warrant that: (1) you are duly organized, in good standing and authorized to conduct business in your state of incorporation and the state where the Center is located; (2) you will confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Center or another Center under a Franchise Agreement with us; (3) all assets used in the operation of the Center are owned or leased by you; and (4) you have and will maintain stop transfer instructions on your records against the transfer of equity securities except in compliance with this

Agreement and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

(ii) Patriot Act. You represent, warrant and certify that none of you, your Affiliates, officers or directors or holders of any equity interest in you is or will be named as a “specially designated national” or “blocked person” (or other similar classification) as designed by the United States Department of The Treasury’s Office of Foreign Assets Control (or other applicable governmental agency).

(iii) Applicable Laws. You acknowledge that there may be Applicable Laws that may affect the operation of the Center, that may conflict with your obligation to comply with our Standards, and that may negatively impact the financial performance of the Center. It is solely your responsibility, both prior to and after purchasing the franchise, to identify, understand and comply with all Applicable Laws. In entering into this Agreement, you are not relying in any way upon any representation or warranty (express or implied) by us or anyone associated with us that our System or Standards complies with Applicable Laws.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the dates written below.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**Attachment A to the Franchise Agreement**  
**AUTHORIZED LOCATION**  
**AND EXISTING FITNESS CENTER**

**A. AUTHORIZED LOCATION.** The **Authorized Location** means the following location:

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**B. EXISTING FITNESS CENTER.** The **Existing Fitness Center** means the following business (entity name and trade and services offered) and location:

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The local area that is served by the Authorized Location may overlap with designated areas of other I LOVE KICKBOXING Centers, Special Sites, or other competitive businesses that may be part of our, or an Affiliate of ours, multi-unit brand concept. In the overlapping areas, each Center is permitted to market and solicit for members (see Section 6.B.). Once identified by us, the Authorized Location is fixed for the Term of the Franchise Agreement unless you relocate the Center and upon renewal or transfer (see Sections 4.B., 5.G., and 11.C.).

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**Attachment B to the Franchise Agreement**

**INFORMATION RELEASE CONSENT**

The undersigned entered into a Franchise Agreement for the operation of an I LOVE KICKBOXING Center under a license from 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING. In connection with the Franchise Agreement, I authorize 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING to discuss with and obtain information from the third party providers for any I LOVE KICKBOXING Center owned or guaranteed by my Principal Owners (directly or indirectly), including: (1) the landlord of the Center, (2) any lender providing financing for the Center or that holds any security interest in any of the assets of the Center or in the Franchisee (if a corporate entity), and (3) any other vendor or supplier for the Center. I authorize such persons to provide information regarding the I LOVE KICKBOXING Center to 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING.

**FRANCHISEE:** (For an entity)

**FRANCHISEE:** (For an individual)

Name of Entity: \_\_\_\_\_

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

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

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

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

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

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

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

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

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

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

**Attachment C-1 to the Franchise Agreement**  
**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND**  
**PERSONALLY BY THE TERMS AND CONDITIONS**  
**OF THE FRANCHISE AGREEMENT**

1. I have read the Franchise Agreement between 9ROUND HOLDING COMPANY, LLC d/b/a I LOVE KICKBOXING (the “**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”). Capitalized terms will have the meanings ascribed to them in the Franchise Agreement unless otherwise defined herein.
2. I recognize that this is a separate agreement from the Franchise Agreement, and I will read, consider, and sign this as such.
3. I own, or my spouse owns, as the case may be, a beneficial interest in the Franchisee and would be considered an “**Owner**” within the definition contained in Franchise Agreement.
4. I understand that, were it not for this Personal Guaranty and Undertaking (the “**Guaranty**”), Franchisor would not have agreed to enter into the Franchise Agreement with Franchisee.
5. This Guaranty operates to bind the individuals, and, as applicable, their spouses, associated with the entity, and as such, is meant to bind me in my individual capacity for any obligations outstanding to Franchisor.
6. If there are multiple owners of this Franchise, each signatory becomes jointly and severally liable for the obligations under the terms of the Franchise Agreement. I understand that fellow owners and I become co-guarantors.
7. Upon signature of this Guaranty, this Guaranty becomes a valid component of the Franchise Agreement and is therefore enforceable. This Guaranty is in addition to the Franchise Agreement and does not negate nor override any provisions of the Franchise Agreement.
8. I will personally comply with the provisions contained in Section 3 of the Franchise Agreement concerning the Franchisee’s use of Franchisor’s Marks (as that term is defined in the Franchise Agreement). I understand that, except for the license granted to the Franchisee, I have no individual right to use the Marks and I have no ownership interest in the Marks.
9. I will personally comply with all of the provisions contained in Section 6 of the Franchise Agreement concerning the use of the Manual and Confidential Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except **(a)** to the Franchisee’s employees on a need to know basis, **(b)** to the Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and **(c)** as otherwise may be required by law.
10. I will personally comply with all of the provisions contained in Section 11 of the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.
11. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant included within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.
12. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately

upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

13. All judicial proceedings brought against Franchisee arising out of or relating to this Guaranty, the Franchise Agreement, or any other agreements, shall be brought in accordance with applicable law provisions of the Franchise Agreement.

14. I agree that the provisions contained in Section 12 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

15. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement.

16. I will pay all amounts due under this Guaranty within fourteen (14) calendar days after receiving notice from Franchisor that the Franchisee has failed to make the required payment. I understand and agree that Franchisor need not exhaust its remedies against Franchisee before seeking recovery from me under this Guaranty.

17. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

18. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND THE OFFER OR GRANT OF THE FRANCHISE.**

19. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

20. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one (1) business day after electronically confirmed transmission by facsimile or other electronic system; one (1) business day after delivery by Express Mail or other recognized, reputable overnight courier; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

It is further understood and agreed by the undersigned that the provisions, covenants, and conditions of this Guaranty will inure to the benefit of my successors and assigns.

Intending to be legally bound, I have executed this Guaranty on the date set forth below.

**FRANCHISEE:** \_\_\_\_\_(insert name of entity)

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

**PERSONAL GUARANTORS:**

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Individually

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

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

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

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City	State	Zip Code
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Telephone

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City	State	Zip Code
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Telephone

**Attachment C-2 to the Franchise Agreement**

**CORPORATE GUARANTY**

Contemporaneous with the execution of this Corporate Guaranty \_\_\_\_\_ (“**Franchisee**”) is entering into a franchise agreement (“**Franchise Agreement**”) with 9ROUND HOLDING COMPANY, LLC d/b/a I LOVE KICKBOXING (“**Franchisor**”) for the operation of an I LOVE KICKBOXING franchised business \_\_\_\_\_ (“**Center**”). The undersigned (“**Guarantor**”) controls, is controlled by, or is under common control with Franchisee, and will receive a material benefit from Franchisee’s operations of the Center under the Franchise Agreement.

In consideration for such material benefit, and as an inducement for Franchisor to enter into the Franchise Agreement, and for other good and valuable consideration, the undersigned, for itself and its successors and assigns, hereby becomes surety and guarantor for the payment of all amounts and the performance of terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the dispute resolution provisions of the Agreement.

The undersigned acknowledges that, were it not for this guaranty, Franchisor would not have agreed to enter into the Franchise Agreement with franchisee.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by franchisee’s insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned; and (3) Franchisor may deduct any amounts owed by Franchisee from the monies Guarantor’s billing and payment processor collects on its behalf and Guarantor hereby authorizes the billing and payment processor to deduct such amounts and to pay those amounts to Franchisor.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this guaranty will inure to the benefit of our successors and assigns.

**GUARANTOR:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**ACKNOWLEDGED BY FRANCHISEE:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**Attachment D to the Franchise Agreement**

Electronic Transfer of Funds Authorization

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

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

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

NEW	CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, its parent company, designated billing provider or any affiliated entity (collectively, "I LOVE KICKBOXING"), to initiate weekly ACH debit entries against the account of the undersigned with you in payment of amounts for Continuing Fees or other amounts that become payable, by the undersigned, to I LOVE KICKBOXING. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by I LOVE KICKBOXING. This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization. Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

Sincerely yours,

\_\_\_\_\_

Bank Name

\_\_\_\_\_

Branch

\_\_\_\_\_

Street Address

\_\_\_\_\_

City State Zip Code

\_\_\_\_\_

Bank Telephone Number

\_\_\_\_\_

Routing Number

\_\_\_\_\_

Account Number

\_\_\_\_\_

Account Name

\_\_\_\_\_

Street Address

\_\_\_\_\_

City State Zip Code

\_\_\_\_\_

Telephone Number

SIGNATURE: \_\_\_\_\_

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

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

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

**Attachment E to the Franchise Agreement**

**STEP UP PROGRAM ADDENDUM**

This Step up Program Addendum (“**Step Up Program Addendum**”) is made between 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, a South Carolina limited liability company with its principal business located at 847 NE Main Street, Simpsonville, South Carolina 29681 (“**we**”, “**us**”, or “**our**”), and the Franchisee identified on the Summary Page (“**you**” or “**your**”), to be effective on the Effective Date identified on the Summary Page of this Agreement, as defined below.

**BACKGROUND**

A. Franchise Agreements.

(i) You, your Affiliate, or one or more of your Owners, are a party to the following franchise agreement(s) (the “**Existing Franchise Agreement(s)**”):

<i>Existing Franchise Agreement No.</i>	<i>Existing Franchise Agreement Effective Date</i>	<i>Existing Franchise Agreement Expiration Date</i>	<i>Center Address</i>

(ii) Contemporaneously with the execution of this Step Up Program Addendum, you are entering into:

- 2nd Franchise Agreement for an initial franchise fee of \$1,000, or
- 3rd Franchise Agreement for an initial franchise fee \$1,000, or
- 4th and each additional Franchise Agreement for an initial franchise fee of \$1,000,

I LOVE KICKBOXING then-current franchise agreement (the “**Franchise Agreement**”) pursuant to our Step Up Program to develop and operate an additional new Center.

B. The Center licensed under the Franchise Agreement constitutes the “**Development Center**”.

C. The parties mutually desire enter into this Step Up Program Addendum in order to clarify certain obligations under the Franchise Agreement, as they relate to the Development Center.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

**AGREEMENT**

1. Definitions. Capitalized terms will have the meanings ascribed to them in the Franchise Agreement unless otherwise defined herein. The term “**this Agreement**” refers to the Franchise Agreement modified by this Addendum.

2. Initial Franchise Fee. The initial franchise fees applicable to the second Development Center Franchise Agreement will be \$1,000, the initial franchise fee applicable to the third Development Center Franchise Agreement will be \$1,000, and the initial franchise fee applicable to the fourth and each additional Development Center Franchise Agreement thereafter will be \$1,000.

3. Opening Schedule. With respect to the Development Center, and for the avoidance of doubt, the site selection and opening timelines stated in this Agreement apply.

4. Failure to Meet Opening Schedule. If any deadline in Section 3 above is not met and if the Development Center developed under this Agreement is not open and operating at the time of the failure,

we may, at our sole and unilateral option, **(i)** terminate this Agreement; and **(ii)** amend this Agreement to eliminate the designated protection afforded by Sections 2.B. of this Agreement.

5. Initial Training. As you are an existing Franchisee of the System, the Franchisor will act in good faith when determining the training requirements set forth under Section 7.B. of this Agreement. For the avoidance of doubt, the forgoing does not alter any Ongoing Training requirements, which the parties have agreed are subject to change.

6. Ratification. All other terms and conditions of this Agreement are hereby ratified and confirmed.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**Attachment F to the Franchise Agreement**  
**I LOVE KICKBOXING**  
**ASSIGNMENT AND CONSENT AGREEMENT**  
**(Individual to Entity)**

THIS ASSIGNMENT AND CONSENT AGREEMENT is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ (the “**Effective Date**”), by and among:

- **9Round Holding Company, LLC d/b/a I LOVE KICKBOXING**, a South Carolina limited liability company with its principal address at **847 NE Main Street, Simpsonville, SC 29681** (“**Franchisor**”);
- \_\_\_\_\_, address at \_\_\_\_\_ (“**Owner**”); and
- \_\_\_\_\_, a \_\_\_\_\_ with its principal address at \_\_\_\_\_ (“**New Entity**”).

**BACKGROUND**

- A. Owner, in his or her individual capacity, and Franchisor entered into a Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”), pursuant to which Owner was granted the right to operate an I LOVE KICKBOXING Center with a Preliminary Designated Area of \_\_\_\_\_ (the “**Center**”).
- B. Owner has formed New Entity for the purpose of operating the Center and desires to assign the Franchise Agreement to New Entity. Under the terms of the Franchise Agreement, Franchisor must consent in writing to the assignment.
- C. Franchisor is willing to consent to the assignment on the terms and conditions set forth in this Agreement.

THEREFORE, the parties agree as follows:

**AGREEMENT**

1. Assignment and Assumption. Owner assigns to New Entity all right, title, and interest in and to the Franchise Agreement and Center. New Entity unconditionally assumes and accepts the assignment of the Franchise Agreement and Center, and agrees to be bound by all the duties, obligations, and liabilities of Existing Entity under the Franchise Agreement.
2. Representations and Ownership. Owner and New Entity represent and warrant to Franchisor that they have completed all documentation and transactions necessary to transfer the Franchise Agreement and Center to New Entity. New Entity represents and warrants to Franchisor that the following individuals are the owners of New Entity:

Name of Owner	Percentage of Ownership in New Entity (total must equal 100%)
	%
	%

	%
<b>Total</b>	<b>100%</b>

3. Personal Guaranty. Owner, as Personal Guarantor under the Franchise Agreement and as owner of New Entity, must execute the personal guaranty attached as Exhibit A to this Agreement (the “**Personal Guaranty**”).
4. Corporate Guaranty. New Entity must execute the corporate guaranty attached as Exhibit B to this Agreement (the “**Corporate Guaranty**”).
5. Consent to Assignment. Franchisor hereby waives its right of first refusal and any option to purchase the Business in connection with this transaction and consents to the assignment to New Entity, subject to all the terms and conditions of this Agreement. Franchisor’s consent to the assignment is not a waiver of any rights or a release under the Franchise Agreement and is not a consent to any additional or subsequent assignments or transfers.
6. Miscellaneous. All capitalized terms not defined in this Agreement have the respective meanings set forth in the Franchise Agreement. This Agreement, and the documents referred to herein, represent the entire agreement among the parties respecting the subject matter hereof. No amendment will be binding unless in writing and signed by the party against whom enforcement is sought. If New Entity consists of more than one individual or entity, their liability under this Agreement will be joint and several.
7. Counterparts. This Agreement may be executed by the parties in counterparts, and delivered by e-mail or facsimile, each of which shall be deemed to be an original instrument, but all of which together shall constitute one and the same instrument.
8. Electronic Signatures. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as handwritten signatures.

Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record.

[Signature Page to Follow]

**OWNER:**

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

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

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

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

**NEW ENTITY:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

## EXHIBIT A

### PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

1. I have read the Franchise Agreement between 9ROUND HOLDING COMPANY, LLC d/b/a I LOVE KICKBOXING (the “**Franchisor**”) and \_\_\_\_\_ (the “**Franchisee**”). Capitalized terms will have the meanings ascribed to them in the Franchise Agreement unless otherwise defined herein.
2. I recognize that this is a separate agreement from the Franchise Agreement, and I will read, consider, and sign this as such.
3. I own or my spouse owns, as the case may be, a beneficial interest in the Franchisee and would be considered an “**Owner**” within the definition contained in the Franchise Agreement.
4. I understand that, were it not for this Personal Guaranty and Undertaking (the “**Guaranty**”), Franchisor would not have entered into the Franchise Agreement with Franchisee.
5. This Guaranty operates to bind the individuals, and, as applicable, their spouses, associated with the entity, and as such, is meant to bind me in my individual capacity for any obligations outstanding to Franchisor.
6. If there are multiple owners of this Franchise, each signatory becomes jointly and severally liable for the obligations under the terms of the Franchise Agreement. I understand that fellow owners and I become co-guarantors.
7. Upon signature of this Guaranty, this Guaranty becomes a valid component of the Franchise Agreement and is therefore enforceable. This Guaranty is in addition to the Franchise Agreement and does not negate nor override any provisions of the Franchise Agreement.
8. I will personally comply with the provisions contained in Section 3 of the Franchise Agreement concerning the Franchisee’s use of Franchisor’s Marks (as that term is defined in the Franchise Agreement). I understand that, except for the license granted to the Franchisee, I have no individual right to use the Marks and I have no ownership interest in the Marks.
9. I will personally comply with all of the provisions contained in Section 6 of the Franchise Agreement concerning the use of the Manual and Confidential Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except (a) to the Franchisee’s employees on a need-to-know basis, (b) to the Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and (c) as otherwise may be required by law.
10. I will personally comply with all of the provisions contained in Section 11 of the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.
11. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which

Franchisor is a party, I expressly agree to be bound by any lesser covenant included within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

12. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

13. All judicial proceedings brought against Franchisee arising out of or relating to this Guaranty, the Franchise Agreement, or any other agreements, shall be brought in accordance with applicable law provisions of the Franchise Agreement.

14. I agree that the provisions contained in Section 12 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

15. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement.

16. I will pay all amounts due under this Guaranty within fourteen (14) calendar days after receiving notice from Franchisor that the Franchisee has failed to make the required payment. I understand and agree that Franchisor need not exhaust its remedies against Franchisee before seeking recovery from me under this Guaranty.

17. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

**18. I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.**

19. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

20. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one (1) business day after electronically confirmed transmission by facsimile or other electronic system; one (1) business day after delivery by Express Mail or other recognized, reputable overnight courier; or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty will inure to the benefit of my successors and assigns.

Intending to be legally bound, I have executed this Guaranty on the date set forth below.

FRANCHISEE: \_\_\_\_\_ (insert name of entity)

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

**PERSONAL GUARANTORS:**

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Individually

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

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

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

\_\_\_\_\_  
City                      State                      Zip Code

\_\_\_\_\_  
City                      State                      Zip Code

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Telephone

## EXHIBIT B

### CORPORATE GUARANTY

Contemporaneous with the execution of this Corporate Guaranty, \_\_\_\_\_ (“**Franchisee**”) is entering into a franchise agreement (“**Franchise Agreement**”) with 9ROUND HOLDING COMPANY, LLC d/b/a I LOVE KICKBOXING (“**Franchisor**”) for the operation of an I LOVE KICKBOXING franchised business at \_\_\_\_\_ (“**Center**”).

The undersigned (“**Guarantor**”) controls, is controlled by, or is under common control with Franchisee, and will receive a material benefit from Franchisee’s operations of the Center under the Franchise Agreement.

In consideration for such material benefit, and as an inducement for Franchisor to consent to assignment of the Franchise Agreement, and for other good and valuable consideration, the undersigned, for itself and its successors and assigns, hereby becomes surety and guarantor for the payment of all amounts and the performance of terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the dispute resolution provisions of the Agreement.

The undersigned acknowledges that, were it not for this guaranty, Franchisor would not have agreed to enter into the Franchise Agreement with Franchisee.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by franchisee’s insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned; and (3) Franchisor may deduct any amounts owed by Franchisee from the monies Guarantor’s billing and payment processor collects on its behalf and Guarantor hereby authorizes the billing and payment processor to deduct such amounts and to pay those amounts to Franchisor.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this guaranty will inure to the benefit of our successors and assigns.

[Signature Page to Follow]

**GUARANTOR:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**ACKNOWLEDGED BY FRANCHISEE:**

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE ACKNOWLEDGEMENT,  
SAMPLE RENEWAL ADDENDUM, AND STATE SPECIFIC ADDENDA**

## **FRANCHISEE ACKNOWLEDGMENT**

As you know, you and we are entering into a Franchise Agreement for the operation of an I LOVE KICKBOXING™ franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

**CALIFORNIA PROSPECTIVE FRANCHISEES:** do not sign this Questionnaire if you are a California resident, or the franchise is to be located in California.

**WASHINGTON PROSPECTIVE FRANCHISEES:** do not sign this Questionnaire if you are a Washington resident, or the franchise is to be located in Washington.

**MARYLAND PROSPECTIVE FRANCHISEES:** do not sign this Questionnaire if you are a Maryland resident, or the franchise is to be located in Maryland.

### **Acknowledgments and Representations.\***

1. Did you receive a copy of our disclosure document at least 14 calendar days before signing the Franchise Agreement? Check one:  Yes.  No.
2. Have you studied and reviewed carefully our disclosure document and Franchise Agreement? Check one:  Yes.  No.
3. Is the name, address and phone number of any broker and each of our employees or representatives who was involved in offering you this franchise listed on the disclosure document receipt you signed (or on any updated receipt we provided to you)? Check one:  Yes.  No.
4. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise, meaning that any prior oral or written statements not included in the Franchise Agreement or our disclosure document will not be binding? Check one:  Yes.  No.
5. Do you understand that the success or failure of your business will depend in large part on your skills and experience, your business acumen, your location, the local market for products, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Check one:  Yes.  No.
6. Do you understand that the franchise is granted for the right to operate the business at the Approved Location and that your Designated Area may overlap with the Designated Area of another franchisee? Check one:  Yes.  No.
7. Do you understand that the Franchise Agreement restricts us only from operating or granting others the right to operate an I LOVE KICKBOXING Center physically located in your Designated Area, but that we and our affiliates may operate and grant similar or competitive businesses in your Designated Area under a different name? Check one:  Yes.  No.
8. Do you understand that we have the right to offer, sell or distribute items such as workout and training videos, equipment, athletic gear, etc., associated with the System (now or in the future) or identified by the Marks, or any other trademarks, service marks or trade names, through any distribution channels or methods (including retail stores, mail order, wholesale, the internet, or any other existing or future form of electronic commerce) in your Designated Area, and that you are not entitled to any compensation on account of the sales? Check one:  Yes.  No.
9. Do you understand that we have the right to provide and license third parties to provide the I LOVE KICKBOXING workout program, and other ancillary programs developed by or for us or our affiliates,

at host locations (such as apartments, condo associations, corporate office buildings, schools, community centers and other gyms and fitness centers) in your Designated Area? Check one:  Yes.  No.

10. Do you understand that your territorial protection excludes “Special Sites” in your Designated Area such as (1) military bases; (2) public transportation facilities, including, without limitation, airports, limited access highway travel plazas, and other transportation terminals; (3) sports facilities, including race tracks; (4) student unions or other similar buildings on college or university campuses; (5) hotels, resorts or similar short-term lodging; (6) apartment or condominium complexes; and (7) corporate office buildings or office parks, and that we may operate and grant others the right to operate I LOVE KICKBOXING Centers at Special Sites in your Designated Area? Check one:  Yes.  No.
11. Do you understand that if you fail to secure a site or open an I LOVE KICKBOXING Center by the deadlines in the Franchise Agreement, your Designated Area protection and reservation can be removed by us and we may authorize another franchisee to locate in that area? Check one:  Yes.  No.
12. Do you understand that we or our affiliates may be the only approved supplier for certain products, that you will pay the then-current price in effect for the approved products and other goods and products you receive from us and our affiliates, and that that we may make a profit on those items? Check one:  Yes.  No.
13. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Section 10 and that an injunction is an appropriate remedy to protect the interests of the System if you violate the covenant(s)? Further, do you understand that the term “you” for purposes of the non-compete covenants is defined broadly in Section 10, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement? Check one:  Yes.  No.

If you answered “No” to questions 1-13, please explain (attached additional sheets if necessary): \_\_\_\_\_

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14. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the disclosure document? Check one:  Yes.  No.
15. Except as stated in Item 19 of our disclosure document, was any oral, written or visual claim or representation made to you which stated, suggested, predicated or projected your sales, income or profit levels? Check one:  Yes.  No.
16. Except as stated in Item 19 of our disclosure document, did any employee or other person speaking on our behalf make any statement or promise regarding the costs involved in operating a franchise that is not contained in the disclosure document or that is contrary to or different from the information in the disclosure document? Check one:  Yes.  No.

If you answered “Yes” to questions 14-16, please explain in detail the claim, representation or statement (attached additional sheets if necessary): \_\_\_\_\_

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YOUR ANSWERS ARE IMPORTANT TO US AND WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\* Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act, the Maryland Franchise Registration and Disclosure Law, or the California Franchise Investment Law or California Franchise Relations Act.

**NOTE: IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, AN OFFICER AND EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

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

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

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

## Sample Franchise Agreement Renewal Addendum

### RENEWAL ADDENDUM

TO

### THE I LOVE KICKBOXING FRANCHISE AGREEMENT

This RENEWAL ADDENDUM (the “**Renewal Addendum**”) is entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”) by and between 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING, a South Carolina limited liability company, (the “**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_, and \_\_\_\_\_ (the “**Franchisee Principals**”) (each a “**Party**” and collectively referred to as the “**Parties**”).

### BACKGROUND

A. Franchisor and Franchisee are Parties to an ILKB franchise agreement dated \_\_\_\_\_, which may have been amended from time to time (and together with any addenda, amendment or other supplemental writings, the “**Original Franchise Agreement**”) pursuant to which Franchisee operates an ILKB Center located at \_\_\_\_\_ and identified by ILKB number IL\_\_\_\_\_;

B. The Original Franchise Agreement’s initial term is set to expire on \_\_\_\_\_, and Franchisee desires to exercise its renewal option under the Original Franchise Agreement;

C. Franchisor has determined that Franchisee meets Franchisor’s criteria and qualifications to exercise the renewal option of the Original Franchise Agreement; and,

D. Contemporaneous with the execution of this Renewal Addendum, the Parties are entering into a new franchise agreement (the “**Renewal Franchise Agreement**”) which, together with this Renewal Addendum, will govern Franchisee’s franchise rights during the renewal term.

In consideration of the mutual promises contained in the Renewal Franchise Agreement and this Renewal Addendum, the Parties agree as follows:

### AGREEMENT

1. Definitions. Capitalized terms will have the meanings ascribed to them in the Renewal Franchise Agreement unless otherwise defined herein.

2. Signing of Current Form of Franchise Agreement. Franchisee and Franchisee Principals agree to sign the Renewal Franchise Agreement, including any exhibits, addenda, or guarantees required by Franchisor. Franchisee and Franchisee Principals acknowledge that the terms and conditions of the Renewal Franchise Agreement may be different from the terms and conditions of the Original Franchise Agreement or any other written agreement, including with respect to fees and protected territory.

3. The Renewal Franchise Agreement is amended as follows:

a. Summary Page.

- i. “Preliminary Designated Area” shall be amended to read “Designated Area”.
- ii. “Initial Franchise Fee: \$ \_\_\_\_\_” is deleted in the entirety and replaced with:  
“Renewal Fee: \$ \_\_\_\_\_”.
- iii. “Technology Fee: \$199 per month” is deleted in the entirety.

- b. Definitions.
- i. Section 1.UU. is deleted in the entirety and replaced with,  
“[Intentionally Omitted]”.
  - ii. Section 1 is amended to add the following definition:  
YY. “**Renewal Fee**” means the nonrefundable renewal fee in the amount reflected on the Summary Page and as described at Section 9.A. of this Agreement.
- c. Grant of License. Section 2.A., first sentence, “We hereby grant you the right and license, and you undertake the obligation,” is deleted and replaced with,  
“Pursuant to that certain original franchise agreement, we have granted you the right and license, and you have undertaken the obligation,”.
- d. Designated Area.
- i. Section 2.C.i. is deleted in the entirety and replaced with,  
“[Intentionally Omitted]”.
  - ii. Section 2.C.ii. is deleted in the entirety and replaced with,  
“The boundaries of your Designated Area are reflected on Attachment A. Your Designated Area is nonexclusive, meaning that it may overlap the designated area of another franchisee. Your Designated Area will remain constant throughout the Term of this Agreement. Notwithstanding the foregoing, we may modify your Designated Area if you relocate the Center, or you renew or transfer your franchise rights.”
- e. Term. Section 4.B. is deleted in the entirety and replaced with “[Intentionally Omitted]”, the intent being that Franchisee has already exercised its one (1) five (5)-year renewal period.
- f. Site Selection. Section 5.A. is deleted in the entirety and replaced with,  
“The parties mutually acknowledge that a site for the Center has been identified and is detailed at the Designated Area on the Summary Page and Attachment A to the Franchise Agreement. **The parties acknowledge and agree that our site approval is not an assurance that the Center will achieve a certain sales volume or level of profitability; it means only that the site met our then-current minimum site selection criteria. We assume or have assumed no liability or responsibility for (i) evaluation of the location’s soil for hazardous substances; (ii) inspection of any structure for asbestos or other toxic or hazardous materials; (iii) compliance with the ADA; or (iv) compliance with any other applicable law. It is solely your responsibility to obtain satisfactory evidence and assurances that the Center premises (and any structures thereon) is free from environmental contamination and is in compliance with the requirements of the ADA and other applicable laws.**”
- g. Lease. Section 5.B. is deleted in the entirety and replaced with,  
“If you occupy the Center premises pursuant to a Lease, the Lease or any other arrangement with a lessor must not prevent you from performing your obligations under this Agreement,

including any requirements to build out or modernize the Center premises to meet our current brand standards, and the Lease and lessor must permit us to exercise our rights pursuant to this Agreement. We may condition our approval or have conditioned our approval of the site on the full execution of a Lease Addendum substantially in the form attached as Attachment E to this Agreement. You may not execute a Lease without the Lease Addendum, except with our prior written consent. You must deliver to us a fully executed copy of the Lease as amended by the Lease Addendum for the Center within ten (10) business days after its execution or within ten (10) business days after the Effective Date of this Agreement, whichever occurs first. The parties acknowledge and agree that our approval of a Lease does not mean that the economic terms of the Lease are favorable; it means only that the Lease contains the minimum lease terms that we require.”

- h. Construction. Section 5.C. second sentence is amended to insert and commence with, “At our request,”.
- i. Opening. Section 5.D. is deleted in the entirety and replaced with, “The parties mutually acknowledge that the Center is open and operating.”
- j. Field Visits. Section 5.H. is deleted in the entirety and replaced with, “Specifically, within a period of time as specified by us after the Effective Date of this Agreement, we may, at our discretion, perform in-person coaching at your Center.”
- k. Participation in Internet Websites, Online Communications Networks, and Email Systems; Social Media.
  - i. Section 6.K. fourth sentence is deleted in the entirety.
  - ii. Section 6.K. fifth sentence is deleted in the entirety and replaced with, “As our technology needs evolve, you agree to participate in our future member service initiatives and pay the applicable fees.”
- l. Initial Training. Section 7.B. third sentence is deleted and replaced with, “Specifically, within a period of time as specified by us after the Effective Date of this Agreement, we may require that you re-attend our initial training program and complete the training to our satisfaction and failure to do so will be considered a breach of the Agreement under Section 13.A.”

All other provisions of Section 7.B of the Renewal Franchise Agreement remain unaltered.

For the avoidance of doubt, the forgoing does not alter any Ongoing Training requirements detailed in the Franchise Agreement, which the Parties have agreed are subject to change.

- m. Grand Opening Marketing Fee. Section 8.B. is deleted in the entirety and replaced with “[Intentionally Omitted]”, the intent being that Franchisee has already fulfilled its obligations in respect of the Grand Opening Marketing Fee.
- n. Renewal Fee.
  - i. Section 9.A. is deleted in the entirety and replaced with,

“Renewal Fee. Upon execution of this Agreement, you must pay us a Renewal Fee in the amount set forth on the Summary Page, which is equal to twenty-five percent (25%) of our current initial franchise fee or less. The Renewal Fee is deemed fully earned upon payment in consideration for our expenses incurred and services rendered in conjunction with renewing your license and providing you with the continued right to operate the Center and is non-refundable. Failure to pay the Renewal Fee upon execution of this Agreement will result in a non-curable default of this Agreement by you, and we will have the right to terminate this Agreement immediately.”

- ii. Section 9.B. is deleted in the entirety and replaced with,

“Royalty Fee and Other Fees. In addition to the Renewal Fee, in consideration of the rights and use of our intellectual property granted to you, you must pay to us the Royalty Fee. You must pay the Royalty Fee beginning the month that your Center opens and each following month through the Term of this Agreement. You will pay the full Royalty Fee for any partial month.

In addition to the Renewal Fee and the Royalty Fee, you must pay to us the Brand Building Fund Fee.”

- iii. Section 9.D. first sentence, is amended to delete “Technology Fee,”.
- iv. Section 9.E. first sentence, is amended to delete “Technology Fee,”.

- o. Default and Termination.

- i. Section 13.A.iii., first sentence, is amended to delete and replace “Initial Franchise Fee” with “Renewal Fee”.
- ii. Section 13.E. second sentence, is amended to delete “Technology Fees,”.

4. Center Modernization. As required by Section 5.F. of the Renewal Franchise Agreement, Franchisee agrees to complete any updates and modernization to the Center to meet Franchisor’s then-current Standards for new ILKB Centers, which may include replacing fixtures, equipment, and signs, and otherwise modifying the Center so that it meets Franchisor’s then-current specifications and Standards for new ILKB Centers. Unless otherwise agreed in writing between the Parties, the modernization must be complete within \_\_\_\_\_ calendar days of the Renewal Franchise Agreement’s Effective Date. Franchisor has the right to request proof of Franchisee’s compliance with this requirement in a form acceptable to Franchisor. Franchisee acknowledges that Franchisor is not responsible or liable for any of Franchisee’s modernization obligations, losses, or expenses Franchisee might incur for Franchisee’s failure to comply with these obligations. Franchisor is also entitled to injunctive relief or specific performance under Section 12.B. of the Renewal Franchise Agreement for Franchisee’s failure to comply with Franchisee’s obligations. Further, if Franchisee fails to comply with Franchisee’s modernization obligations, Franchisor may, in its sole and unilateral judgment, exercise its termination rights in accordance with Section 13.

5. Releases and Claims under the Original Franchise Agreement. [Franchisee and Franchisee Principals acknowledge and affirm Section \_\_\_\_\_ of the Original Franchise Agreement, which states Franchisee and Franchisee Principals may only bring claims or causes of action under the Original Franchise Agreement if done so within \_\_\_\_\_ from the Original Franchise Agreement’s date of termination or expiration, or during the applicable statute of limitations, whichever period is shorter.]<sup>1</sup> Notwithstanding the foregoing, Franchisee, and all persons and entities claiming by, through, or under Franchisee (the “**Franchisee Releasing Parties**”), hereby releases, acquits, and forever discharges,

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<sup>1</sup> Parties determine whether this sentence is applicable based on terms of Original Franchise Agreement.

Franchisor as assignee to the Original Franchise Agreement pursuant to that certain asset purchase agreement concerning certain assets associated with the I LOVE KICKBOXING™ brand (notice of which is hereby received and acknowledged by Franchisee Releasing Parties, if not already so given and acknowledged) and its present and former directors, officers, members, managers, agents, and employees, in their individual and corporate capacities, and Franchisor’s assignor and predecessor and its present directors, officers, members, managers, agents, and employees, in their individual and corporate capacities (“**Franchisor Released Parties**”), from all claims, demands, accounts, actions and causes of action, costs, and attorneys’ fees, whether known or unknown, which the Franchisee Releasing Parties, or any of them, has, had, or claims to have against Franchisor Released Parties, or any of them, arising out of or relating to the Original Franchise Agreement, the relationships created thereby, or the offer or sale of the I LOVE KICKBOXING franchise opportunity as conceived by the Original Franchise Agreement. The Franchisee Releasing Parties covenant and agree not to commence, maintain, participate in, or prosecute any claim released under this paragraph.

6. Entire Agreement. The Renewal Franchise Agreement and this Renewal Addendum represents the fully integrated and complete agreement between the Parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written.

7. Conflicting Terms. In the event of a conflict between the terms of the Renewal Franchise Agreement and this Renewal Addendum, the terms of this Renewal Addendum will control.

8. Affirmation. The Parties hereby ratify and affirm all provisions of the Renewal Franchise Agreement.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Renewal Addendum to be executed by its duly authorized representative as of the Effective Date.

**FRANCHISEE:**

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING

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

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

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

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

**FRANCHISEE PRINCIPALS:**

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

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

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

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

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

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

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

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

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

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

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

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

**ADDENDUM TO THE I LOVE KICKBOXING FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

This Addendum pertains to franchises sold in the State of California and is for the purpose of complying with California statutes and regulations. Even though there may be terms in the disclosure document or the Franchise Agreement to the contrary, the following provisions will apply to franchisees protected by terms of California statutes and regulations.

1. 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.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**ADDENDUM TO THE I LOVE KICKBOXING FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

Illinois law shall apply and govern the Franchise Agreement(s).

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

Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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.

**FRANCHISEE:** (For an entity)

**FRANCHISEE:** (For an individual)

Name of Entity: \_\_\_\_\_

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

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

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

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

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**ADDENDUM TO I LOVE KICKBOXING FRANCHISE AGREEMENT FOR  
THE STATE OF MARYLAND**

Even though there may be terms in both the Standard Franchise Agreement and Lightweight Franchise Agreement to the contrary, the following provisions will apply to franchisees protected by terms of the Maryland Franchise Registration and Disclosure Law:

1. The statement in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
2. 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.
3. Any general release required as a condition of renewal, sale, or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
4. Based upon franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.
5. The Standard Franchise Agreement and Lightweight Franchise Agreement are amended to add:  
“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING

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

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

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

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

**ADDENDUM TO THE I LOVE KICKBOXING FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

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

1. We will undertake the defense of any claim of infringement by third parties involving any I LOVE KICKBOXING mark, and you will cooperate with the defense in any reasonable manner required by us with any direct cost of such cooperation to be borne by us. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subdivision. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non- renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
2. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
3. Section 13.E (Liquidated Damages), Section 15.J (Jury Waiver), and Section 15.K (Waiver of Punitive Damages) of the Franchise Agreement is deleted.
4. Section 14.C (Claims) is amended to provide that any claims arising under the Minnesota Franchise Act must be brought within three (3) years after the date the cause of action accrues.
5. No Section providing for a general release as a condition of renewal or transfer will act as a release or waiver of any liability incurred under the Minnesota Franchise Act; provided, that this part shall not bar the voluntary settlement of disputes.
6. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of Minnesota Statutes Sections 80C.01 to 80C.22 are met independently without reference to this addendum.
7. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.
8. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.
9. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subdivision. 1(g).
10. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

*[Signature Pages Follows]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**ADDENDUM TO THE I LOVE KICKBOXING FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

1. The Securities Commissioner for the State of North Dakota has held that the provisions stated below in (a) through (h) are unfair, unjust, or inequitable to North Dakota Franchisees (Section 51-19-09, N.D.C.C.) and may be unenforceable under North Dakota Law:

- (a) A provision requiring a North Dakota franchisee to sign a general release upon renewal of the Franchise Agreement;
- (b) A provision requiring a North Dakota franchisee to consent to termination penalties or liquidated damages;
- (c) A provision requiring a North Dakota franchisee to consent to the jurisdiction of courts outside the state of North Dakota;
- (d) A provision requiring a choice of law contrary to the North Dakota Franchise Investment Law;
- (e) A provision restricting the time in which a North Dakota franchisee may make a claim to less than the applicable North Dakota statute of limitations;
- (f) A provision calling for the waiver by a North Dakota franchisee of the right to trial by jury;
- (g) A provision requiring a North Dakota franchisee to consent to a waiver of exemplary and punitive damages; and
- (h) A provision requiring the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the Franchise Agreement.

2. North Dakota Century Code Section 9-08-06 subjects covenants not to compete to the provisions of that statute. The covenants not to compete contained within the Franchise Agreement are subject to Section 9-08-06 and may be unenforceable under North Dakota law.

3. The site of any mediation of the parties' disputes shall be at a site mutually agreeable to all parties. If all parties cannot agree upon a location, the mediation shall be Fargo, North Dakota.

4. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this addendum

*[Signature Page Follows]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a

I LOVE KICKBOXING

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

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

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

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

**ADDENDUM TO I LOVE KICKBOXING FRANCHISE AGREEMENT AND RELATED  
AGREEMENTS FOR  
THE STATE OF WASHINGTON**

This Addendum pertains to both Standard and Lightweight franchises sold in the State of Washington and is for the purpose of complying with Washington statutes and regulations. Notwithstanding anything which may be contained in the body of both the Standard Franchise Agreement and Lightweight Franchise Agreement to the contrary, the Agreements are amended as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of the franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or right or remedies under the Act such as right to a jury trial, may not be enforceable.
5. Under the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW the following revisions are made to the Standard Franchise Agreement, the Lightweight Franchise Agreement, and any related agreements:
  - a. “Reasonable Business Judgement” as defined in both the Standard and Lightweight Franchise Agreement and Section 15H(iii) does not modify the franchisor’s duty to deal with franchisees in good faith under RCW 19.100.180(1).
  - b. Section 4.B of the Franchise Agreement is amended to state that any release signed by a renewing franchisee does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.
  - c. Section 11.C(vi) of the Franchise Agreement is amended to state that any release signed by a transferring franchisee does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.
  - d. Section 5 of the Renewal Addendum is revised to state that the release does not apply to with respect to claims arising under the Washington Franchise Investment Protect Act, RCW 19.100, or the rules adopted thereunder.
  - e. The General Release is revised to state that it does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

6. Section 10.B of the Franchise Agreement is amended to state that franchisees have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
7. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
8. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
9. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
10. Section 15.B (Waiver/Integration) of the Franchise Agreements do not apply in Washington.
11. 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.

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

Each of the undersigned hereby acknowledge having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISEE:** (For an entity)

Name of Entity: \_\_\_\_\_

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

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

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

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

**FRANCHISEE:** (For an individual)

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

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

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

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

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

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

**FRANCHISOR:**

9ROUND HOLDING COMPANY, LLC d/b/a  
I LOVE KICKBOXING

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT D**  
**FRANCHISEE LIST**

### List of Franchisees as of December 31, 2023

The information we have provided in this table was recorded by the predecessor company ILKB TOO LLC.

<b>Alabama</b>					
<b>Alaska</b>					
<b>Arizona</b>					
Cub River LLC Sue Morris	18561 N 59th Ave	Glendale	AZ	85308	623-688-3535
<b>Arkansas</b>					
<b>California</b>					
110 For Life, Inc. Matthew Johnson	5561 Lone Tree Way	Brentwood	CA	94513	925-240-1996
CEC Fitness Chi Yan, Elain Yea Toy	1454 Fairmount Shopping Center	Pacifica	CA	94044	650-210-7128
ILKB San Diego LLC Duarte Nuno Pires <sup>1</sup>	12411 Poway Road	Poway	CA	92064	858-298-3384
CEC Fitness Chi Yan <sup>1</sup>	1446 4th Street	San Rafael	CA	94901	628-243-7128
<b>Colorado</b>					
<b>Connecticut</b>					
C&L Fit Inc Victor & Kendra Cutrone	109-117 Washington Avenue	North Haven	CT	06473	kcutrone@ilovekickboxi ng.com
Breakwater Ventures, Inc. Peter Wood <sup>1</sup>	561 Elm Street	Stamford	CT	06902	pwood@ilovekickboxing .com
<b>Delaware</b>					
<b>District of Columbia</b>					
<b>Florida</b>					
Atlantic Kickboxing, LLC Mike Werstine <sup>1</sup>	12220 Atlantic Blvd	Jacksonville	FL	32225	904-800-9203
Ryan's Gym LLC Ed Turney, Kayla Crowe	615 Missouri Avenue N	Largo	FL	33770	727-223-5451
Jax Kickboxing, LLC Mike Werstine <sup>1</sup>	10601 San Jose Blvd.	Mandarin	FL	32257	904-508-0202
Tyson's Gym LLC Kayth Sanchez	3784 Tampa Rd., Suites 5 - 6	Oldsmar	FL	34677	813-343-8020
Kick to Be Fit, Inc John Watt <sup>1</sup>	1616 S Cypress Road	Pompano Beach	FL	33060	754-444-3748
S&S ILKB LLC Audra Satmary & Krystyn Stafford <sup>1</sup>	10720 SR 54	Trinity	FL	34655	727-496-8588
<b>Georgia</b>					
<b>Hawaii</b>					
<b>Idaho</b>					
Idaho Kickboxing LLC Jamie Engelking	7940 W Rifleman Street, Suite 100	Boise	ID	83704	208-268-1252
<b>Illinois</b>					
Dubru, LLC Eddy Copot	15701 71st Court	Orland Park	IL	60462	708-315-6440
C & H Fitness 1, Inc. Chun Mei Chen & Michael Harmon <sup>1</sup>	1756 Douglas Road	Oswego	IL	60543	630-580-8216
Lang Fitness LLC Viren Patel	4736 W Dempster Street	Skokie	IL	60076	vpatel@ilovekickboxing. com

<b>Indiana</b>					
Revolution Kickboxing LLC Misty Johnson	5404 E. Indiana Street	Evansville	IN	47715	812-205-2646
<b>Iowa</b>					
<b>Kansas</b>					
<b>Kentucky</b>					
<b>Louisiana</b>					
<b>Maine</b>					
<b>Maryland</b>					
X-Fit, Inc Jagannadha Maddali <sup>1</sup>	346-348 Ritchie Highway	Severna Park	MD	21146	844-996-4258
X-Fit, Inc Jagannadha Maddali <sup>1</sup>	11483 Berry Road	Waldorf	MD	20603	240-427-5611
<b>Massachusetts</b>					
CAA Kick, Inc. Candice Casey	20 Commerce Way	Seekonk	MA	02771	401-479-0100
Xavier Kickboxing of Norwood LLC Pedro Xavier	500 Boston Providence Tpke	Norwood	MA	02062	781-269-5798
Xavier Kickboxing LLC Pedro Xavier	47 Mazzeo Drive	Randolph	MA	02368	781-885-1477
Formosa Fitness Inc. Joseph Formosa	137 W Boylston St., Suite A180	West Boylston	MA	01583	774-261-9119
Westford ILKB, LLC Silas Mark <sup>1</sup>	355 Littleton Rd Unit 6	Westford	MA	01886	978-692-4552
<b>Michigan</b>					
<b>Minnesota</b>					
<b>Mississippi</b>					
<b>Missouri</b>					
<b>Montana</b>					
<b>Nebraska</b>					
<b>Nevada</b>					
HDKB LLC David Inman	1205 W. Sunset Rd., Ste. 150	Henderson	NV	89014	dinman@ilovekickboxin g.com
David Inman	3000 W Ann Road, Suites 105 - 106	North Las Vegas	NV	89031	dinman@ilovekickboxin g.com
David Inman	7121 W Craig Rd #109	Las Vegas	NV	89129	dinman@ilovekickboxin g.com
WBM Enterprises LLC Kathryn Mariucci, Mark Mariucci	5110 Mae Anne Avenue, Suite 704	Reno	NV	89523	775-420-3331
<b>New Hampshire</b>					
<b>New Jersey</b>					
LABS KB LLC AnuAnuoluwapo Balogun, Laurentiu Suteu	375 Liberty Street	Little Ferry	NJ	07643	973-355-7774
<b>New Mexico</b>					
<b>New York</b>					
TKK27, Inc. Kyle Casamento	1746 Sunrise Hwy.	Bay Shore	NY	11706	kcasamento@ilovekickb oxing.com
Brooklyn Martial Arts Inc. Peter Lawson	289 Livingston Street, 2nd Fl.	Brooklyn	NY	11217	718-403-9026
C&L Investors, LLC	200B Glen Cove	Carle Place	NY	11514	kcutrone@ilovekickboxi

Victor Cutrone, Kendra Cutrone	Road				ng.com
International Karate & Fitness Center, Inc. William Anistratov	97-30 Queens Blvd, 2nd Floor	Rego Park	NY	11374	718-544-4698
Brown Fitness CNY LLC Danielle Hibbert	8395 Oswego Road	Liverpool	NY	13090	315-930-2700
Urban Health Corp. Louis Viejo	2007 Colonial Ave.	Bronx	NY	10461	347-763-5252
<b>North Carolina</b>					
Lykes Kickboxing Inc. Richard Lykes <sup>1</sup>	8629 Glenwood Ave, Suite 105	Raleigh	NC	27617	984-205-8426
<b>North Dakota</b>					
<b>Ohio</b>					
<b>Oklahoma</b>					
Moore KB LLC Juan Aguilar	937 SW 25th Street	Moore	OK	73160	405-534-4779
<b>Oregon</b>					
Riverstone Enterprise, Inc Scott Haugen	10089 SW Nimbus Ave.	Beaverton	OR	97008	503-622-9030
Riverstone Enterprise, Inc Scott Haugen	14807 SE Oregon Trail Dr.	Clackamas	OR	97015	503-770-0112
Riverstone Enterprise, Inc Scott Haugen	19502 Molalla Ave, Suite 101	Oregon City	OR	97045	503-882-0058
<b>Pennsylvania</b>					
Body Makeovers, LLC Jeff Toren, Penny Toren <sup>1</sup>	215 York Road	Jenkintown	PA	19046	215-315-3530
Body Makeovers Montgomeryville, LLC Jeff Toren, Penny Toren <sup>1</sup>	165 Witchwood Drive	North Wales	PA	19454	484-214-8333
Kickbox Alpha, Inc. Aaron Braun <sup>1</sup>	2524 MacArthur Towne Centre	Whitehall Township	PA	18052	610-605-2323
<b>Rhode Island</b>					
<b>South Carolina</b>					
<b>South Dakota</b>					
<b>Tennessee</b>					
<b>Texas</b>					
Bedford KB LLC McKenna Castillo	3704 Cheek Sparger Road	Bedford Hills	TX	76021	469-908-3294
Bayou Oak Capital, LLC Robert Van Paasschen	1918 W 18th Street	Houston	TX	77008	713-325-2750
Mansfield KB LLC Juan Aguilar	2300 Matlock Road, Suite 100	Mansfield	TX	76063	817-717-8282
Gilbert Tamez	19239 Stone Oak Pkwy., Ste. 109	San Antonio	TX	78258	210-680-2467
Bayou Oak Capital, LLC Robert Van Paasschen	20710 Kuykendahl Road	Spring	TX	77379	832-559-3273
<b>United States Virgin Islands</b>					
<b>Utah</b>					
<b>Vermont</b>					
<b>Virginia</b>					
Kicksfit, Inc.	5336 Wyndham	Glen Allen	VA	23059	bcook@ilovekickboxing.

Brian Cook, Pamela Cook <sup>1</sup>	Forest Dr.				com
Kicksfit, Inc. Brian Cook, Pamela Cook <sup>1</sup>	5203 Commonwealth Centre Pkwy	Midlothian	VA	23112	bcook@ilovekickboxing.com
Jabcross, LLC Casey Bushey	2704 Virginia Beach Blvd.	Virginia Beach	VA	23452	757-918-8595
<b>Washington</b>					
<b>West Virginia</b>					
<b>Wisconsin</b>					
<b>Wyoming</b>					

Note 1. This Franchisee has entered into a Multi-Outlet Agreement.

**Franchisees with Signed Franchise Agreement,  
but Outlet not Open as of December 31, 2023**

The information we have provided in this table was recorded by the predecessor company ILKB TOO LLC.

<b>Illinois</b>					
Chun Mei Chen <sup>1</sup>	TBD	Bloomington	IL	TBD	cchen@ilovekickboxing.com
<b>Maryland</b>					
Jagannadha Maddali <sup>1</sup>	TBD	Laurel	MD	TBD	jagan@ilovekickboxing.com

**Franchisees Who Left the System as of December 31, 2023**

The information we have provided in the following tables was recorded by the predecessor company ILKB TOO LLC.

The following is a list of former franchisees who had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during our most recently completed year ending December 31, 2023, or who have not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document.

**Transfer of Interest:**

Franchisee	City	ST	Phone or Email
David Hazard	Oldsmar	FL	813-343-8020
Tuong Luu	Trinity	FL	727-496-8588
Kelly Gollis	Evansville	IN	812-205-2646
Andrew Vulpis	Moore	OK	405-534-4779
Sarah Brown	Liverpool	NY	315-930-2700
Andrew Vulpis	Virginia Beach	VA	757-918-8595

**Terminations:**

Franchisee	City	ST	Phone or Email
Nando Ramamirtham	San Jose	CA	415-839-8572
Nando Ramamirtham	San Mateo	CA	415-839-8572
Ari Ureza	Redondo Beach	CA	646-342-6797
Sanjay Chetwani, Saichin Rai	Concord	CA	408-407-9826
Andrew Vulpis	Lakewood	CO	757-918-8595

Maciej Frik, Christina Frik	Winter Park	FL	646-207-3845
Jeff Vizethan, Lindsie Wolter	Largo	FL	917-992-6311
Bryan Marlatt	Sandy Springs	GA	bmarlatt@ilovekickboxing.com
Dennis deRamos	Chicago	IL	dderamos@ilovekickboxing.com
Josue Sanchez	Bloomington	IL	jsanchez@ilovekickboxing.com
Arne Gabrielsen, Lindsey Gabrielsen	Crystal Lake	IL	773-844-0006
Andrew Vulpis	Cambridge	MA	757-918-8595
John Rootness	Woodbury	MN	952-240-7465
David Inman <sup>1</sup>	Las Vegas	NV	dinman@ilovekickboxing.com
Kevin Hu	Bayside	NY	kevinhu@ilovekickboxing.com
Andrew Vulpis	Columbus	OH	757-918-8595
Shana Jimenez	Quakertown	PA	570-236-0167
Jeff Toren, Penny Toren <sup>1</sup>	Exton	PA	jtoren@ilovekickboxing.com
Susan Kouame	Corpus Christi	TX	skouame@ilovekickboxing.com
Blesson Varghese, Pam Varghese	Woodlands	TX	484-410-9234
Andrew Vulpis	Newport News	VA	757-918-8595
Andrew Vulpis	Chesapeake	VA	757-918-8595
Andrew Vulpis	Suffolk	VA	757-918-8595
Andrew Vulpis	Kenosha	WI	757-918-8595

Note 1. This franchisee continues to maintain ownership interest(s) in other I Love Kickboxing Centers.

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**EXHIBIT E**  
**OPERATING MANUAL TABLE OF CONTENTS**

# I LOVE KICKBOXING OPERATING MANUAL

## TABLE OF CONTENTS

Welcome

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**Total: 181**

**EXHIBIT F**  
**COPY OF SAMPLE MEMBERSHIP AGREEMENT**

**EXHIBIT G**  
**SAMPLE FORM OF GENERAL RELEASE AGREEMENT**

**EXHIBIT G**  
**SAMPLE FORM OF GENERAL RELEASE AGREEMENT**

**(Subject to change by 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING)**

(As it pertains to franchises sold in the State of Washington and for the purpose of complying with Washington statutes and regulations: this General Release Agreement does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.)

THIS GENERAL RELEASE AGREEMENT (this “**Agreement**”) is made and entered into between **9Round Holding Company, LLC d/b/a I LOVE KICKBOXING**, a South Carolina limited liability company, (“**we**,” “**us**” or “**ILKB**”), [INSERT FRANCHISEE], a \_\_\_\_\_ limited liability company (“**you**” or “**Franchisee**”), and [INSERT GUARANTOR], a resident of \_\_\_\_\_ (a “**Guarantor**”). All capitalized terms not defined in this Agreement have the respective meanings set forth in the Franchise Agreement (as defined below).

**BACKGROUND**

- A. ILKB and Franchisee are parties to an I LOVE KICKBOXING Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) pursuant to which Franchisee operates an I LOVE KICKBOXING Center located at \_\_\_\_\_ (the “**Center**”).
- B. [NOTE: Describe the circumstances relating to the release.]
- C. In consideration of [INSERT CIRCUMSTANCES] and the representations set forth in the Background, subject to the provisions stated below, and Franchisee and Guarantor agree to settle all known and unknown disputes they may have against Franchisor, if any, that exist as of the Effective Date.

**AGREEMENTS**

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

- 1. [NOTE: Detail the terms and conditions of the release]
- 2. Release and Settlement of Claims.

A. Except as may be prohibited by applicable law, Franchisee and Guarantors (individually and as owners of Franchisee), for themselves and each of their respective heirs, successors, assigns, affiliates, shareholders, directors, officers, employees and agents, and on behalf of any other party claiming an interest through them (collectively and individually referred to as the “**Franchisee Parties**” for purposes of this Section 2), release and forever discharge us, our predecessors, successors, affiliates, directors, officers, shareholders, agents, employees and assigns (collectively and individually referred to as the “**Franchisor Parties**” for purposes of this Section 2) of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which Franchisee Parties may now or in the future own or hold, that in any way relate to the Franchise Agreement, any other agreement between Franchisee and us, the Center, or the relationship between Franchisee and us through the Effective Date (collectively, “**Claims**”), for known or unknown damages or other losses including, but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other agreement between Franchisee Parties and us or our affiliates through and including the Effective Date of this Agreement.

B. The release of Claims set forth in Section 2.A. is intended by the Franchisee Parties to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending

to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the Franchisee Parties against the Franchisor Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Franchisee Parties acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Franchisee Parties' intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Franchisee Parties acknowledge that they have had adequate opportunity to gather all information necessary to enter into this Agreement and Release and need no further information or knowledge of any kind that would otherwise influence the decision to enter into this Agreement. The Franchisee Parties acknowledge and agree that the foregoing waiver is an essential, integral and material term of this Agreement. The Franchisee Parties further acknowledge and agree that no violation of this Agreement shall void the release set forth in this Section 2.

3. Miscellaneous. This Agreement, and the documents referred to herein, constitute the entire agreement among the parties with respect to the subject matter hereof. No amendment will be binding unless in writing and signed by the party against whom enforcement is sought. All representations, warranties, agreements and all other provisions of this Agreement which by their terms or by reasonable implication are intended to survive the closing of this transaction will survive it.

4. Representation by Counsel. The parties have had adequate opportunity to consult with an attorney of their respective choice, including with respect to the release of Claims set forth herein.

5. Governing Law/Venue. This Agreement will be construed and enforced in accordance with the laws of the State of South Carolina, without regard to principles of conflicts of law. The parties further agree that any legal proceeding relating to this Agreement or the enforcement of any provision herein shall be brought or otherwise commenced only in the State or Federal courts of South Carolina.

6. Counterparts. This Agreement may be executed by the parties hereto in counterparts, and delivered by e-mail or facsimile, each of which shall be deemed to be an original instrument, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

**US:**

9ROUND HOLDING COMPANY, LLC D/B/A  
I LOVE KICKBOXING

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

**FRANCHISEE:**

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

**GUARANTOR:**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

[This General Release will be modified as necessary for consistency with any state law regulating franchising.]

## STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	November 26, 2024
Hawaii	October 15, 2024
Illinois	October 9, 2024
Indiana	August 1, 2024
Maryland	Pending
Michigan	August 6, 2024
Minnesota	Pending
New York	October 10, 2024
North Dakota	October 3, 2024
Rhode Island	August 6, 2024
South Dakota	August 2, 2024
Virginia	November 25, 2024
Washington	Pending
Wisconsin	July 31, 2024

In all other states, the effective date of this Franchise Disclosure document is the issuance date of April 30, 2024.

**EXHIBIT H**  
**RECEIPTS**

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale (or sooner if required by state law). New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit A to this disclosure document.

Issuance Date: July 31, 2024

I acknowledge receiving this Franchise Disclosure Document issued on July 31, 2024, (or the date reflected on the State Effective Dates Page), which included the following exhibits:

**EXHIBIT A** – List of State Administrators and List of Agents for Service of Process; **EXHIBIT B** – Financial Statements; **EXHIBIT C** – Standard Franchise Agreement and Lightweight Franchise Agreement, Sample Renewal Addendum, and State-Specific Addenda; **EXHIBIT D** – Franchisee List; **EXHIBIT E** – Operating Manual Table of Contents; **EXHIBIT F** – Sample Membership Agreement; **EXHIBIT G** – Sample Form of General Release Agreement; **EXHIBIT H** –Receipts

Date FDD Received: \_\_\_\_\_ Signed\*: \_\_\_\_\_

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

Date FDD Received: \_\_\_\_\_ Signed\*: \_\_\_\_\_

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

\*Signed individually and as an authorized representative of the franchisee company.

FRANCHISE SELLER’S NAME AND CONTACT INFORMATION:

Shannon Hudson, 847 NE Main Street, Simpsonville, SC 29681, Phone: 864-962-4600.

Brian Burke, 847 NE Main Street, Simpsonville, SC 29681, Phone: 864-962-4600.

You should return one (1) copy of the signed receipt by signing and dating it, and either mailing it to 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING at 847 NE Main Street, Simpsonville, SC 29681, or e-mailing it to legal@strikingbrands.com. You may keep the second copy for your records.

**Copy for Franchisee**

**RECEIPT**

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**Copy for 9Round Holding Company, LLC d/b/a I LOVE KICKBOXING**