

## Franchise Disclosure Document



ISI Franchise International, Inc.  
a South Carolina corporation  
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The franchise offered is for the operation of a fitness Facility that offers proprietary athletic-based conditioning fitness programs in a group setting for both men and women of all ages (each, a “Facility”). As of the Issuance Date, our franchised Facilities offer and provide fitness instruction with a focus on strength and conditions programs designated for athletes and others that wish to improve their physical health and well-being, all while utilizing the (a) proprietary marks we designate, including our current primary mark ISI® ELITE TRAINING (collectively, the “Proprietary Marks”), and (b) the then-current system we and our principals have developed to determine to license for use in connection with the establishment and operation of a franchised Facility (the “System”).

We also award qualified parties the right to develop multiple franchised Facilities within a designated geographical area we designate (the “Development Area”) and in accordance with a defined development schedule (the “Development Schedule”).

The total investment necessary to begin the operation of a single franchised Facility (or “Franchised Business”) ranges from ~~\$396,600~~266,000 to ~~\$681,900~~645,000. This includes ~~\$100,850~~91,950 to ~~\$104,900~~96,000 that must be paid to the franchisor or affiliates. The total investment necessary to begin the operation of two (2) to ten (10) Franchised Businesses under a development agreement (“Development Agreement” or “ADA”) is ~~\$436,600~~326,000 to ~~\$1,001,900~~935,000. This includes ~~\$140,850~~151,950 to ~~\$424,900~~386,000 that must be paid to the franchisor or affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Adam Rice, Chief Executive Officer, ISI Franchise International, Inc. at 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217, or at (704) 910-1017.

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

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

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

Issuance Date: May ~~30, 2024~~, 2025

## How to Use This Franchise Disclosure Document

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

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit I 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 ISI<sup>®</sup> Elite Training 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 ISI<sup>®</sup> Elite Training franchisee?</b>	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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 the following risk(s) be highlighted:

- A. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in North Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in North Carolina than in your own state.
- B. **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. If you are an entity, then each of your owners and, at our option, their respective spouses must sign such a document.
- C. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. The franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
- D. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
- E. **Supplier Control**. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
- F. **Unopened Franchises**. The franchisor has signed a significant number of franchise agreements with franchises who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 373 7117

# Franchise Disclosure Document

## TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS & AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	5
ITEM 3 LITIGATION	6
ITEM 4 BANKRUPTCY	7
ITEM 5 INITIAL FEES	7
ITEM 6 OTHER FEES	9
ITEM 7 ESTIMATED INITIAL INVESTMENT	18
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	24
ITEM 9 FRANCHISEE’S OBLIGATIONS	31
ITEM 10 FINANCING	33
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS & TRAINING	33
ITEM 12 TERRITORY	50
ITEM 13 TRADEMARKS	53
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	55
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	56
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	57
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	58
ITEM 18 PUBLIC FIGURES	68
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	68
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	78
ITEM 21 FINANCIAL STATEMENTS	82
ITEM 22 CONTRACTS	83
ITEM 23 RECEIPTS	83

### EXHIBITS

<u>EXHIBIT A</u>	FRANCHISE AGREEMENT AND EXHIBITS
<u>EXHIBIT B</u>	DEVELOPMENT AGREEMENT AND EXHIBITS
<u>EXHIBIT C</u>	LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS
<u>EXHIBIT D</u>	STATE-SPECIFIC ADDENDA (IF AND AS APPLICABLE)
<u>EXHIBIT E</u>	OPERATIONS MANUAL TABLE OF CONTENTS
<u>EXHIBIT F</u>	LIST OF CURRENT FRANCHISEES AND FORMER FRANCHISEES
<u>EXHIBIT G</u>	SAMPLE RELEASE AGREEMENT
<u>EXHIBIT H</u>	<del>FINANCIAL STATEMENTS</del> <u>RELENTLESS PM AGREEMENT</u>
<u>EXHIBIT I</u>	<u>FINANCIAL STATEMENTS</u>
<u>EXHIBIT J</u>	STATE EFFECTIVE DATES
<u>EXHIBIT JK</u>	RECEIPTS

## ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS & AFFILIATES

To simplify the language, this disclosure document uses “we,” “us,” “our,” “Franchisor” or “ISI” to mean ISI Franchise International, Inc, the franchisor. “You” means the person, corporation, partnership or other entity that buys the franchise. If you are a corporation or limited liability company, partnership or other entity, certain provisions of the Franchise Agreement also apply to your shareholders, members, partners or owners and will be noted. Any such entity may be referred to as an “Entity” and those who own the Entity may be referred to as “Owners.”

### Franchisor

We do business under our corporate name and our then-current Proprietary Marks, including our current primary mark ISI® ELITE TRAINING. We are a corporation formed under the laws of South Carolina on June 4, 2018, with a principal business address at 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217, or at (704) 910-1017.

We commenced offering franchises for the right to independently own and operate a Franchised Business in April 2019. We have never offered any other franchises in any other line of business. Except as disclosed in this Item and elsewhere in this Disclosure Document, we have not conducted any other business activities. We do not conduct any other material business activities other than administering the franchise system, which may include serving as the designated supplier of certain items that you must purchase and/or otherwise acquire for use in connection with your Franchised Business. Our Affiliates have operated the type of business offered under this Disclosure Document since March 2016.

### Parent(s), Predecessor(s) and Affiliate(s)

We do not have parents or predecessors.

Our affiliate, Relentless Brands, Inc., is a Wyoming corporation formed on April 11, 2023. Relentless Brands, Inc. has a principal address at 109 East 17<sup>th</sup> Street, Suite 490, Cheyenne, WI 82001. Relentless Brands, Inc. owns the following four affiliates of ours:

Our affiliate, Relentless Retail, LLC (“Relentless Retail”), is a North Carolina limited liability company formed on December 9, 2022. Relentless Retail shares the same principal address as us and is the designated supplier for uniforms and apparel that our franchisees are required to purchase for use and resale in their ISI Elite® Training businesses.

Our affiliate, Relentless Marketing, LLC (“Relentless Marketing”), is a North Carolina limited liability company formed on April 24, 2023. Relentless Marketing shares the same principal address as us and is an optional supplier for certain marketing services that our franchisees may purchase for their ISI Elite® Training businesses.

Our affiliate, Relentless Project Management, LLC (“Relentless PM”), is a North Carolina limited liability company formed on April 24, 2023. Relentless PM shares the same principal address as us and is the designated supplier for certain construction and project management services that our franchisees are required to purchase for their ISI Elite® Training businesses. [A copy of the](#)

agreement you will enter into with Relentless PM is attached as Exhibit H to this Disclosure Document.

Our affiliate, Human Nutrition, LLC (“Human Nutrition”), is a North Carolina limited liability company formed on April 24, 2023. Human Nutrition shares the same principal address as us and is the designated supplier for nutritional supplements that our franchisees are required to purchase for resale in their ISI Elite® Training businesses.

Our affiliate, Tattle Marketing, LLC (“Tattle”), is a North Carolina limited liability company formed on May 23, 2024. Tattle shares the same principal address as us and is ~~the designated supplier for the call center that our franchisees are required to use for inbound leads, setting appointments with inbound leads, and following up with inbound leads for their ISI Elite® Training businesses.~~ Tattle is an approved supplier for digital advertising services, but our franchisees are not required to engage Tattle for such services.

Our affiliate, Plunge House Franchising, LLC (“Plunge House”), is a North Carolina limited liability company formed on May 23, 2024. Plunge House shares the same principal address as us and offers franchises for businesses that offer cold plunge, hot plunge, sauna therapy, and related products and services. Plunge House began offering franchises in May of 2024 and does not have any open franchisees as of the issuance date of this Disclosure Document.

Except as provided in this Disclosure Document, our affiliates disclosed under this heading have not (a) offered or awarded licensees or franchises in any line of business, or (b) engaged in any other material business activities.

#### Agent for Service of Process

Our agents for service of process are disclosed in Exhibit C of this Disclosure Document.

#### The Franchised Business

As of the Issuance Date, our System Facilities promote, offer and provide a wide array of athletic-based conditioning fitness programs, which are (i) complemented by limited cardiovascular equipment and free weight routines, and (ii) built around our proprietary high intensity and dynamic workouts for men and women. As of the Issuance Date, our philosophy is that people make other people stronger and it is our sense of community that leverages this synergy along with accountability which produces long term results.

This is a fitness facility (each, a “Facility”) typically located in shopping malls, strip centers or free-standing structures (all of which must be approved by us) offering tiered membership packages and providing its members (“Members”) with fast-paced workout sessions led by certified fitness coaches.

We expect and assume that a typical Facility will offer our proprietary fitness sessions, instruction and other services we authorize in the Manuals or otherwise (collectively, the “Approved Services”) via membership packages that, as of the Issuance Date, include (but are not necessarily limited to): (i) proprietary athletic conditioning group fitness programs, (ii) proprietary workouts (focusing on strength and weight loss all of which are athletic-based and dynamic in nature), (iii)

signature challenges (such as: specific day challenges, monthly challenges, quarterly challenges, etc.), (iv) proprietary Member progress tracking programs, and (vii) proprietary video vault of exercise programs and themed group events in addition to offering for sale fitness-related apparel (such as shirts, shorts, hats, sweatshirts, etc.). In addition to these Approved Services, your Facility will have the right to offer and sell apparel and other merchandise, which may or may not be branded/proprietary to our System, that we authorize in writing (collectively, the “Approved Products”).

We and our affiliates/principal have developed a system (the “System”) for the establishment and operation of a franchised Facility (each, a “Franchised Business”) that is comprised of various components, including without limitation: build out specifications with furnishings, unique décor, color scheme and signage; business format that is simple and efficient offering our proprietary membership packages, fitness programs, workouts and challenges; specific methods and techniques when executing our fitness programs, workout routines and challenges; nutritional supplements; specifications for equipment and products used in the Business, purchasing strategies, relationships with vendors and suppliers, operational procedures, quality and uniformity of all services and products offered; proprietary software, privately labeled mobile app platform that was developed and owned by a third party, website, franchise web page housed within our national website and intranet system that includes access to our proprietary educational platform that contains our video vault and proprietary training modules to complement your ongoing training efforts; proprietary Member acquisition and onboarding processes, sales presentations, advertising and marketing materials, proprietary community-give back programs, social media and promotional strategies; cost controls, management, administrative and record keeping procedures; our confidential operations manual (“Operations Manual”) and other manuals and materials (collectively, the “Manuals”) which are made available either in hard copy or electronically. Please note that we may unilaterally update, supplement, improve and/or otherwise modify or further develop the System standards, specifications and other components, as we determine appropriate in our discretion, provided we provide you with prior written notice of such changes via the Manuals or otherwise in writing.

The System is identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, that comprise the then-current Proprietary Marks we determine to designate and license for use in connection with franchised Facilities.

You are prohibited from offering, performing or selling any type of service or product that requires medical assistance. You shall not make any claim or representation that products or services associated with our Proprietary Marks, your Franchised Business or the System are intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease and/or that any such products or services are intended to affect the structure or any function of the human body. You are not authorized to make any performance claims or guarantees to Members regarding specific weight loss amounts. Your Franchised Business may and must only promote, offer and provide the non-medical exercise and fitness-related Approved Services, as well as any Approved Products we authorize for sale at retail from within a franchised Facility, in accordance with our System.

Each Franchised Business you determine to commit to open and operate (or develop pursuant to the multi-unit offering below) must be governed by its own, specific form of our then-current

franchise agreement. Our current form of franchise agreement is attached hereto as Exhibit A (the “Franchise Agreement”).

### Multi-Unit Offering

We also offer qualified individuals the right to open and operate multiple Franchised Businesses within a defined geographical area (the “Development Area”) by: (i) executing our current form of development agreement (the “Development Agreement”) attached as Exhibit B to this Disclosure Document; and (ii) paying our then-current development fee upon execution of your Development Agreement, which will depend on the number of Franchised Businesses you agree to open (the “Development Fee”).

Under the Development Agreement, you will be required to enter into our then-current form of Franchise Agreement for each Franchised Business you are required to open, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document. You must execute the Franchise Agreement included with this Franchise Disclosure Document for your initial Franchised Business contemporaneously with the execution of your Development Agreement. You must then ensure that you open and commence operations of each additional Franchised Business in the Development Area in accordance with the mandatory Development Schedule.

### Proprietary Market and Competition

As a franchisee, you will compete for consumers with a variety of other businesses, including those that offer similar and/or competitive types of personal training, fitness counseling and nutritional counseling. Your competition may be local, independent businesses or may be part of a regional or national chain or franchise. Demand for the services you offer may be dependent on the local and national economic conditions and their effect on the public’s discretionary spending. Your competition may include other businesses that we or our affiliates may franchise or operate, as noted in Item 12. The services and merchandise our franchise sells are well recognized by consumers and widely available from other sources. The market for our franchisees’ goods and services is well developed. Typically, our Approved Services and Approved Products are sold to individuals.

### Industry-Specific Laws and Regulations

Some states require that health/fitness facilities have a staff person available during all hours of operation that is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that health/fitness facilities have an automated external defibrillator and/or other first aid equipment on the premises. At a minimum, your Business will be subject to various federal, state and local laws, and regulations affecting the business, including laws relating to zoning, access for the disabled, and safety and fire standards. You may need the local fire marshals or other local, state or federal agency’s permission before you begin operations. In addition, there may be local licensing and employment regulations, including worker’s compensation insurance requirements.

You will be solely responsible for ensuring you acquire and maintain any specific licenses, permits, authorizations or otherwise that may be required to operate your Business under the applicable laws of where your Business is located. Among other things, you will need to ensure that all music played at the Business is properly licensed for use in connection with the provision of the Approved Services, or, if permitted by us, any other purpose.

Many states and certain local governments have laws regulating health/fitness facilities, including laws requiring postings covering steroids and other drug use, requiring certain medical equipment in the Facility, limiting the supplements that facilities can sell, requiring bonds if a health/fitness center sells memberships valid for more than a specified time period, requiring owners to deposit into escrow certain amounts collected from members before the Facility opens (these are referred to as pre-sale memberships), and imposing other restrictions on memberships that the Facility sells. If so, you may have to register with a state consumer protection agency, escrow funds during pre-sale and/or post a security bond or a letter of credit to protect your members. You may also be subject to other state and local licensing requirements and ordinances.

Other than what is stated above, currently, there are no regulations specific to the operation of an ISI® Elite Training Business.

In addition to complying with all laws, we require that you and any individual who plans on instructing any of our proprietary fitness programs, workouts and challenges be certified by a personal training program accredited by the National Commission for Certifying Agencies (“NCCA”) in addition to being CPR and First Aid certified and maintaining such certification.

## ITEM 2 BUSINESS EXPERIENCE

### **Chief Executive Officer: Adam Rice**

Adam is the founder of the ISI® Elite Training concept and has been serving as CEO since our inception in June 2018. He has also served as the Co-Founder of our ~~affiliate~~affiliates, Plunge House Franchising, LLC, Relentless Brands, ~~Inc., since its formation in April 2023. From August 2011 to present, he has been serving as President for our affiliate, ISI Corporate, LLC based out of Myrtle Beach, South Carolina. Adam also serves as the Manager of all of our affiliates listed in Item 1~~Relentless Retail, Relentless Marketing, Relentless PM, Human Nutrition, and Tattle, since their respective ~~dates of formation~~formations in May 2024, April 2023, December 2022, April 2023, April 2023, April 2023, and May 2024.

### **Chief Operating Officer: Amanda Hall**

Amanda has been serving as our Chief Operating Officer since April 2021. She has also served as the Co-Founder of our ~~affiliate~~affiliates, Plunge House Franchising, LLC, Relentless Brands, ~~Inc., Relentless Retail, Relentless Marketing, Relentless PM, Human Nutrition, and Tattle, since its formation~~their respective formations in May 2024, April 2023. Prior to joining us, she, December 2022, April 2023, April 2023, April 2023, and May 2024. From August 2020 to April 2021, Amanda was the Chief Operating Officer of Clean Juice in Charlotte, North Carolina ~~from August 2020 to April 2021~~. From March 2016 to August 2020, she was the Senior Vice President of Operations at Burn Boot Camp in Cornelius, North Carolina.

**Chief of Staff, Director of Brand Standards: Kelli Hagadorn**

~~Kelli has served as our Chief of Staff and Director of Brand Standards since November 2022. Prior to that, Kelli served as our Director of Operations and Training from September 2020 to November 2022. Kelli previously served as the Director of Training and Education for Burn Boot Camp in Cornelius, North Carolina, from February 2018 to July 2020.~~

**Director of Franchise Development: Garrett Garcia**

~~Garrett has served as our Director of Franchise Development since February 2024. From September 2022 to January 2024, he served as the Director of Operations of Rock Ridge Growth Partners in Austin, Texas. From February 2022 to August 2022, Garrett was the Area Director of ABC Nations, LLC in Nashville, Tennessee. He previously served as our Franchise Business Coach from March 2021 to January 2022. Prior to that, Garrett served as a Studio Manager for Austin Fitness Group in Austin, Texas from December 2018 to February 2021.~~

**Relentless Brands Director of Real Estate and Construction: Cruz Parmer**

Cruz has served as the Director of Real Estate and Construction for our affiliate, Relentless Brands, LLC, since April 2024. From July 2022 to April 2024, Cruz served as the Executive Director of Construction and Facility Maintenance for Legacy Franchise Concepts in Atlanta, Georgia. From November 2021 to July 2022, he was the Project Manager for Meyn America LLC in Ball Ground, Georgia. From March 2021 to November 2021, Cruz did volunteer work in Costa Rica. From September 2018 to March 2021, Cruz served as the Project Manager for Fry Reglet in Alpharetta, Georgia.

**Relentless Brands Director of Retail: Nick Day**

Nick Day has served as the Director of Retail for our affiliate, Relentless Brands, LLC, since October 2023. From January 2021 to October 2023, Nick served as our Graphic Designer. Prior to that, Nick was the Studio Manager of The Invigory in Charlotte, North Carolina from August 2018 to December 2020.

**ITEM 3  
LITIGATION**

Mohammad Mobeen Asif & Elite Fitness 786, Inc. v. ISI Franchise International, Inc., Cary Tober, and Amanda Hall (AAA Case No. 01-25-0002-0028) Claimants Mohammad Mobeen Asif and Elite Fitness 786, Inc., a former franchisee of ours, filed a demand for arbitration against ISI Franchise International, Inc., Cary Tober, and Amanda Hall with the American Arbitration Association on April 24, 2025. The claims alleged include violations of the South Carolina Business Opportunity Sales Act, fraudulent inducement, intentional misrepresentation, negligent misrepresentation, and breach of contract. The claims stem from alleged misrepresentations concerning the initial investment costs, expected membership numbers, expected profitability, the nature of the business as a semi-absentee model, and the support provided by the franchisor. Claimants seek damages, rescission of the franchise agreement, attorneys' fees, and other relief. This matter is pending, and we plan to vigorously defend ourselves and pursue counterclaims against the Claimants for breach

of contract arising from abandonment of the franchised business and other material defaults of the Claimants' franchise agreement.

Other than the above, no litigation is required to be disclosed in this Item.

#### **ITEM 4 BANKRUPTCY**

— In re Cruz Juarez Parmer, Case No. 21-55237-jwc (N.D. Georgia 2021). Cruz Parmer, the Director of Real Estate and Construction for Relentless Brands, LLC, filed a bankruptcy petition under the provisions of Chapter 7 of the U.S. Bankruptcy Code on July 13, 2021. On October 22, 2021, the bankruptcy court entered a discharge of Mr. Parmer, and the case was closed.

Other than the above, no bankruptcy information is required to be disclosed in this Item.

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

##### **Single Unit Franchise**

###### *Initial Franchise Fee*

1. You must pay us an initial franchise fee amounting to \$60,000 (the “Initial Franchise Fee”) immediately upon execution of your Franchise Agreement, which is deemed fully earned and non-refundable upon payment. ~~In our last fiscal year, the range of collected initial franchise fees ranged from \$10,000 to \$60,000.~~
2. *Veteran’s Discount Program.* Please note that we are proud to have established and offer a program for qualified veterans of the United States who have been honorably discharged to receive a discount of \$5,000 off the Initial Franchise Fee when purchasing a franchise. There will be a discount of \$5,000 for each additional franchise business purchased after the initial franchise for veterans. We retain the right in our sole discretion to modify or terminate this veteran discount program at any time with or without notice. The factors concerning our decision to modify or terminate the veteran discount program include the number of franchises that we sell, the number of veterans interested in purchasing a franchise and the quality of veteran applicants that we receive.

###### *Training Fees*

Prior to opening, you must pay us training fees amounting to: (i) \$2,500 for you, all partners to the Franchise Agreement and your Designated Manager, for up to four individuals to attend and completed the Owner/Operator Module of our initial training program disclosed more fully in this Item 11. This fee also includes HQ's on-site travel and training before opening, and (ii) \$100/trainee per day (for five days) in connection with the Coach Module training that we provide to your initial staff of individuals that wish to provide the classes and other Approved Services at your franchised Facility (each, an “Authorized Coach”). In total, we estimate that you will pay us \$6,500 prior to opening in these pre-opening training fees because we estimate that you will bring one (1) Head Performance Coach to attend the Coach Module of training. Franchise Partners,

Facility Managers and Head Performance Coaches are required to attend this initial training program. The training fees are deemed fully earned and non-refundable upon payment.

*Technology Fee(s) Paid Prior to Opening*

Prior to opening, you will be required to commence payment of our then-current technology fee (the “Technology Fee”) on a monthly basis. As such, we estimate that you will be required to pay between nine (9) and twelve (12) months of Technology Fees to us prior to the opening of your Franchised Business and including the first three (3) months of operation, which is currently \$750/month, or between \$6,750 and \$9,000. The Technology Fee is deemed fully earned and non-refundable upon payment.

*Real Estate & Construction Management Fee*

Upon signing the Franchise Agreement, you will pay our affiliate, Relentless PM, \$20,000 for oversight of the real estate, architectural, and general contractor bidding processes related to the development of your franchise. For additional franchises under a Development Agreement, you will not be required to pay the Real Estate & Construction Management Fee. This fee is fully earned and non-refundable upon payment.

*Uniforms*

When you sign the Franchise Agreement, you will pay our affiliate, Relentless Retail, between \$500 and \$1,000 for uniforms for you, your coaches, and your staff to use with your Franchised Business. These amounts are fully earned and non-refundable upon payment.

*Startup Inventory*

When you sign the Franchise Agreement, you will pay our affiliates, Relentless Retail and Human Nutrition, between \$1,700 and \$3,000 for an initial inventory of retail merchandise and nutritional supplements for resale through your Franchised Business. These amounts are fully earned and non-refundable upon payment.

**Development Agreement**

*Development Fee*

If we award you the right to develop multiple Franchised Businesses within a given Development Area, you must pay us a one-time Development Fee upon execution of your Development Agreement. Your Development Fee will depend on the number of Franchised Businesses we grant you the right to develop within the Development Area, and is calculated as follows:

Number of Franchised Businesses	<del>Initial/Additional Franchise</del> <u>Development</u> Fee	<del>Development Fee</del> <u>Fee Per Franchised Business</u>
1	<del>\$60,000</del> <u>N/A</u>	N/A
2	<del>\$40</del> <u>120,000</u>	<del>\$100</del> <u>60,000</u>
3	<del>\$35</del> <u>135,000</u>	<del>\$135</del> <u>45,000</u>

4	\$ <del>35</del> 180,000	\$17045,000
5	\$ <del>35</del> 225,000	\$20545,000
6	\$ <del>35</del> 240,000	\$24040,000
7	\$ <del>35</del> 280,000	\$27540,000
8	\$ <del>35</del> 320,000	\$31040,000
9	\$ <del>35</del> 360,000	\$34540,000
10+	\$ <del>35</del> 350,000 <del>each</del> ±	\$38035,000±

You will be required to enter into our then-current form of franchise agreement for each Franchised Business you wish to develop under your Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these franchise agreements. If you enter into a Development Agreement, you must execute our then-current form of Franchise Agreement for the initial Franchised Business we grant you the right to develop within your Development Area concurrently with the Development Agreement. Your Development Fee will be deemed fully earned upon payment and is not refundable under any circumstances.

### **Other Relevant Disclosures**

Except as provided in this Item, we expect and intend to impose the fees above uniformly on our new System franchisees.

*[Remainder of page intentionally left blank]*

## **ITEM 6 OTHER FEES**

<b><u>Type of Fee</u></b>	<b><u>Amount</u></b>	<b><u>Due Date</u></b>	<b><u>Remarks</u></b>
Royalties (or “Royalty Fee(s)”) )	An amount equal to 7% of Gross Revenues per month, which commences at the earlier of (a) the date the Franchised Business opens or is required to be open under the Franchise Agreement or (b) once you start collecting revenue (whichever comes first).	Drafted on the 5 <sup>th</sup> of each month for the prior month of operations	You will be required to start paying your Royalty once your Franchised Business begins collecting revenue from operations, or whenever the date of the Franchised Business opens or is required to open under the Franchise Agreement.  We reserve the right to collect your Royalty on any interval we determine appropriate upon notice (for example, collecting on a daily or weekly interval).

<p>Contribution to Brand Proprietary Marketing Fund (the “Fund”)</p>	<p>The then-current contribution to the Fund that we require (your “Fund Contribution”) in an amount equal to up to 3% of the Gross Revenue generated by your Franchised Business</p> <p>Currently, your Fund Contribution amounts to 2% of Gross Revenues of your Franchised Business</p>	<p>Currently, paid at same time and in same manner as your Royalty Fee</p>	<p>We have established a Fund to promote, market, advertise and otherwise develop the System Proprietary Marks, Approved Services, System locations and our brand generally.</p> <p>We have the right to increase your Fund Contribution in an amount equal to up to 3% of the Gross Revenue upon 30 days’ prior written notice to you via the Manuals or otherwise.</p>
<p>Local Advertising Requirement (or “LAR”)</p>	<p>Minimum of \$6,000 per quarter after the opening of your Business except your first quarter will be prorated taking into account the amount of monies you spent on Grand Opening expense one month prior and one month after opening your Business for operation.</p>	<p>To be expended in accordance with System specifications or as otherwise approved by us.</p>	<p>We may require that you expend any portion of your LAR on services or items that are designed to promote, advertise and/or market the Franchised Business that must be acquired from one (1) or more of our Approved Suppliers.</p> <p>Your LAR is the minimum amount that we recommend you expend on the local promotion of your Franchised Business within your Designated Territory. We encourage you to expend additional amounts on advertising, marketing and related promotional efforts as you determine appropriate within your Designated Territory.</p>
<p>Technology Fee</p>	<p>Our then-current technology fee (the “Technology Fee”) for the technology services we determine to provide as part of the System</p> <p>Currently, \$750 per month</p>	<p>As invoiced, beginning when you sign a Franchise Agreement</p>	<p>As of the Issuance Date, the Technology Fee covers the ongoing license fees associated with the Required Software designed to address POS, the franchise management system, accounting software and certain other platforms we determine to cover.</p> <p>We may impose and update our then-current Technology Fee upon 30 days’ prior written notice to you via the Manuals or otherwise.</p>

			As of the Issuance Date, we expect that you will commence paying your Technology Fee at or around the time you secure your approved Premises. We will charge between three and six months in advance prior to opening your premises.
Nutritional Supplements	Then-current costs.	As Incurred	You are required to purchase nutritional supplements from time to time from our affiliate, Human Nutrition, for resale at your Franchised Business. We can require you to purchase certain types and amounts of nutritional supplements on a recurring basis and/or upon notice in our discretion.
Retail Merchandise	Then-current costs.	As Incurred	You are required to purchase retail merchandise from our affiliate, Relentless Retail, for use and resale at your Franchised Business. We can require you to purchase certain types and amounts of retail merchandise on a recurring basis (i.e., the “Summer Line”) and/or upon notice (i.e., special occasions or holidays) in our discretion.
<del>Call Center Fee</del>	<del>Then-current fee per month. Currently, approximately \$900 per month.</del>	<del>Monthly.</del>	<del>You are required to use the call center operated by our affiliate, Tattle. Tattle’s call center will take inbound calls from prospective members, book them for initial sessions at your Studio, and follow up with them. We expect your Call Center Fee to be higher during the presale period (the twelve weeks prior to your opening) due to the high level of prospective members you will have at that time.</del>
Digital Advertising Fees	Optional; approximately \$350 to \$600 per month.	Monthly, as incurred.	You may, but are not required to, engage our affiliate, Tattle, for your digital advertising. If you engage Tattle, Tattle will manage your digital advertising and place digital ads for you. The Digital Advertising Fees are

			the management fees and do not include the actual advertising spend that you will pay to third-party platforms like Facebook, Instagram, etc.
Renewal Fee	25% of our then-current initial franchise fee.	Prior to us approving your request to renew	Please note that payment of the Renewal Fee is only one (1) of the conditions that must satisfy in order to be in position for us to approve your request for transfer.  Please see Item 17 of this Disclosure Document for additional information.
Transfer Fee	Under the Franchise Agreement: \$10,000	At the time the transferee signs the Franchise Agreement in effect for transfer or sale.	Payable to us when the Franchise Agreement is signed or a material portion of the assets in the Business is transferred.  Please note that payment of the Transfer Fee is only one (1) of the conditions upon which we may condition our approval of any transfer proposal you submit.  Please see Item 17 of this Disclosure Document for additional information.
Relocation Fee	We reserve the right to charge you 20% of our then-current initial franchise fee in connection with your request to evaluate a relocation of your Franchised Business	As Incurred	In addition to the relocation fee, we have the right to seek reimbursement of the actual costs and expenses we incur in connection with evaluating your relocation request, including the costs of travel, lodging and meals associated with any prospective relocation site visit.
Additional Training (all other Training)	Additional Training is estimated not to exceed \$250 per person per day plus your travel expenses or our expenses if we come to your location	At time training is scheduled and/or additional assistance is requested by you.	The location of the Additional Training will be at our headquarters although we reserve the right to provide them over the Internet or phone. There may be an annual conference for all franchisees to attend and other conferences as needed. See Item 11, (13.iv) for more detail.

Annual Conference	Up to \$1,000 per ticket (minimum of 1 ticket per Business)	When invoiced	You must pay us our then-current annual conference ticket fee per ticket. If you fail to attend the annual conference, you will still pay us the annual conference ticket fee for one ticket.
Interest and Late Charges	1.5% per month or maximum rate allowed by law, plus \$25 provided the interest rate cannot exceed the maximum legal rate.	After due date of fees.	Payable on all delinquent payments. See Note 7
Evaluation Fee	Our then-current evaluation fee in connection with any proposal you make for the use or sale of (a) a product or service that is not already part of our Approved Products or Approved Services, or (b) the source of supply for any Required Item.  Currently, \$500 per proposal (plus our costs/expenses in conducting the evaluation)	As incurred and prior to us evaluating your request	This fee will only be charged if you make a request for an alternative supplier or alternate product as disclosed more fully in Item 8 of this Disclosure Document.
Audit Expenses	Cost of Audit Fees plus interest @ 18% per annum (1.5% per month) up to the maximum interest allowed by law.	Ten days after receipt of audit report.	Payable if you understate Gross Revenues by 2% or more you also pay the cost of the audit.  Based on our understanding of current third-party auditor costs, we expect the cost to be between \$3,500- \$6,500 unless your financial records are not well kept.
Penalty Fees for Offer or Sale of Unauthorized Services or Products	We reserve the right to charge a fee of \$50/day for each day you offer or provide Approved Products or Approved Services at your Studio that are (a) not approved by us, and/or (b) being provided by an individual that is not an	As incurred	This is only payable in the event of your default and is in addition to any other rights or remedies we might have under applicable law or the terms of your agreement(s) with us.

	Authorized Coach (with regards to the provision of any Approved Services)		
Costs and Attorney's Fees	Will vary under circumstances.	As Incurred	Payable as incurred by us in obtaining injunctive relief or the enforcement of any item of the Franchise Agreement.
Indemnification	Will vary under circumstances.	On Demand	Payable as Incurred
Temporary Management	Actual Costs	On Demand	Upon death or disability, a manager who completed our training, must be employed to operate the Business. If not done, we can appoint a head trainer or manager for up to 90 days, renewable up to one year. All expenses, including head performance coach or manager compensation, travel and living expenses will be charged against operating revenues. We also charge against those revenues, the amount of our expenses.
Conference Fee	Conference fee, travel, transportation, lodging, meals and incidental expenses in addition to compensation of the people you send to any conferences. Will vary under circumstances. There will be a registration fee for conferences not to exceed \$1000 per person although we will attempt to keep the cost so it does not exceed our cost. You will be required to purchase a minimum of 1 ticket for each conference.	As Incurred	As Incurred and payable to third parties and us.
Post-Termination Damages	Will vary based on when your Franchise Agreement is terminated	As incurred	We have the right to seek and obtain the damages we incur in connection with your default and/or any termination of your Franchise Agreement after it is terminated,

			including without limitation, future lost damages (amounting to the Royalty Fees and other amounts that we would have been entitled to collect under your Franchise Agreement if it was not terminated prior to its natural expiration).
Public Offering Fee	The lesser of (a) \$3,500; or (b) the cost and expenses in reviewing the proposed offering	As incurred	With our written consent pursuant of Section 16.G.1 in the Area Development Agreement does not imply or constitute our approval with respect to the method of financing, the offering literature submitted to us or any other aspect of the offering.

### **Explanatory Notes**

**Generally.** Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item. Unless otherwise stated, the fees outlined in the Chart above apply to the Franchise Agreement only (and not the Development Agreement).

1. **Royalty Fee.** The royalty obligation begins immediately once your Business is deemed open for operation then continues for the term of your Franchise. Your Business is deemed open for operation either once you start collecting membership fees or when your Facility is open for operation (whichever comes first). As of the Issuance Date, the royalty is due and payable on the 5<sup>th</sup> of the month for the previous month and is to be paid to us as described in Note 2. If your Franchise Agreement is terminated, you may be required to continue royalty payments for the remaining term of your Franchise Agreement.
2. **Method of Payment.** Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
3. **Collection Interval; Reporting Obligations.** We reserve the right to change the interval at which we collect your Royalty Fee, the Fund, and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to

you. For example, we may collect these recurring fees on a daily or weekly basis – based on the preceding business day or week of operations – rather than monthly. Regardless, we may require you to provide Gross Revenue and/or related reports regarding the performance on your Franchised Business on a weekly, monthly, quarterly and/or annual basis as we determine appropriate for the kind of report at issue.

- 4. Definition of Gross Revenue.** Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that you earn or receive from any source-related to, or in connection with, the operation of your Franchised Business or with this Franchise, whether on or off your premises. This includes all membership-related fees (such as initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees; monthly, semi-annual or yearly dues and all revenues generated and derived during any presale of memberships) regardless of the amount of monthly membership fees you actually collect. Gross Revenue also includes fair market value for any service or product you receive in barter or exchange for your services or products, the retail value of any discounted and/or complementary (free) services (including membership packages) or products given to Members and all insurance proceeds that you receive for the loss of the Business due to a casualty to or similar event at the Business. We exclude only gratuities paid by Members to employees of the Business, service fees for credit card transactions, sales tax receipts that you must by law collect or pay and any Member refunds of previous payments you actually make.
- 5. Brand Development Fund.** You pay the Fund contribution at the same time and under the same terms as the Royalty described above. The Fund may be used for (among other things) product and technology development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future facilities; agency and consulting services; research; and any expenses approved by us and associated with your Facility. We have sole discretion over all matters relating to the Fund. We may raise, discontinue, or reduce the contribution, but your total contribution will not exceed 3% per month of your Gross Revenues in any calendar year.
- 6. Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Franchised Business during the term of the Franchise Agreement. If we conduct an audit and it reveals that you have underreported your Gross Revenue by two percent (2%) or more, than we may require you to (a) pay the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys), and/or (b) provide us with annual audited financial statements regarding the operation of your Franchised Business.
- 7. Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.
- 8. Technology Fee.** As of the Issuance Date, you are also required to use a combination of different third-party software programs that includes our privately labeled mobile

app platform (also owned by a third-party vendor) for the operation of your Franchised Business. Some of these software programs are specific to the fitness industry that complement each other and tracks Member activity while incorporating contact management, scheduling, billing and reporting functionality in addition to our privately labeled mobile app which is a Member engagement tool allowing them to schedule a session, access to mobile workout programs and videos and allows you to send notifications. The technology fee for usage and ongoing support of our privately labeled mobile app is currently \$750 per month regardless of the number of users or number of Members who use the mobile app platform and is payable to us, our affiliates, or approved vendors.

*[Remainder of page intentionally left blank]*

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**A. Franchise Agreement**

<b>Type of Expenditure</b>	<b>Low Amount</b>	<b>High 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>	\$60,000	\$60,000	Lump sum	At signing of the Franchise Agreement.	Franchisor
A/V Equipment <sup>2</sup>	<del>\$1511,000</del>	<del>\$3020,000</del>	As incurred	At Franchisor Training.	Approved Supplier(s)
Equipment, Furniture and Fixtures <sup>3</sup>	<del>\$57,500</del> <u>50,000</u>	<del>\$83,500</del> <u>84,000</u>	As incurred	Before Opening.	Approved Supplier(s)
Real Estate <sup>4</sup>	<del>\$7,500</del> <u>6,800</u>	<del>\$2520,500</del>	As incurred	At signing of lease.	Third-Party Landlord
Real Estate & Construction Management <sup>5</sup>	\$20,000	\$20,000	Lump sum	At signing of the Franchise Agreement.	Affiliate
Leasehold Improvements (after Tenant Improvement allowance) <sup>6</sup>	<del>\$85,500</del>	\$256,500	As incurred	Before Opening.	Third-Party Providers
Utilities	\$1,000	\$3,000	As incurred	Before Opening.	Third-Party Providers
Signage and Graphics	<del>\$1915,000</del>	<del>\$29,000</del> <u>22,500</u>	Lump sum	Before Opening.	Approved Suppliers
Startup Inventory and Uniforms <sup>7</sup>	\$2,200	\$4,000	Lump sum	Before Opening.	Affiliate and Approved Suppliers
Grand Opening Advertising <sup>8</sup>	\$35,000	\$35,000	As incurred	During the 12 weeks of presales before opening.	Approved Suppliers
<b>Call Center Fees (Six Months)<sup>9</sup></b>	<b>\$5,400</b>	<b>\$5,400</b>	<b>As incurred</b>	<b>Monthly, beginning during the 12 weeks of presales before opening.</b>	<b>Affiliate</b>

Facility Personnel Compensation: Pre-Opening <sup>9</sup> <del>Opening</del> <sup>9</sup>	<del>\$2015,000</del>	\$30,000	As incurred	As incurred	Personnel of your franchised Facility.
<del>Insurance</del> <sup>11</sup> <del>Insurance</del> <sup>10</sup>	\$2,750	\$4,500	Lump sum	As arranged	Third-Party Provider
Travel, Lodging and Meals for Initial Training Program	\$0	<del>\$53,000</del>	As incurred	As Incurred.	Third-Party Providers
Training Fee	<del>\$6,5003,000</del>	<del>\$6,5003,000</del>	Lump sum	Prior to attending our Initial Training Program	Franchisor
Technology Fee (From the month after signing Franchise Agreement through third month of operation)	\$6,750	\$9,000	As incurred	Beginning the month after signing the Franchise Agreement.	Franchisor
Business Licenses, Permits, Certifications, Soft Construction Costs, and other Professional Fees	\$12,500	<del>\$2520,000</del>	As incurred	Prior to Opening and/or Development (as appropriate)	Appropriate Government and/or Comparable Authorities
Additional Funds (3 months) <del>11</del> <sup>11</sup>	<del>\$4025,000</del>	\$50,000	As incurred.	As arranged	Various parties, including Approved Suppliers, LL, Facility personnel, other suppliers, etc.
<del>Total</del> <sup>13</sup> <del>Total</del> <sup>12</sup>	<del>\$396,600266,000</del>	<del>\$681,900645,000</del>			

**Generally.** Except as provided below, other than security deposits and utility deposits, all payments and fees described in this Item 7 are non-refundable. The Item 7 Chart above assumes and expects that you will secure an approved Premises that meets the System standards and specifications and subsequently open and commence operations of your Franchised Business on or before the date you are required to do so under (a) your Franchise Agreement with us, and (b) the Rent Commencement Date under the lease for your Premises.

- 1. Initial Franchise Fee.** The Initial Franchise Fee is due upon execution of your Franchise Agreement and is deemed fully earned upon payment and non-refundable. Please see Item 5 of this Disclosure Document for additional information on this initial fee.

- 2. Computer System and A/V Equipment.** You must purchase a variety of technology items for the operation of your Business as specified in the Operations Manual. Both the low and the high estimates represent current costs for some or all of the following: computers, software, tablets, one printer combination machine, modems and routers, flat screen televisions, a telephone system and a sound system (that includes an amplifier, mixer, wireless receivers, etc.) with a microphone system and various cables.
- 3. Furniture, Fixtures and Other Equipment (FF&E).** This is an estimate for the items you will need for all equipment, furnishing and fixtures. You must purchase various pieces of equipment for the operation of the Franchised Business as specified in the Operations Manual. The estimates given are based on purchasing all equipment, furnishings and fixtures. The low end of the estimate represents opening a 2,400 sq. foot Facility and the high end of the estimate represents opening a 3,200 sq. foot Facility. Actual equipment, furniture and fixture cost may vary due to square footage. This category includes gym equipment, an Inbody Scanner, a front desk, lockers, washer/dryer, rubber floors, turf, lights, a fan, and additional new facility items.
- 4. Real Estate.** As of the Issuance Date, our standard franchise offering expects and assumes that the typical Franchised Business, as of the Issuance Date, is typically located in a shopping mall, strip center or free-standing building with approximately 2,400 to 3,200 square feet of space. The high-end estimate reflects a space with high visibility. Real estate costs depend on location, size, visibility, economic conditions, accessibility and competitive market conditions. These sums do not include common area maintenance fees which (if applicable) will vary depending on your location or any sums for the purchase real property, as we do not expect you to buy real property. You may be able to reduce this expense if you are able to occupy a space in an existing location that compliments another business. This range accounts for the amounts you will be required to pay to the landlord or otherwise in connection with securing your approved Premises prior to opening. The actual rent, CAM and other costs you will incur over your first three (3) months of operation is accounted for under the “Additional Funds – 3 Months” category in the Chart above (and discussed more fully in Explanatory Note No. 12 below).
- 5. Real Estate & Construction Management.** Upon signing the Franchise Agreement, you will pay our affiliate, Relentless PM, for the services of managing the site selection, construction, architecture, permitting, and procurement of the development of your ISI® Elite Training franchise. You will have the option of paying this fee for additional franchises beyond the first franchise under a Development Agreement. [A copy of the agreement you will enter into with Relentless PM is attached as Exhibit H to this Disclosure Document.](#)
- 6. Leasehold Improvements.** A typical Franchised Business is approximately 2,400 to 3,200 square feet of space. We suggest you find a space needing minimal leasehold improvements or fixtures. In most cases you will need to alter the interior of your Business before you open for operation and you will need to install floor coverings according to our specifications. You must purchase flooring covering materials and various floor mats from us, our affiliates or approved vendors. A typical Franchised Business has a reception area (that incorporates a small retail area), one large open multi-purpose area, one storage

area/breakroom and bathrooms (you are not required to have shower stalls in your bathrooms). You may need to build out separate areas for your Facility. This estimate is after an allowance for Tenant Improvement. We encourage all of our franchisees to negotiate for Tenant Improvement allowances with landlords, but you may or may not receive this depending on your location. During the ~~2023~~2024 fiscal year, our franchisees ~~and~~ that opened for business and reported their investment figures to us received Tenant Improvement allowances ranging from ~~\$24,000 to \$217,5000~~ to \$232,530. The chart below discloses this data from our franchisees that opened during 2024 and reported this data to us. “Contract Cost” means the contractual cost of the franchisees’ leasehold improvements per their agreements with their contractors. “Tenant Improvement Allowance” means the amount the franchisees received from their landlords for improvements to their site. “Net Cost” means Contract Cost less Tenant Improvement Allowance, which reflects the approximate out-of-pocket expense the franchisees incurred for Leasehold Improvements.

<u>Location</u>	<u>Contract Cost</u>	<u>Tenant Improvement Allowance</u>	<u>Net Cost</u>	<u>Square Footage</u>	<u>Contract Cost per Square Foot</u>
<u>Buffalo Grove, IL</u>	<u>\$95,000.00</u>	<u>\$51,400.00</u>	<u>\$43,600.00</u>	<u>2,570</u>	<u>\$36.96</u>
<u>New Albany, OH</u>	<u>\$296,553.00</u>	<u>\$55,300.00</u>	<u>\$241,253.00</u>	<u>2,760</u>	<u>\$107.45</u>
<u>Walnut Creek, CA</u>	<u>\$219,000.00</u>	<u>\$87,000.00</u>	<u>\$132,000.00</u>	<u>4,069</u>	<u>\$53.82</u>
<u>Flowood, MS</u>	<u>\$218,411.00</u>	<u>\$43,660.00</u>	<u>\$174,751.00</u>	<u>2,183</u>	<u>\$100.05</u>
<u>Wilmington, NC</u>	<u>\$380,000.00</u>	<u>\$210,000.00</u>	<u>\$170,000.00</u>	<u>2,800</u>	<u>\$135.71</u>
<u>Northpointe, TX</u>	<u>\$335,766.00</u>	<u>\$126,000.00</u>	<u>\$209,766.00</u>	<u>2,800</u>	<u>\$119.92</u>
<u>Creekside, TX</u>	<u>\$265,000.00</u>	<u>\$232,000.00</u>	<u>\$33,000.00</u>	<u>3,705</u>	<u>\$71.52</u>
<u>Asheville, NC</u>	<u>\$323,000.00</u>	<u>\$117,000.00</u>	<u>\$206,000.00</u>	<u>2,620</u>	<u>\$123.28</u>
<u>Gaithersburg, MD</u>	<u>\$248,000.00</u>	<u>\$94,924.00</u>	<u>\$153,076.00</u>	<u>2,498</u>	<u>\$99.28</u>
<u>Raleigh, NC</u>	<u>\$45,603.00</u>	<u>\$0.00</u>	<u>\$45,603.00</u>	<u>1,868</u>	<u>\$24.41</u>
<u>Sand Hills, SC</u>	<u>\$185,000.00</u>	<u>\$232,530.00</u>	<u>\$0</u>	<u>2,620</u>	<u>\$70.61</u>

- Startup Inventory; Uniforms.** Upon signing the Franchise Agreement, you must purchase a Startup Inventory of retail merchandise and nutritional supplements from our affiliates, Relentless Retail and Human Nutrition, which will cost between \$1,700 and \$3,000. You must also purchase uniforms from our affiliate, Relentless Retail, for your staff to wear in the general operation of your Franchised Business, which we estimate will cost between \$500 and \$1,000. You must purchase products and supplies for the general operation of your Business as specified in the Operations Manual. You must purchase only approved products and supplies and you must purchase such items that meet our specifications, which may change from time to time. Whether or not any of the purchases for uniforms are refundable depends on the terms of the invoice or purchase agreement with suppliers.
- Grand Opening Advertising.** This is the amount that you will typically expend in connection with (a) the initial marketing plan you develop and implement to promote the opening and initial launch of your Business, and (b) other amounts you will incur in connection with certain pre-opening sales activities designed to generate clientele and/or the on-site training that we provide to you and your initial staff (as described more fully in Item 11 of this Disclosure Document) at or around the time that you open, as we determine appropriate in our discretion. You will spend this amount during the twelve-

week presale period prior to the opening of your Business. You may be required to expend all or some portion of these funds on marketing materials and/or services that must be purchased from one (1) or more of our Approved Suppliers. Approximately \$5,000 of this amount goes toward local marketing activities. Approximately \$5,000 goes directly toward Grand Opening Advertising. The remaining \$25,000 goes toward digital advertising spend.

~~9. **Call Center Fees.** You are required to use the call center operated by our affiliate, Tattle. Tattle's call center will take inbound calls from prospective members, book them for initial sessions at your Business, and follow up with them. We expect your Call Center Fee to be higher during the presale period (the twelve weeks prior to your opening) due to the high level of prospective members you will have at that time. This estimate includes \$900 per month for the three (3) months before you open and the three (3) months after you open for business.~~

**10.9. Insurance.** This estimated amount represents twelve (12) months of pre-paid insurance premiums that does not take into account workers' compensation insurance which may vary greatly by state, payroll and classification. You must obtain and keep general liability insurance with a minimum policy limit of \$1,000,000 per occurrence and \$2,000,000 aggregate or in amounts we may require to reflect inflation, identification of new risks, changes in law or other relevant changes in circumstances. You are also required to obtain property and casualty insurance that covers the assets of the Business; and "All Risk" insurance coverage for property that is not included in other insurance policies and business interruption insurance. The cost of all insurance coverage will vary depending on the carrier's charges, terms of payment and your claims history. See Item 11 for the complete list of required (and optional) coverages.

**11.10. Additional Funds – 3 Months.** You will need additional capital to support on-going expenses during the initial three (3) months after you open your Franchised Business. The estimate includes items such as rent (for this initial operations period that is in addition to the Security Deposit), non-variable and certain other payroll and/or other personnel compensation, additional advertising/marketing activities, repairs and maintenance, bank charges, miscellaneous supplies and equipment, state tax, and other miscellaneous items. This range does not include any draw or salary for you. These figures are estimates and we cannot guarantee that you will not have additional expenses in the first three months you are operating your Franchised Business. In calculating this estimate, we relied on (a) the experience of our Centers using the Proprietary Marks and System (since their opening dates disclosed in Item 19 of this Disclosure Document), (b) estimates we received from our Approved Suppliers and other third-party suppliers, (c) the experience of our System franchisees, and (d) the experience of our consulting team that has worked with other franchise concepts that have a similar footprint and/or industry concept.

**12.11. Total Estimated Initial Investment.** The figures in this table are estimates. Unless otherwise noted above, all of the expenditures listed in the Item 7 Chart above are non-refundable. In creating this chart, we have relied on the experience of our affiliates and

leadership in developing and operating ISI® Elite Training Businesses as well as the experience of our ISI® Elite Training franchisees with developing their Businesses.

It is important to note and explain that you may need to secure an approved Premises for your Franchised Business before you and/or your suppliers are in a position to establish the actual construction, furnishing and other associated with that specific Premises, given such suppliers will need to account for all variables such as size of Premises, leasehold allowances, landlord’s work, and/or building code requirements. With that said, we recommend you conduct pre-lease due diligence with a third-party general contractor or other business advisor with experience in construction to determine as much as you can about all the buildout costs associated with turning the contemplated Premises into a System Center.

### Your Estimated Initial Investment

#### B. Multi-Unit Development Agreement

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee <sup>2</sup>	<del>\$100,120,000</del> to <del>\$380,350,000</del> (2 Units – 10 Units)	Lump Sum	Upon signing of Development Agreement	Franchisor
Initial Investment to Open Initial Franchised Business <sup>3</sup>	<del>\$336,600</del> <del>176,000</del> to <del>\$621,900</del> <del>580,000</del>	See Charts 7(A) above in this Item (Does not include Initial Franchise Fee)		
<b>TOTAL<sup>4</sup></b>	<del>\$436,600</del> <del>326,000</del> to <del>\$1,001,900</del> <del>935,000</del>	This is the total estimated initial investment to enter into a Development Agreement for the right to own between two and ten Franchised Businesses, as well as the costs to open and commence operating your initial Franchised Business for the first three months (as described more fully in Chart A of this Item 7).		

#### Explanatory Notes to Chart 7(B) Above:

1. *Generally.* All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right to own and operate three Franchised Businesses, as well as the initial investment to open your first Franchised Business under your Development Schedule.
2. *Development Fee.* The Development Fee is non-refundable. The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development

Fee is for the right to open and operate a total of two to ten Franchised Businesses (provided you comply with your development obligations under the Development Agreement). Your Development Fee will be calculated as follows:

Number of Franchised Businesses	<u>Initial/Additional Franchise Development Fee</u>	<u>Development Fee Fee Per Franchised Business</u>
1	<del>\$60,000</del> N/A	N/A
2	<del>\$40</del> 120,000	<del>\$100</del> 60,000
3	<del>\$35</del> 135,000	<del>\$135</del> 45,000
4	<del>\$35</del> 180,000	<del>\$170</del> 45,000
5	<del>\$35</del> 225,000	<del>\$205</del> 45,000
6	<del>\$35</del> 240,000	<del>\$240</del> 40,000
7	<del>\$35</del> 280,000	<del>\$275</del> 40,000
8	<del>\$35</del> 320,000	<del>\$310</del> 40,000
9	<del>\$35</del> 360,000	<del>\$345</del> 40,000
10+	<del>\$35</del> 350,000 <u>-each+</u>	<del>\$380</del> 35,000 <sup>+</sup>

3. *Estimated Initial Investment to Open Initial Franchised Business.* This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to open and operate under the Development Agreement. You will be required to enter into our then-current form of franchise agreement for initial Franchised Business you must open within the Development Area at the same time you execute your Development Agreement. The range includes all the items outlined in Chart 7(A) of this Item, except for the Initial Franchise Fee (because you are not required to pay any Initial Franchise Fee for those Franchised Businesses you open under the Development Agreement).
4. *Total.* This is the Development Fee plus our estimated initial investment to open and commence operating your initial Franchised Business within your Development Area. This range does not include any of the costs you will incur in opening any additional Franchised Business(es) that you are granted the right to open and operate under your Development Agreement.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, which we will notify you of in writing, and you will be solely responsible for costs associated with complying with any modifications to the System.

### Approved Services and Approved Products

You may only market, offer, sell and provide the Approved Services and Approved Products to customers of your Franchised Business.

We will provide you with a list of our then-current Approved Services and Approved Products, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service that are not part of our then-current Approved Services or Approved Products, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item, and (b) a legal opinion letter or other evidence sufficient to demonstrate that any new or modified service or product proposed can be utilized and/or provided at your Franchised Business in compliance with all applicable laws and regulations.

The equipment, products, supplies and services include: equipment, furniture and fixtures, floor coverings, technology items, products, supplies, apparel, uniforms, signage, proprietary software, third party software, promotional merchandise, printed advertising materials, merchant service providers, software support service providers, mobile app platform providers, digital marketing providers, shows and event marketing opportunities and vendor, co-branding, affinity programs. You cannot purchase unapproved equipment, products, supplies and services from any vendors and/or suppliers that are not on our pre-approved list without our written permission.

### Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s) (whether current or formed in the future). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

As of the Issuance Date, we have one (1) or more Approved Suppliers for the following items that must be purchased in connection with your Franchised Business: (i) certain furniture, fixtures and equipment necessary to buildout and equip the Premises of your Franchised Business prior to opening; (ii) initial and ongoing inventory purchases, whether (a) Approved Products for retail sale at a System Facility, including merchandise and nutritional supplements, or (b) for use in connection with the provision of the Approved Services; (iii) the hardware components associated with the point-of-sale and computer system that we designate for use in connection with your Franchised Business operations (the “Computer System”); (iv) certain software you are required to use in connection with your Computer System (each, a “Required Software”); (v) certain initial and ongoing marketing and/or advertising materials and/or services, including any digital marketing services; (vi) any technology that we determine to provide and cover as part of our then-current Technology Fee; (vii) lobby signage and facility vinyl; ~~and~~ (viii) gym equipment; (ix) Real Estate & Construction Management services; and (x) employee and management uniforms.

We are the only Approved Supplier for the technology services we determine to provide as part of our then-current Technology Fee and certain ongoing training. Our affiliate, Relentless PM, is the only Approved Supplier for the Real Estate & Construction Management services. Our affiliate,

Relentless Retail, is the only Approved Supplier for the uniforms and retail merchandise you are required to purchase in connection with the initial development and ongoing operation of your Franchised Business. Our affiliate, Human Nutrition, is the only Approved Supplier for nutritional supplements you are required to purchase initially and on an ongoing basis in connection with your Franchised Business. Except as stated herein, neither we nor our affiliates are designated suppliers or otherwise the exclusive Approved Supplier for any item you are required to purchase/acquire in connection with your Franchised Business. We do reserve the right to appoint ourselves, any of our affiliate(s) or any third party as an Approved Supplier for any such item/service you are required to purchase or utilize in connection with your Franchised Business (each, a “Required Item”). This includes any proprietary products we develop or have developed for use in your Franchised Business, including private-label products such as supplements that bear our Proprietary Marks.

Adam Rice indirectly owns an interest in us and all of our affiliates, including those stated above. Amanda Hall owns an interest in all of our affiliates, including those stated above. Due to their ownership in us and our affiliates, which are the only Approved Suppliers for certain required purchases of yours. ~~Amanda Hall owns an interest in our affiliate, Relentless Brands, Inc. Due to their ownership in us and these affiliates~~, Adam Rice and Amanda Hall will derive revenue from purchases that our franchisees are required to make from our affiliates. Except as stated above, none of our officers own an interest in any Approved Supplier (other than us) from which you must directly purchase or lease any Required Item in connection with your Franchised Business.

We have negotiated, and may continue to negotiate, purchase arrangements with vendors and/or suppliers on the approved equipment, product and supplies list for the benefit of you in the areas of costs and customer support.

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully in this Item 8 below. We may provide our standards and specifications for a given required item directly to the Approved Supplier we have designated or otherwise approved as the source for that item/service. We may determine to provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

#### Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your “Required Purchases.”

It is estimated that your Required Purchases from us, our affiliates or any other Approved Supplier we designate, or that must otherwise meet our System standards and specifications will represent approximately: (i) 75%-85% of your total initial investment; and (ii) 5%-15% of the total ongoing costs and expenses associated with the operations of your Franchised Business after your initial launch.

We may derive profit through markups of the prices charged to you for equipment, products, supplies or services we supply. We may derive revenue through license fees, promotional fees, advertising allowances, rebates, commissions or other monies paid by approved suppliers.

During our last fiscal year ending December 31, ~~2023~~2024, we received ~~\$110,875.12~~136,754.24 in rebates, which was 4.176% of our total revenue of \$2,657,822.42973,184.24 based on our most recent audited financial statements.

During our last fiscal year ending December 31, ~~2023~~2024, we received \$409,298580,095 from tech fees that our franchisees are required to pay us, which was 1619.5% of our total revenue of \$2,657,822.42973,184.24 based on our most recent audited financial statements.

During our last fiscal year ending December 31, ~~2023~~2024, the following affiliates of ours received revenue from sales to our franchisees of required products and services: Human Nutrition (\$276.32218,266.61); Relentless PM (\$210155,000.00); and Relentless Retail (\$522,384.69557,726.88).

#### Non-Approved Product/Service and Alternate Supplier Approval

A list of approved vendors and suppliers from whom all equipment, products, supplies and services may be purchased will be provided to you and may be amended by us periodically. We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

We may require vendors and/or suppliers to provide certain information, sign a nondisclosure agreement, and agree to guarantee our level of quality and produce sufficient samples to allow us to test the sample at your expense. We may require you to submit to us sufficient specifications, photographs, drawings or other information and samples to determine whether the items meet our specifications and require third party testing, in which case you will pay the actual cost of the tests in addition to the product, vendor and equipment fee. We may issue specifications in manuals or directives, in writing or orally, and we may modify them at any time. Our response to an adequate request to approve a piece of equipment, products, vendor and/or supplier will be made within 30 days after we receive it. Approval may be revoked in our sole discretion where an approved piece of equipment, product, vendor and/or supplier does not adhere to our specifications described above. We will notify you either by email or any other written form of communication of our approval of, disapproval of or revocation of any prior approval of any equipment, product, vendor or supplier.

#### Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Franchised Businesses in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that

approval would not be in the best interests of the System. We do not currently have any purchasing cooperative(s) with certain suppliers, but we reserve the right to create such purchasing cooperatives in the future.

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliate(s) may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. If and when we receive such rebates, we will disclose that rebate consideration in this Item as part of the "Derived Revenue" disclosure set forth above in this Item 8.

### Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

### Advertising and Proprietary Marketing

All advertising and promotional materials and other items we designate must bear the Proprietary Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements we prescribe in the Manuals or otherwise. You must obtain our approval before you use any advertising and promotional materials or plans in connection with your Franchised Business if we have not prepared or approved them during the 12 months prior to the date of your proposed use.

As of the Issuance Date, you must expend your Local Advertising Requirement on marketing creative and placement services. You may also be required to expend your Grand Opening Proprietary Marketing (or some portion of that amount) on marketing, promotional and/or advertising services that you engage our Approved Supplier to provide.

### Premises and Lease

You must obtain our approval of the Premises for your Franchised Business before you acquire the site. You must also provide us with a copy of the lease for the Premises before you execute the contract or lease, and we may condition our approval of any site you propose on the form of lease containing our prescribed collateral assignment of lease terms and certain other addendum terms that are set forth in the form of "Lease Addendum" attached to our current form of Franchise Agreement. You must also ensure that you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Franchised Business at the Premises.

If we grant you the right to open and operate multiple Franchised Businesses under a Development Agreement, you will typically sign our then-current franchise agreement for each Franchised

Business opened under your Development Schedule prior to or at the time you secure an Premises for that Franchised Business.

### Insurance

Before you open your Franchised Business for operation, you must obtain the insurance coverage for the Business as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement and provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us.

1. General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate;
2. Property and casualty insurance that covers you for damages or losses to the Business with a minimum policy limit of \$1,000,000 per occurrence or an amount we reasonable specify;
3. “All Risks Property” coverage, including property damage limit, for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;
4. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners or attributable to prevention of access to the Business, with coverage for up to twelve (12) months of projected earnings and such longer period as we may specify periodically. Business interruption insurance is optional; however we may require you to obtain this coverage in the future with liability limits in amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners;
5. Automobile liability coverage (optional), including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit or what is in accordance with your state guidelines;
6. Professional liability insurance (not optional if you are participating in the Iron Kids program) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$1,000,000 and \$3,000,000 aggregate or an amount we reasonably specify;
7. Product liability insurance (optional) that covers you for damages that result in injury from products that you distribute with a minimum with a minimum policy limit of \$1,000,000 per occurrence and \$3,000,000 aggregate or an amount we reasonably specify;

8. Umbrella Policy having a limit of \$2,000,000 on an occurrence basis in excess of covering the underlying insurance described above which is at least as broad as each underlying policy, provided that you may purchase more underlying coverage and less umbrella coverage under such policies as long as you maintain the total amount of the limits specified for each coverage area;
9. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement.
10. Employment practices liability insurance (optional) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;
11. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
12. Child abuse and molestation insurance;
13. Tenant's liability insurance;
14. Any other Insurance required by the state or locality in which the Facility is located and operated in such amounts as required by statute; and
15. Other insurance coverage, as we, your state or the landlord may reasonably require.

With regard to any construction, renovation remodeling of the Business, you may be required to maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All of the policies must name us and our affiliates, as additional insureds and must include a waiver of subrogation in favor of all those parties. All insurance coverage shall be taken out in your name and shall name us an additional insured with waiver of subrogation in our favor and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Business for operation (defined as immediately once you start collecting membership fees or your Facility is open for operation, whichever comes first) or 210 days following the date that the Franchise Agreement is executed. You must purchase "A" rating insurance policies. Each such policy shall provide that it cannot be canceled without 30 days' prior written notice to us and that we shall receive at least 30 days prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

### Computer Hardware and Software

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. As of the Issuance Date, we require you to purchase certain Computer/POS System components, as well as the Required Software that provides POS

and CRM services in connection with the Franchised Business, from our Approved Supplier. We may require that you to purchase any other component of Required Software from one (1) of our Approved Suppliers in the future upon written notice. Your Premises must have Internet Wi-Fi access that both the personnel and customers visiting the Facility of your Franchised Business will be able to access (on different networks), but you may require this from any third-party provider so long as the service meets our System standards.

## 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 Franchise Agreement	Section in Development Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	Sections 2, 5, and 6	Section 8	Item 11
(b) Pre-opening purchases/leases	Sections 5 and 6	Section 8	Items 7, 8, 11
(c) Site development and other pre-opening requirements	Sections 2, 5, and 6	Section 3	Items 6, 7, 11
(d) Initial and ongoing training	Sections 5 and 6	Not Applicable	Item 11
(e) Opening	Sections 5 and 6	Section 3, Exhibit B	Item 11
(f) Fees	Sections 3, 4, 9, and 13(E)	Section 9	Items 5, 6, 7, 11
(g) Compliance with standards and policies (Operations Manual)	Sections 5 and 6	Section 3	Items 6, 11
(h) Trademarks and proprietary information	Section 7	Section 13	Items 13, 14

(i) Restrictions on products/services offered	Sections 5 and 6	Not Applicable	Items 8, 11, 16
(j) Warranty and customer service requirements	Section 6	Not Applicable	Not Applicable
(k) Territory development and sales quotes	Sections 2 and 6	Section 1, 3, and Exhibit B	Item 12
(l) On-going product/services purchases	Sections 5 and 6	Not Applicable	Items 8, 16
(m) Maintenance, appearance and remodeling requirements	Section 6	Not Applicable	Items 8, 11
(n) Insurance	Section 11	Not Applicable	Items 6, 11
(o) Advertising	Sections 4, 5, 6, and 9	Not Applicable	Items 6, 11
(p) Indemnification	Section 11	Not Applicable	Item 9
(q) Owner's participation/management/staffing	Section 6	Section 7	Item 15
(r) Records/reports	Sections 4, 6, and 10	Not Applicable	Items 6, 9, 21
(s) Inspections/audits	Section 5 and 10	Not Applicable	Items 6, 11, 21
(t) Transfer	Section 13	Section 16	Item 17
(u) Renewal	Section 3	Not Applicable	Item 17
(v) Post-termination Obligations	Sections 14(B) and 16	Sections 14, 15	Item 17

(w) Non-competition covenants	Section 14	Section 11	Item 17
(x) Dispute Resolution	Sections 19 and 21	Sections 21, 22	Item 17

**ITEM 10  
FINANCING**

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

**ITEM 11  
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS &  
TRAINING**

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

A. Pre-Opening Obligations

Prior to the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

A. If you have entered into a Development Agreement, we will designate your Development Area where you will have the right to secure a Premises (each of which we must approve) for each of your Franchised Businesses. (Development Agreement, Section 3 and Exhibit A).

B. We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for each of your Franchised Business(es). We will also review any proposed lease or purchase agreement for each location that you propose as an Premises for any Franchised Business, and we may condition our approval of any proposed Premises on the corresponding agreement containing certain terms we describe more fully in this Item. (Franchise Agreement, Sections 2(B) and 5(E));

C. Once you secure an approved Premises from which to open and operate your Franchised Business, we will define your Designated Territory for that Franchised Business and include its boundaries in an amendment to the Data Sheet attached as an Exhibit to your Franchise Agreement that is signed by us. (Franchise Agreement, Section 2(D));

D. We will loan to you during the term of the Franchise Agreement one copy of our confidential Operations Manual, which may include other manuals or other written materials for the operation of a Franchised Business, containing mandatory and suggested specifications, standards and operating procedures required by us and information relative to your other obligations under the Franchise Agreement. The Operations Manual will be in a digital format and

you will be given access to it. You must keep the Operations Manual, confidential and current, and may not copy any part of the Operations Manual. The Operations Manual currently contains approximately 164 pages and the table of contents for the Operations Manual, as of our last fiscal year end is included with this Disclosure Document as Exhibit E. (Franchise Agreement, Section 5(D));

E. We will provide you with a list of our Required Items and Approved Suppliers (to the extent we have designated them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Section 5(D)). We will also provide you with any pre-opening Required Items that we indicate you must purchase from us upon your payment for such Required Item(s). (Franchise Agreement, Section 5);

F. We will inform you of any mandatory specifications, architectural and design plans, floor plans and layouts to you for the premises of your Franchised Business. We will provide you with guidelines for the layout and design of your Business, and please note that you may need to hire an architect to create a complete set of drawings based on your building size and local permitting requirements. You will be required to confirm that your Business satisfies all state and local zoning ordinances, regulations, fire, health and building codes. We will not assist you with conforming the premises to local ordinances and building codes, obtaining any required permits, or with constructing, remodeling, or decorating the premises. We may, if needed, review your final set of drawings. (Franchise Agreement, Section 6(D));

G. We will provide you with written specifications for all equipment, technology items, furnishings, fixtures and signage (as described in Item 8) necessary for the operation of your Business. We will also provide any technology services that are covered as part of our-then current Technology Fee, subject to your timely payment of that fee. (Franchise Agreement Section 4);

H. We will provide you with guidance and/or directives in connection with how to expend the required funds associated with the promotion and advertisement of the grand opening of your Franchised Business. (Franchise Agreement, Section 5(F)); and

I. We will provide you with a self-study program (and related materials) immediately after executing the Franchise Agreement intended to help you prepare for our initial training program. We will provide our initial training program, no earlier than 30 days before the date you start selling services (including accepting memberships) or you anticipate your Facility being open for operation (whichever comes first), designed to assist you and your staff in the operation of your Business, provided you pay us our then-current Initial Training Fee. We will not assist you with hiring or training your employees. (Franchise Agreement, Sections 5(A) and 6(O)); and

J. As detailed more fully below in Part B of this Item 11, we will provide you and up to one (1) additional individual you designate with our Initial Training Program regarding our System methods and techniques related to the establishment and operation of a System Facility. You must complete the Corporate Module of our Initial Training Program to our satisfaction at least 90 days prior to opening your Franchise Business. If you are a partnership, corporation or limited liability company, at least one (1) of the trainees must be your general partner, principal shareholder, or managing member as appropriate. If you have appointed a manager to run the day-to-day operations of the Franchised Business (the “Facility Manager” or “Designated Manager”),

then this Designated Manager must also attend and complete the Initial Training Program. (Franchise Agreement, Sections 5(A) and 6(O)).

**B. Initial Training and Related Disclosures/Information**

- A. Before the opening of your Franchise, yourself, any Owner and/or proposed manager or head performance coach you appoint or that will be authorized to conduct sessions and the other Approved Services at your franchised Facility are required to attend the Virtual Owner/Operator Module (virtually) and the In-Person Owner/Operator Module at our designated training location (currently, in Charlotte, NC).
- B. Our standard franchise offering expects and assumes that you – or any other individual you wish to conduct sessions and provide the Approved Services at your franchised Facility (each, an “Authorized Coach”) – will already have (i) completed a personal training program accredited by the NCCA and obtained an active certification from the academy or institute conducting that program, and (ii) obtained appropriate certifications in CPR and First Aid from an appropriate issuing agency that is located in the state where your Franchised Business is located.
- C. Each Authorized Coach must participate in and successfully complete a training module that is specifically designed for those that will be offering and providing the Approved Services and any fitness instruction at your franchised Facility (the “Coach Module”) before that individual commences performing any of those Approved Services at your Facility. Upon completion of the Coach Module, the individual will be provided with a “Coaches Certification” confirming their participation and completion. Additionally, each Authorized Coach must participate in and successfully complete our 5-Day Virtual Coaches Launch Training.
- D. If any proposed manager or head performance coach does not satisfactorily complete the appropriate Module(s) associated with our Initial Training Program – which are disclosed more fully in the Charts below under this heading -- we will notify you, and you may then select and enroll a substitute manager or head performance coach in our training program. The failure by you or any Authorized Coach or Designated Manager to complete the necessary Module(s) above prior to the opening of your Franchised Business to the public will constitute a material default under your Franchise Agreement and will be grounds for termination if not timely cured once we provide you with written notice of that default.
- E. You will be responsible for all costs related to attending training such as travel, room and board for any individual that is required to attend or otherwise attends the In-Person Owner/Operator Module and/or Coach Module. You will also be responsible for any wages and Facility-related expenses incurred when the On-Site Module is provided at your approved Premises around the time you are schedule to open.
- F. We expect and intend to provide you with the Owner/Operator Modules and Coach Module training after you secure your approved Premises and around 90 days prior to

your opening. We anticipate holding these Modules once every one (1) to two (2) months.

- G. As of the Issuance Date, all Modules are currently supervised by our Chief Executive Officer, Adam Rice, who has over ~~14~~fifteen years of athletic training and fitness industry experience. All the other trainers that Adam works with to actually provide certain topics of instruction to System franchisees will typically have at least three (3) years of experience in the topics they are providing instruction on. Kelli Hagadorn, our Chief of Staff and Director of Brand Standards, oversees all training and has over ~~six~~seven years of experience in the fitness franchise industry. The primary materials we use in connection with our Initial Training Program include the Operations Manual (and possibly other Manuals), videos, remote training tools/webinars/testing (as we determine appropriate), videos and hands-on demonstrations.
- H. The training fee is only associated with pre-sales, anything outside of pre-sales will be subject to additional fees.
- I. Below please find Charts detailing the Owner/Operator Modules and Coach Module:

*[Charts on following page; remainder of page intentionally left blank]*

#### **TRAINING PROGRAM: VIRTUAL OWNER/OPERATOR MODULE**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Introduction to ISI® Elite Training	1 Hour	0	Virtual
GreenStar Experience Training	2 Hours	0	Virtual
Policies & Procedures	2 Hours	0	Virtual
Sales Virtual Training (Section 1-4)	6 Hours	0	Virtual
Sales Virtual Training (Section 5)	2 Hour	0	Virtual
Coaches Virtual Training (Section 1-4)	8 Hours	0	Virtual
Coaches Virtual Training (Section 5)	2 Hours	0	Virtual
<b>Total Hours</b>	<b>23 Hours</b>	<b>0 Hours</b>	

**TRAINING PROGRAM: IN-PERSON OWNER/OPERATOR MODULE**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
The ISI® Elite Training Mission, Philosophy, and Vision*	1 Hour	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Mindset and Expectations	1 Hour	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Human Resources, Culture, and Leadership	3 Hours	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Policies and Procedures	3 Hours	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
The Coaching Product	1 Hour	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Technology & Software Training	8 Hours	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Proprietary Marketing, Grassroots Marketing, Social Media, and Lead Generation	8 Hours	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
ISI® Sales Process	8 Hours	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Financial Overview	1 Hour	0	Corporate headquarters in Charlotte, North

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
			Carolina or as we otherwise specify.
Greenstar Training	2 Hours	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
In Field Lead Generation	0	3 Hours	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
FRANCHISOR Training Review and Exam	1 Hour	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
<b>Total Hours</b>	<b>37 Hours</b>	<b>3 Hours</b>	

*[Remainder of Page Intentionally Left Blank]*

**TRAINING PROGRAM: COACH MODULE**

**(MUST HAVE AT LEAST ONE COACH THAT COMPLETES THIS TRAINING)**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
The ISI® Elite Training Mission, Philosophy, Culture and Vision*	1 Hour	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Mindset and Expectations	1 Hour	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Art of Coaching	5 Hours	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Marketing and Social Media	4 Hours	0	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
Shadowing ISI® Certified Coaches	0	30 Hours	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
On the Mic / Coaching Sessions (Coaching 1-2 sessions per day)	0	6 Hours	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
ISI® Certification Exam Written Exam and Practical	0	2 Hours	Corporate headquarters in Charlotte, North Carolina or as we otherwise specify.
<b>Total Hours</b>	<b>11 Hours</b>	<b>36 Hours</b>	

**TRAINING PROGRAM: 5-DAY VIRTUAL COACHES LAUNCH TRAINING**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Day 1 Setting your Foundation Launching your Community	8 Hours	0	Virtual

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Coaches Vault Overview Mic Work			
Day 2 24 PT Checklist Overview Mic Work (mock sessions) One on One Coaching Greenstar Experience Training 2 Friends & Family sessions	12 Hours	0	Virtual
Day 3 Founding Member Week Launch Checklist all coaches (feedback provided)	12 Hours	0	Virtual
Day 4 Founding Member Week Day 2 Checklist all coaches (feedback provided) All Staff Team Meeting - Goal Setting	12 Hours	0	Virtual
Day 5 Mega Session Final feedback & debrief	4 Hours	0	Virtual
<b>Total Hours</b>	<b>48 Hours</b>	<b>0 Hours</b>	

- J. We will provide you and your initial personnel team with the On-Site Module at or around the time you are preparing to open or conducting your soft or grand opening. The On-Site Module will last approximately two (2) days, and we will have discretion to make this period of time shorter or longer depending on your experience and our observations while conducting the On-Site Module. We will provide the On-Site Module in connection with the first Franchised Business you are awarded the right to develop. In connection with any additional Franchised Business, the On-Site Module will be provided at your option – and if you elect for us to provide this Module in connection with an additional Franchised Business, you will be responsible for the costs/expenses that we incur in connection with sending our trainer(s) to provide this instruction.
  
- K. In addition to the Initial Training Program components above, we may require that you and, if applicable, your Designated Manager and/or Authorized Coach(es), attend up to five (5) days of additional or refresher training each year. We expect and intend to provide you with access to additional or refresher training programs that may be conducted through the telephone, webinars or video training at no cost to you. Such additional or refresher training programs may be conducted through the telephone,

webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room and board.

- L. We may provide refresher training and continuing education programs either through phone, web based (“webinars”), video or at locations designated by us (most likely at our headquarters). Such refresher or continuing education sessions (other than by phone, webinars or video) may involve the payment of our then-current Training Fee for such additional/refresher training. You are responsible for costs associated with you attending the programs such as travel, room and board or our expenses if we come to you. The refresher and/or continuing education programs will normally not exceed five (5) days per calendar year, and we expect to at least have quarterly programs subject to special need. (Franchise Agreement, Sections 5(A) and 6(O)). Please see additional information below Part D of this Item.

### **C. Site Selection**

You must, on your own initiative and at your own expense locate, obtain and occupy the site and negotiate the lease for your Business. You must select the site of your Business within the Territory provided in the Franchise Agreement. We do not generally own the site and lease it back to you. You may not sign a lease for the site (or contract to purchase the premises, if applicable) in which you wish to operate your Business until you have obtained our written approval. We must accept the site if we feel in our sole discretion that it meets or exceeds our standards. If we do not approve the site, you will be given a second opportunity to locate a site. If we do not approve the second site, we may terminate the Franchise Agreement. The factors that we consider in acceptance of the site include cost, competition, population density, demographics, freeway access, visibility, convenience, adequate parking, safety, zoning ordinances, neighborhood and physical characteristics of the premises such as size, configuration, layout, as well as a brand manual we use concerning real estate criteria and design guidelines. We evaluate each proposed site and accept or reject each one on a case-by-case basis and will notify you by email or any other form of written communication of our acceptance or rejection of any proposed site within 30 days after we receive your request (Franchise Agreement, Sections 5(E) and 6(A)).

We must also have the opportunity to review any lease or purchase agreement for proposed Facility before you enter into such an agreement. We will have the right to review the lease and you must ensure that: (i) you and the landlord of the Premises enter into a form of addendum or otherwise integrate the terms of that addendum (collectively, the “Lease Addendum Terms”) that includes (without limitation) a collateral assignment of lease and other entry rights upon termination or expiration of your Franchise Agreement, into the lease or other occupancy agreement for the Facility; and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business, including offering and selling the Approved Services and Approved Products, throughout the term of your Franchise Agreement. As part of the Lease Addendum Terms, we will have the option, but not the obligation, to assume or renew the lease for the Premises (the “Lease”) for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and/or fail to timely cure that default. You must submit the lease to us for our review at least ten days before you sign the agreement.

You must send us a signed copy of the lease within five days of both parties signing the lease. (Franchise Agreement, Sections 5 and 6).

We will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected. Our approval only means that the site meets our minimum requirements for a Franchised Business.

You must secure a Facility that we approve within four (4) months of executing your Franchise Agreement for that Franchised Business or we may terminate that Franchise Agreement. (Franchise Agreement, Section 6(A)). Please note that any Site Selection Area will not be exclusive and other System franchisees and developers may be afforded the right to search for an approved Facility within any portion of your Site Selection Area.

#### **D. Time to Open**

##### *Single Franchised Business*

Except as provided in this Item, you must open and commence operations of your Franchised Business within ten (10) months from the date you execute your Franchise Agreement for that Franchised Business. You must sell at least one hundred and fifty (150) memberships through presales before you open your Franchised Business. (Franchise Agreement, Section 6(D)).

We estimate that it will take between eight (8) to ten (10) months to open your Franchised Business from the time you execute your Franchise Agreement. Factors that may affect this length of time include obtaining a location that is approved by us for your Business, permits and licenses from your state (if applicable), time of year you open the Business for operation, build out, completion of your pre-market entry study to determine any customization of services and products to be offered through your Business, satisfactory completion of our initial training program by you (or your managing partners, members or shareholders) and availability of equipment, products and supplies. You have 90 days to enter into a lease, at your expense, for commercial real estate that is properly zoned for the use of your Business under the Franchise Agreement. We reserve the right to extend the period for you to acquire a lease as described above based on our reasonable judgment that you will likely find a location.

##### *Multi-Unit Development under Development Agreement*

If you have entered into a Development Agreement to open and operate multiple Franchised Businesses, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule may depend on the number of Franchised Businesses you are granted the right to open and operate. (Development Agreement, Exhibit A – Development Schedule).

If you fail to open any Franchised Business within the appropriate time period outlined in the Development Agreement, we may terminate your Development Agreement. (Development Agreement, Section 2 and Exhibit A). You will not have any further development rights within the Development Area upon termination of your Development Agreement, except to continue operating the Franchised Business(es) that were already open and operating as of the termination date. We must approve of the Facility you choose for each Franchised Business you are required to open under the Development Agreement.

#### **E. Post-Opening Obligations**

After the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance:

A. We may offer, and require you and your Designated Manager to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). While you have the option to attend any Additional Training we offer, subject to the availability of our sessions, we may require that you and your Designated Manager attend up to five (5) days of Additional Training each year at our headquarters or other location we designate each year. You will be required to pay our then-current Additional Training Fee for any Additional Training you and your employees attend. You will also be solely responsible for all expenses incurred in attending Additional Training. (Franchise Agreement, Section 5(C));

B. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, intranet communication, Zoom®, Google Meet, or any other communication channel, as we deem advisable and subject to the availability of our personnel. Certain of this advice and consultation may be provided based on certain reports, guest satisfaction surveys and other brand quality measurements we impose in connection with the operation of your Franchised Business, and such advice/consultation will be subject to your timely provision of any reports we require you to submit. (Franchise Agreement, Section 5(G)).

C. Offer you guidance on prices for our products and services that, in our judgment, constitute good business practice through our ISI Elite Training Membership Options and Rates Policy guide. (Franchise Agreement, Section 5(G)).

D. We may also provide you with additional on-site assistance, subject to the availability of our field representatives and, upon our request, payment of our then-current Additional Training Fee. (Franchise Agreement, Section 5(G));

E. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(H));

F. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(K));

G. We may schedule and hold an annual conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year. You will be responsible for the costs and expenses you incur in connection with any annual conference/convention (lodging, travel, meals, etc.) in addition to paying us our then-current attendance/registration fee, which shall not exceed \$1,000 per ticket. (Franchise Agreement, Section 5(P));

H. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote our brand, Proprietary Marks and other Facility locations, provided you are in compliance with the terms of your Franchise Agreement. Please see below in this Item 11 under the heading “Advertising and Marketing” for further information. (Franchise Agreement, Sections 5(I) and 9(G));

I. We will administer and maintain the brand development Fund as disclosed more fully under Part E of this Item below, as we determine appropriate in our discretion. (Franchise Agreement, Sections 5(L) and 9(E));

J. We may, as we deem appropriate in our discretion, establish and maintain a website portal or other System site online that will be accessible by System franchisees, which may be used for purposes of (a) providing updates, supplements and supplemental information that will constitute part of one (1) or more Manual, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Franchised Business (each, a “System Site”). (Franchise Agreement, Section 5(D));

K. We may conduct, as we deem advisable in our sole discretion, inspections of the premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of a Franchised Business, as we deem appropriate, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Section 5(K));

L. We may supplement, revise or otherwise modify the Manuals and Initial Training Program as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet (the Site). (Franchise Agreement, Section 2(G)); and

M. We may: (i) research new services, products and equipment and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) create and develop additional products and services to be offered or provided as Approved Products and/or Approved Services, including

proprietary products and services that may be sold under the Proprietary Marks we designate. (Franchise Agreement, Section 6(F)).

## **F. Marketing and Advertising**

### *Generally*

All advertising and promotion that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 9(A)). You will be required to purchase and display any seasonal signage in certain parts of your Franchised Business that have high visibility for purposes of notifying customers and prospective customers of seasonal specials/promotions regarding our Approved Products and Services. (Franchise Agreement, Section 6(M)).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least 20 days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 15 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials for a period of 90 days, unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously-approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

### *Initial Marketing Spend (Grand Opening Advertising)*

You must expend at least \$35,000 on your Initial Marketing Spend, including your “Grand Opening” promotion, during the twelve (12) weeks before the targeting opening date of the Franchised Business is open and operating, which is the “presales period.” Any and all materials utilized in connection with your Initial Marketing Spend must be approved by us (if not designated), and we have the right to require you to expend any portion of the Initial Marketing Spend on marketing, advertising and/or promotional items or services that you purchase or otherwise acquire from one (1) or more of our then-current Approved Suppliers. (Franchise Agreement, Section 9(C)).

### *Local Advertising Requirement (or “LAR”)*

Recognizing the importance of promoting your Franchised Business within your Designated Territory and surrounding area, you must expend an amount equal to at least \$6,000 each calendar quarter (3-month period) of operations on the advertisement, marketing and promotion of your Franchised Business within your Designated Territory (the “Local Advertising Requirement” or “LAR”). You must use only those materials that we have previously approved or designated, and we may require that you provide us with reports and other evidence of your local advertising expenditure each month. (Franchise Agreement, Section 9(D)). As of the Issuance Date, you must report your local advertising expenditures to us by the fifth day after the end of each quarter, or at times, on forms and in a manner we determine. You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve or disapprove in writing the materials you submit to us within thirty (30) days, if we do not respond within such period, all such materials will be deemed automatically disapproved. (Franchise Agreement, Section 9(D)).

### *Call Center*

~~You are required to use the call center operated by our affiliate, Tattle, and to pay Tattle its then-current monthly service fee for the call center, which may be a flat amount or based on the call volume Tattle hands for your Business (the “Call Center Fee”). Tattle’s call center will take inbound calls from prospective members, book them for initial sessions at your Business, and follow up with them. We expect your Call Center Fee to be higher during the presale period (the twelve weeks prior to your opening) due to the high level of prospective members you will have at that time, and we estimate that the monthly Call Center Fee will be \$900 per month during that time.~~

### *Digital Advertising*

You may, but are not required to, engage our affiliate, Tattle, for your digital advertising. If you engage Tattle, Tattle will manage your digital advertising and place digital ads for you. The Digital Advertising Fees are the management fees and do not include the actual advertising spend that you will pay to third-party platforms like Facebook, Instagram, etc. We estimate this optional Digital Advertising Fee to be between \$350 and \$600 per month.

### *Brand Development Fund (or “Fund”)*

We have recently established a brand development fund (the “Fund”) for the benefit of the System and, as of the Issuance Date, we expect and intend to require new System franchises to contribute to this Fund in an amount equal to two percent (2%) of the Gross Revenue generated by the Franchised Business at issue over the preceding calendar month. We have the right to require System franchisees to contribute to the Fund upon 30 days’ prior written notice via the Manuals or otherwise, in an amount equal to up to three percent (3%) of the Gross Revenue generated by the Franchised Business, so long as we provide you with at least 30 days’ prior written notice.

1. We will administer and use the Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System. We will designate all programs that the Fund finances, with sole control over

the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may also be used to cover the costs and fees associated with: preparing and producing video, audio, and written materials and electronic media; website maintenance and development, internet advertising, administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, website, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Fund may be used for advertising materials/campaigns in printed materials or on radio or television for local, regional or national circulation, internet regional or national advertising, as we deem appropriate in our discretion. We and/or a regional or national advertising agency may be used to produce all advertising and marketing.

2. We will account for the Fund contributions separately from our other funds and not use the Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Fund contributions. The Fund is not our asset or a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Fund or any other reason. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest, determined from time to time by Franchisor, which provides Franchisor with a return commensurate with the prevailing interest rate charged by persons in the business of lending money under similar circumstances) to cover deficits, or invest any surplus for future use. We will use interest earned on Fund contributions to pay costs before spending the Fund's other assets. We will not use Fund contributions for advertising that is principally a solicitation for the sale of franchises, except that we may use/display the phrase "Franchises Available" on any and all advertising/marketing that is covered by the Fund. We may incorporate the Fund or operate it through a separate entity if we deem appropriate. Any Facility owned by us and/or any Affiliate Center may, but is not obligated to, contribute to the Fund in the same manner that each franchised Center is required to contribute.

3. We are not required to spend any of your Fund Contributions in the Designated Territory you are granted under your Franchise Agreement, and we will provide you with an accounting of the Fund within 120 days after our fiscal year end (upon your written request). We are not required to have the Fund audited, but we may do so and use the Fund Contributions to pay for such an audit. If we do not spend all Fund Contributions in a given year, we may rollover any excess contributions into the Fund for use during the following year. We will have the right to modify or discontinue the Fund, as we deem appropriate in our discretion. (Franchise Agreement, 9(E)).

4. During the fiscal year ending December 31, ~~2023~~2024, we expended a total of \$170,636,265,000 from Fund Contributions ~~on marketing fees. We expended those contributions~~ as follows: ~~7.725%~~ 7.725% on media production ~~and, 7.5% on media~~ placement, ~~50.4935%~~ 50.4935% on payroll and administrative expenses, and ~~49.5150%~~ 49.5150% on other expenses.

*Advertising (or other Advisory) Council.* We have established a Franchisee Advisory Council (the "Council"). The Council serves in an advisory capacity to us with respect to certain advertising

expenditures, including providing advice/guidance on how to administer the Fund and System methods and compliance among franchisees. At our discretion, the Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve the Council at any time. (Franchise Agreement, Section 9(F)).

*Regional Advertising Cooperatives (“Cooperatives”).* We reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two or more Centers (whether a Franchised Business or Affiliate-owned) (each a “Cooperative”). If we assign your Franchised Business to a Cooperative we establish, you must work with the other Center owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Centers within the geographical boundaries of the Cooperative. If you are designated as a member of a Cooperative, you may be required to contribute to the Cooperative in an amount not to exceed the then-current Local Advertising Requirement. All amounts paid to a Cooperative will be credited toward your Local Advertising Requirement. We have not established any Cooperatives as of the Issuance Date of this Disclosure Document. We reserve the right to establish the governing rules, terms, and operating procedures of any Cooperative and make them available for Franchisee’s review. (Franchise Agreement, Section 9(H)).

*Online Directories.* As another means of advertising, you must ensure that the Franchised Business is listed in appropriate Internet-based telephone directories that we designate. You must ensure that your Franchised Business has a dedicated telephone line that is not used for any other purpose.

**G. Computer System: Hardware and Software Requirement and Related Disclosures**

We have the right to specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the Franchised Business, which currently includes:

Hardware
Outdoor Portable Wireless PA Loud Speaker
All-in-One Printer
Apple iPad (4 pieces)
Apple Macbook® Air
Apple iMac

We may also require you to use designated software in connection with the Computer System and Franchised Business (the “Required Software”). (Franchise Agreement, Sections 4(c) and 6(J)). We will require you to purchase and install an Inbody Scanner at your Franchised Business, which costs approximately \$5,500.

In addition to the Computer System above, we typically recommend that franchised Facility owners consider acquiring video camera(s) and other security system components. We reserve the right to approve all of the foregoing hardware before it is used in connection with your Franchised Business, and none of the foregoing hardware may be used for any other purpose other than operating your Franchised Business. You will also need to maintain Internet access via DSL or cable broadband connection.

The approximate pre-opening and initial setup costs of the hardware and software above, excluding the Inbody Scanner, ranges from \$15,000 to \$30,000, some of which must be acquired or licensed (as applicable) from one (1) or more of our Approved Supplier(s).

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. With that said, you must keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Required Software as we direct from time to time in writing. We estimate that you will spend approximately \$500 to \$1,500 annually on maintenance and support contracts for your Computer System, which includes any upgrades to the Computer System. The Computer System range does not include the investment associated with the security or sound system you must purchase and utilize in connection your Center operations. Franchisor and its Affiliates have no obligation to provide ongoing maintenance, repairs, upgrades, or updates to the Computer System.

You must have the components necessary to ensure that the entire Facility of the Franchised Business has access to the Internet via Wi-Fi connection. We may require that: (i) you comply with our standards and specifications for Internet access and speed; and (ii) the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System (or for any other purpose we deem necessary). The Computer System will store data including customer information and financial records for the Business. There are no contractual limitations on our right to access the information and data on any component of your Computer System. We may also require you to use a Computer System and/or related software that is administered through us and provides us with automatic access to all data and reports that might be created by such Computer System and/or software, including any security camera footage.

You are also required to participate in any System-wide area computer network, including any website that you are provided access to as our System franchisee, that we implement, and may be required to use such networks or website to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manuals; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete certain components of any ongoing training we designate. (Franchise Agreement, 5(D)).

You must license the music that will be played in the Business through BMI or another music licensing entity. We estimate this licensing cost to be approximately \$1,500 per year.

## **H. Website and Internet Use**

Unless we approve otherwise in writing, you may not establish a separate Website and will only have one web page, as we designate and approve, within our website. The term “Website” includes: Internet and World Wide Web home pages, as well as other electronic sites (such as social networking sites like Facebook, Twitter, LinkedIn, Pinterest, Yelp, blogs and other applications). You must comply with our requirements regarding selling, advertising, discussing or disseminating any information, or otherwise having a presence on a Website, regarding the

Business. If we approve another Website for you (currently franchisees are authorized to participate in Facebook and Instagram), we will provide you with guidelines for establishing and maintaining such other Websites and while participating on our approved Websites each of the following provisions will apply: (i) you may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, you must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work (except for social networking sites) must be performed by us, our affiliates or approved vendors (as described in Item 8); (iii) you must not use or modify a Website (except for social networking sites) without our prior written approval; (iv) you must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; (v) if we require, you must establish hyperlinks to our website and other Websites; (vi) you must not engage in any link building activities unless approved by us; and (vii) we may revoke our approval at any time by providing written or email notice to you of such revocation. (Franchise Agreement, Section 9(G)).

## **ITEM 12 TERRITORY**

### *Approved Premises and Relocation*

You will operate the Business at a specific location approved by us (referred to as your “Premises”). Once you have secured your Premises, we will provide you a Designated Territory within which you will have certain protected rights.

You will not be permitted to relocate your Facility without our prior written approval, which may be withheld in our discretion. You will be assessed a relocation fee of 20% of our then-current initial franchise fee at the time you submit the proposed location for your relocated Facility.

### *Designated Territory*

Once you have secured your Facility, we may award you a Designated Territory within which you will have certain territorial rights.

Your Designated Territory will typically be comprised of a geographic area of up to 50,000 people and will be comprised of the geographic area encompassed around your Facility location in a radius, polygon or other drawn area by us. If your Designated Territory is such a radius, then that radius may be anywhere from two (2) blocks to two (2) miles around your Facility location depending on (a) the population density and other demographics of the area, (b) any existing territorial rights granted in connection with existing Facilities, and (c) whether your location is considered part of a major metropolitan area, other downtown area or similar situated central business district that has a large “working population” during relevant operating hours for surrounding businesses (referred to as a “Central Business District”).

We will determine and designate your Designated Territory as we deem appropriate in our discretion and, regardless of how we demarcate your territory, we do not have a minimum Designated Territory that a new Franchised Business or other Facility must be awarded. The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks

(both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

The size of your Designated Territory will likely vary in size and shape from the Designated Territory awarded to other System franchisees or Facilities— due to various factors, including without limitation, the location and demographics (including market saturation thresholds and competition count) surrounding your Facility. The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map.

If you have been granted a Designated Territory, neither we nor our affiliates will open or operate, or authorize any third party the right to open or operate, another Facility utilizing the Proprietary Marks and System from a physical location within your Designated Territory.

Your Designated Territory will be exclusive in light of the above. Please note our reserved rights described later in this Item. The Designated Territory exclusivity does not depend on you achieving certain sales volumes, market penetration or other contingency.

Except as expressly provided in the Franchise Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise of present or future Facilities , using any of the other brands or Proprietary Marks that we now, or in the future, may offer, and we may operate or license Facilities or distribution channels of any type, licensed, franchised or company-owned, regardless of their location or proximity to the premises and whether or not they provide services similar to those that you offer. You do not have any rights with respect to other and/or related businesses, products and/or services, in which we may be involved, now or in the future.

#### *Solicitation and Related Rights Within and Outside a Facility's Designated Territory*

While you and other Facilities will be able to provide the Approved Services to any potential client that visits or otherwise reaches out to your Facility, you will not be permitted to actively solicit or recruit clients outside your Designated Territory, unless we provide our prior written consent. You will not be permitted to advertise and promote your Franchised Business via advertising that is directed at those outside your Designated Territory without our prior written consent, which we will not unreasonably withhold provided (a) the area you wish to advertise in is contiguous to your Designated Territory, and (b) that area has not been granted to any third party in connection with a Facility (or Development Agreement) of any kind.

#### *Development Agreement and Development Area*

If you are granted the right to develop multiple Franchised Businesses under our form of Development Agreement, then we will provide you with a Development Area upon execution of this agreement.

The size of your Development Area will substantially vary from other System developers based on the number of Franchised Businesses we grant you the right to open and operate, and the location and demographics of the general area where we mutually agree you will be opening these

locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet.

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated from a distinct site located within the Development Area and within its own Designated Territory that we will define once the site for that Franchised Business has been approved. We will approve sites for additional Franchised Businesses developed under your Development Agreement using our then-current site selection criteria.

We will not own or operate, or license a third party the right to own or operate, a Facility utilizing the Proprietary Marks and System from a physical location within the Development Area until the earlier of (a) the date we define the Designated Territory of the final Franchised Business you were granted the right to operate under the Development Agreement, or (b) the expiration or termination of the Development Agreement for any reason (whichever occurs earlier). Your Development Area will be exclusive during this time period.

Upon the occurrence of any one of the events described in the preceding paragraph, your territorial rights within the Development Area will be terminated, except that each Franchised Business that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Designated Territories that were granted under the franchise agreement(s) you entered into for those Franchised Business(es).

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your exclusive rights within the Development Area. If you do not comply with your Development Schedule, we may remove your exclusivity in the Development Area or terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

### *Reserved Rights*

We and our affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Development Agreement (as appropriate): (i) establish and operate, and license any third party the right to establish and operate, other Facilities and Franchised Businesses using the Proprietary Marks and System at any location outside of your Designated Territory(ies) and, if appropriate, Development Area; (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and Development Area; (iii) use the Proprietary Marks and System, other such marks we designate, to distribute our Approved Products and/or Approved Services in any alternative channel of distribution, within or outside the Designated Territory(ies) and Development Area (including, without limitation, the Internet and/or digital media featuring Approved Services instruction, mail order, catalog sales, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Services (but under different marks), within or outside your Designated Territory(ies) and, if appropriate, Development Area; and (v) use the Proprietary

Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if appropriate, your Development Agreement.

Neither the Franchise Agreement nor Development Agreement grants you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders (via alternate channels of distribution) within your Designated Territory.

#### *Other Relevant Disclosures*

Neither the Franchise Agreement nor the Development Agreement provides you with any right or option to open and operate additional Franchised Businesses (other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights). Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. Neither we nor our Affiliate have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products and Services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

You will not be given any option or right of first refusal to acquire any additional Franchised Businesses.

### **ITEM 13 TRADEMARKS**

Under the Franchise Agreement, we grant you the nonexclusive right to use the Proprietary Marks in connection with the operation of your Franchise. The Proprietary Marks in the table below are owned by us. We have the right to use and to license others to use the Proprietary Marks and under any other trade name, trademarks, taglines, service marks and logos currently used or that may hereafter be used in the operation of the Facility. You must use the Proprietary Marks only for the operation of your Franchise and in the manner authorized by us.

The following trademarks are registered on the Principal Register of the United States Patent and Trademark Office:

*[Trademarks on the following page; remainder of page intentionally left blank]*

Proprietary Mark	Registration/Serial No.	Registration/Application Date
	Reg: 5669906	Reg: February 5, 2019
ISI	Reg: 5669904	Reg: February 5, 2019
	Serial: 98083917 Reg: 7447789	AppReg: July 13, 2023 16, 2024
	Serial: 98221485	App: October 12, 2023
	Serial: 98083933 Reg: 7447790	AppReg: July 13, 2023 16, 2024

We expect and intend to prepare and file all affidavits and other documents with the USPTO to maintain the federal registrations above, as and when such filings become due. Such filings have not yet been required as of the Issuance Date.

We also claim common law rights in our trademarks based on our prior use. If our right to use any of our Proprietary Marks is successfully challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or material litigation involving the Proprietary Marks. We do intend to renew all of our trademark registrations. However, since no federal registrations are at least five years old, no Section 8 or 15 affidavits have been filed and the trademarks above are not incontestable. There are no effective agreements that limit our right to sublicense you the trademarks. We are not aware of any prior rights or infringing uses that could materially affect your use of the Proprietary Marks.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Proprietary Marks or claim by any person of any rights in any Proprietary Mark or any similar trade name, trademark or service mark of which you become aware. We have the sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding or other administrative proceeding.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Proprietary Marks or participate in your defense, protect you against claims of infringement or unfair competition with respect to them. The Franchise Agreement does not require that we participate in your defense or indemnify you for expenses or damages if you are a party to a judicial

or administrative proceeding involving one of the Proprietary Marks or if the proceeding gets resolved unfavorably to you. Although we are not contractually obligated to protect the Proprietary Marks or your right to use them, as a matter of corporate policy, we intend to defend any authorized use of our then-current Proprietary Marks vigorously.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Proprietary Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions with respect to such modification, substitution, or discontinuation within a reasonable time after notice by us. You, in connection with the use of a new or modified Proprietary Mark, may be required, at your own expense, to remove existing signs from your Facility, and to purchase and install new signs. We have no liability to you for such modification or discontinuance.

#### **ITEM 14**

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

We do not own any registered patents or copyrights or have any pending patent applications which are material to the Franchise; however, we claim copyright and common law trade secret protection for several aspects of our System, methods, techniques and operational procedures; our membership packages, fitness programs, workouts and challenges; equipment and product specifications, systems, design, décor, signage, photographs, video presentations, website, our proprietary educational platform, proprietary software, our privately labeled mobile app platform, Operations Manual and all related workbooks and materials including advertisement, marketing and promotional materials although such materials may not have been registered with the United States Copyright Office. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We also reserve the right to renew any and all such copyright registrations at our discretion.

There currently are no effective determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. There are no effective agreements that limit our right to sublicense you the copyrights and trade secrets.

There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend any patent, trade secret, copyright or to participate in your defense.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials or trade secrets, or claim by any person of any rights in any copyright or trade secret which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding. We may require you to discontinue use or modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions with respect to such modification,

substitution, or discontinuation within a reasonable time after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We possess certain confidential information that includes our: strategies for site acquisition, build-out and design specifications with unique décor, color scheme and signage; proprietary membership packages, fitness programs, workouts (including travel workout programs) and challenges; specific methods, processes and techniques when executing our fitness programs, workouts and challenges; relationships with vendors and suppliers, purchasing strategies, inventory management systems, specifications for all equipment, products and supplies used; cost and pricing strategies, merchandising, safety and operational procedures to manage high volume; guidelines for hiring, training and retaining employees, proprietary employee retention programs and educational platform that houses our video vault and proprietary training modules and courses (which includes curriculum, lesson plans and workshops) to complement your ongoing training efforts; Operations Manual, workbooks and materials, photographs, video presentations, our proprietary community give-back and Member recognition programs, social media and promotional strategies; website, intranet system, mobile app platform, proprietary software, third-party software, forms, contracts, record keeping and reporting procedures; proprietary Member acquisition, onboarding processes and sales presentations; systems and knowledge of, and experience in, the operation and franchising of a System Facility (the “Confidential Information”). We will disclose Confidential Information to you during our initial franchise training program, seminars, workshops, continuing education sessions and conventions sponsored by us in Operations Manual and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents or independent contractors develop any new piece of equipment, service, product, program, video presentation, photograph, concept, technique, formula, recipe, process or improvement in the operation or promotion of your Business, you are required to promptly notify us with all necessary related information, without compensation. You and if you are an Entity, then one of your Owners acknowledge that any such equipment, service, product, program, video presentation, photograph, concept, technique, formula, recipe, process, technique or improvement will become our property and we may use or disclose such information to other franchisees as we deem appropriate.

## **ITEM 15**

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

While we recommend that you personally participate and manage the day-to-day operations of your Franchised Business, you may hire a Designated Manager to manage daily operations with our approval. Both you and your Designated Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities).

We will not unreasonably withhold our approval of any Designated Manager you propose, provided the Designated Manager has completed the appropriate Module(s) of our Initial Training Program. If the franchisee is a business entity, we do not require the Designated Manager to own an interest in the entity, but the Designated Manager must sign our prescribed form of Confidentiality and Non-Competition Agreement.

Your Franchised Business must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our Initial Training Program. In the event that you operate more than one Franchised Business, you must have a properly trained Designated Manager at each Facility you own and operate. You must keep us informed at all times of the identity of any personnel acting as Designated Manager, and obtain our approval before substituting a new Designated Manager at any of your locations. Any new Designated Manager must complete our Initial Training Program within 60 days (but must be trained by a person who has completed our Initial Training Program before he/she takes over any management responsibility with respect to the Franchised Business).

If you are an individual, then your spouse will also be required to sign the Franchise Agreement or, in the alternative, form of Personal Guaranty attached to the Franchise Agreement as an Exhibit (the "Guaranty"). If you are a business entity (limited liability company, corporation, partnership, etc.), then (a) each of your shareholders/members/partners (the "Owners"), as applicable, must sign the Guaranty, and (b) at our option, the spouses of each such Owner must sign the Guaranty.

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

You must offer the Approved Services and Approved Products that we expressly authorize through your Franchised Business, and may only offer these products and services at the Premises and in the manner prescribed in your Franchise Agreement and our Manuals. You are prohibited from offering any other products or services. We may supplement, revise and/or modify our Approved Products and Services as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

If we discontinue any Approved Service or Approved Product offered by the Franchised Business, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us). You may not use the Premises of your Franchised Business for any other business purpose other than the operation of your Franchised Business. If you offer and/or sell any product at or from the Franchised Business that you have obtained from a supplier other than the Approved Suppliers, you will be charged a fee of Fifty Dollars (\$50) per day until you cease to offer and/or to sell such product.

*[Remainder of page intentionally left blank]*

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

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document. “FA” refers to the Franchise Agreement.**

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Length of the Franchise Term.	Section 3	The Initial Term of the Franchise Agreement begins on the Effective Date and continues until the later of (a) ten (10) years from the Effective Date or (b) the end of the term of your Lease for the Premises.
b. Renewal or extension of the term.	Section 3	You have the right to be considered for two (2) additional, consecutive, terms of 5 years each.
c. Requirements for you to renew or extend	Section 3	In order to renew (which means renewing your franchise relationship with us), you must: not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us or the landlord of the Premises; not have received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date; complete required renovation and modernization of your Franchised Business; pay us the renewal fee; execute our then-current form of franchise agreement (which may contain materially different terms and conditions than your original franchise agreement); complete our then-current refresher training course; and execute a general release in our favor (as well as related parties).
d. Termination by you.	Not Applicable	May terminate the franchise agreement under any grounds permitted by state law.
e. Termination by us without cause.	Not Applicable	Not Applicable

f. Termination by us with cause.	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g. "Cause" defined – curable defaults.	Section 15(B)(10)  Section 15(C)	<p>You must cure all monetary defaults under your Franchise Agreement within 10 days of being provided with notice by us, as well as the following defaults: failure to purchase any Required Item; failure to purchase from our Approved Suppliers; any purchase of a non-approved item or offering of a product/service at the Franchised Business that we have not authorized.</p> <p>Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s).</p>
h. "Cause" defined – non-curable defaults.	Section 15(A)  Section 15(B)	<p>Your Franchise Agreement may be terminated automatically and without notice from us if: you become insolvent or make a general assignment for the benefit of creditors; a bankruptcy petition is filed by or against you and not dismissed within 30 days; a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business; a receiver or custodian of your assets of property is appointed; a final judgment in the amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent); you attempt to make an invalid transfer in violation of Section 13 of your Franchise Agreement.</p> <p>Your Franchise Agreement may be terminated by us upon written notice and no opportunity to cure if: you commit and fraud or misrepresentation in connection with your Franchised Business; you or other required attendees fail to timely complete our Initial Training Program; you receive three (3) or more notices to cure the same or similar defaults under Section 15(C) of your Franchise Agreement in any 12-month period (whether or not subsequently cured); you violate any in-term restrictive covenants; you misuse the Proprietary Marks, Confidential Information or other confidential information provided to you; misuse an proprietary software that might be developed; you fail to cure any default under any other agreement you have with our</p>

		affiliates or any Approved Supplier within the appropriate cure period; you default under your lease for the Premises and fail to timely cure; you fail to open and commence operations within the required time period; you abandon your Franchised Business; you block access to the POS system; you are convicted of a felony or any other crime of moral turpitude or offense that will adversely affect the System; you take any property of the Franchised Business for personal use; there are insufficient funds in your EFT Account on three or more occasions in any 12-month period; or if you commit repeated violations of any applicable law.
i. Your obligations on termination / non-renewal	Section 16	Upon termination or early expiration of the Franchise Agreement, your obligations include: immediately discontinuing the use of the Proprietary Marks and trade dress; cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; de-brand within 14 days of termination, closure, relocation; submit photo/video evidence that we request; return of the Manuals of any other Confidential Information to us; provide us with all customer information, lists and membership agreements; cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee; comply with all post-term restrictive covenants; at our written option, assign the lease for the Premises to us; provide us with written confirmation of compliance with these obligations within 30 days.
j. Assignment of contract by us.	Section 13(G)	No restrictions on our right to assign.
k. "Transfer" by you – defined	Sections 13(A) and 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you (as the Franchisee).
l. Our approval of transfer by you.	Section 13(A)	We must approve all transfers, but we will not unreasonable withhold our approval if you meet our conditions.





		During this two (2) year period, these parties are also prohibited from: (i) soliciting business from customers of your former Franchised Business; (ii) contacting any of our suppliers/vendors for a competitive business purpose; or (iii) soliciting any employees of us, our affiliates or any other System franchisee to discontinue their employment. (subject to state law)
s. Modification of the Agreement.	Section 18(D)	Your Franchise Agreement may not be modified, except by a writing signed by both parties. With that said, we may modify the System and Manuals as we deem appropriate in our discretion from time to time.
t. Integration / merger clause.	Sections 18 and 23	Only the terms of the Franchise Agreement and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation.	Section 21(B)  Section 21(C)	<p>You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. (subject to state law)</p> <p>At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation. (Subject to state law)</p>
v. Choice of forum.	Section 21(D) and 21(E)	Subject to Sections 21(C) and 21(D) in the Franchise Agreement, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to our then-current headquarters or, if appropriate, the United States District Court that encompasses our headquarters (currently, Western District of NC) (subject to state law).

w. Choice of law.	Section 21(A)	The Franchise Agreement is governed by the laws of the state of North Carolina, without reference to this state's conflict of laws principles. (subject to state law).
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## B. Development Agreement

<u>Provision</u>	<u>Section in Development Agreement</u>	<u>Summary</u>
a. Length of franchise term	Section 1(B), Exhibit B	The Development Schedule will dictate the amount of time you have to open a specific number of System franchises, which will differ for each Developer and will be specified in Exhibit B of the Development Agreement.
b. Renewal or extension of terms	Not Applicable	Not Applicable
c. Requirements for Franchise to Renew or extend	Not Applicable	Not Applicable
d. Termination by Franchisee	Not Applicable	You may terminate the development agreement under any grounds permitted by state law.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Section 14	We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g. Cause defined – Curable defaults	Section 14(B)	We may terminate your Development Agreement after providing notice and a 30-day cure period (unless a different cure period is specified below) if: you fail to meet the Development Schedule; you fail to develop, open, and operate each Facility and execute each Franchise Agreement in compliance with the Development Agreement; you fail to designate a qualified replacement Representative; you misappropriate or misuse the Proprietary Marks or impair the goodwill of the Proprietary Marks or System; fail to make monetary payment under the Development Agreement or any Franchise Agreement to us or our affiliate, and fail to cure within 14 days of receiving written notice from us; fail to correct a deficiency of a health, sanitation, or safety issue identified by a local, state or federal agency or regulatory authority; or you fail to comply with any other material term or material condition of the Development Agreement or any Franchise Agreement.
h. Cause defined – Non-curable defaults	Section 14(A)	We may terminate your Development Agreement automatically upon written notice if: you become insolvent or make a

		<p>general assignment for the benefit of creditors; file a bankruptcy petition or are adjudicated bankrupt; a bill in equity or appointment of receivership is filed in connection with you; a receiver or custodian of your assets of property is appointed; a proceeding for a composition of creditors is initiated against you; a final judgment is entered against you and not satisfied within 30 days; if you are dissolved, execution is levied against you; a suit to foreclose any lien or mortgage against any of your Facilities is levied; the real or personal property of a Facility is sold after being levied upon; you fail to comply with the non-competition covenants of the Development Agreement; you or your principal discloses the contents of the Manuals or other confidential information; an immediate threat or danger to public health or safety results from the operation of a Facility operated by you; you or your Principal has made a material misrepresentation in the franchise application; you fail on 3 or more occasions within a one (1) year period to comply with a provision of the Development Agreement; or you fail to comply with the transfer conditions of the Development Agreement.</p>
i. Franchisee’s obligations upon termination/nonrenewal	Section 14(D), Section 15	<p>Upon termination, you have no right to establish or operate any Facility for which an individual Franchise Agreement has not been executed by us and delivered to you at the time of termination. All of your obligations under the Development Agreement which expressly or by their nature survive the expiration or termination of the Agreement (including the non-competition covenants of Section 11), continue in full force and effect until they are satisfied or by their nature expire.</p>
j. Assignment of contract by franchisor	Section 16(A)	<p>We have the absolute right to transfer or assign the Development Agreement and all or any part of its rights, duties or obligations to any person or legal entity without your consent.</p>
k. “Transfer” by Franchisee – Definition	Section 16(B)	<p>A transfer includes voluntarily, involuntarily, directly or indirectly, assigning, selling, conveying, pledging, sub-franchising or otherwise transferring any of the rights created by the Development Agreement or any ownership interest in you.</p>

l. Franchisor approval of transfer	Section 16(C)	We must approve all transfers, but we will not unreasonable withhold our approval if you meet our conditions.
m. Conditions for Franchisor approval of transfer	Section 16(C)	Our conditions for approving a transfer include: all of you and your affiliates' money obligations must be satisfied; you and your affiliates must not be in material default of the Development Agreement or any Franchise Agreement; you must execute a general release in our favor; the transferee must meet our then-current criteria for Developers; the transferee must sign a written assumption agreement assuming your liabilities under the Development Agreement; you must our then-current Transfer Fee; and you must pay any referral fees or commissions that may be due to any franchise broker, sales agent, or any other third party.
n. Franchisor's Right of First Refusal to acquire Franchisee's business	Section 16(E)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party offer to purchase any ownership interest in the Development Agreement. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.
o. Franchisor's option to purchase Franchisee's business	Not Applicable	Not Applicable
p. Death or disability of Franchisee	Section 16(F)	<p>You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our training program and executes either a personal guaranty or a new Development Agreement.</p> <p>During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.</p>
q. Non-competition Covenants during the term of the Franchise	Section 11(B)(1)	Neither you, your principals, guarantors, owners or key employees, nor any immediate family member of you, your principals, guarantors, owners or key employees, may: (i) own, operate, or otherwise be involved with, Competing

		Business (as defined in the Development Agreement); (ii) employ or seek to employ any employees of us, our affiliates or any other System franchisee/developer or induce such persons to leave their employment; or (iii) divert, or attempt to divert, any prospective customer to a Competing Business.
r. Non-competition covenants after the Franchisee is terminated or agreement expires	Section 11(B)(2)  Section 11(B)(3)	<p>For a period of two (2) years after the termination/ expiration/ transfer of your Development Agreement, neither you, your principals, guarantors, owners, nor any immediate family member of you, your principals, guarantors, owners, may own, operate or otherwise be involved with any business that competes with us and is involved in the licensing or franchising, or establishing of joint ventures for the operation, of Competing Businesses. (Subject to state law)</p> <p>For a period of two (2) years after the termination or expiration of your Franchise Agreement, neither you, your principals, guarantors, owners, nor any immediate family member of you, your principals, guarantors, owners, may own, operate or otherwise be involved with and Competing Business: (i) within the Development Area; (ii) within a 25-mile radius of your Development Area or any other Facility that is open or under development as of the date the Franchise Agreement expires or is terminated.</p> <p>During this two-year period, these parties are also prohibited from: (i) soliciting business from customers of your former Facilities; (ii) contacting any of our suppliers/vendors for a competitive business purpose; or (iii) soliciting any employees of us, our affiliates or any other System franchisee or developer to discontinue their employment. (Subject to state law)</p>
s. Modification to agreement	Section 23(F)	Your Development Agreement may not be modified, except by a writing signed by both parties.
t. Integration merger clause	Section 23(G)	Only the terms of the Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and this Agreement may not be enforceable. Nothing in this Agreement or any related agreement is intended to

		disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 21(B)  Section 21(C)	You must first submit all dispute and controversies arising under the Development Agreement to our management and make every effort to resolve the dispute internally.  At our option, all claims or disputes arising out of the Development Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation. (Subject to state law)
v. Choice of forum	Section 21(A)	Subject to Sections 21(B) and 21(C) in the Development Agreement, all claims and causes of action arising out of the Development Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to our then-current headquarters or, if appropriate, the USDC for the Western District of NC (or our then-current headquarters, if different) (subject to state law).
w. Choice of law	Section 21(A)	The Development Agreement is governed by the laws of the state of North Carolina without reference to this state's conflict of laws principles. (subject to state law).

**ITEM 18  
PUBLIC FIGURES**

We currently do not use any public figure to promote our Franchise.

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

## BACKGROUND

~~There were twenty-seven (27) forty (40) ISI® Elite Training outlets open as of December 31, 2022 that operated for the entire 2023 Calendar Year (January 1, 2023, consisting 2023 to December 31, 2023) (the “2023 Outlets”). The 2023 Outlets consisted of five (5) thirty-eight (38) outlets operated by franchisees (“Franchised Outlets”) and two (2) outlets operated by our affiliates (the “Affiliate Outlets”) and twenty-two (22) outlets operated by ISI® Elite Training franchisees (the “Franchised Outlets”). There were forty-two (42) ISI® Elite Training outlets open as of December 31, 2023, and”). We have excluded the remaining outlets two (2) of the Franchised Outlets from this Item 19 because they closed during the 2024 Calendar Year (January 1, 2024 to December 31, 2024) and did not operate for the entire 2024 Calendar Year. We have also excluded eight (8) other franchised outlets that opened during the 2024 Calendar Year because they had not operated for the entire year as of December 31, 2024 Calendar Year. In this Item 19, we have disclosed certain historical financial performance representations from the remaining thirty-eight (38) outlets that were open as of December 31, 2023 and operated for the entire 2024 Calendar Year (the “2024 Outlets”). 2023.~~

~~Three (3) of the The 2024 Outlets include eight (8) Franchised Outlets and one (1) Affiliate Outlet that underwent transfers of ownership to a franchisee franchisees during the 2024 2023 Calendar Year, but there was no material change in the operation of these outlets during that transition their transitions of ownership, so they have been included in this Item 19. The Affiliate Outlets do not pay us initial franchise fees, royalty fees, or any other fees under Item 6 of this Disclosure Document, and they do not operate within a limited territory as our franchisees do. Other than these factors and the length of time the Affiliate Outlets have been open, there are no material financial or operational differences between the Affiliate Outlets and the Franchised Outlets or the franchise offered under this Disclosure Document.~~

**Part I** of this Item 19 is a historical financial performance representation and discloses the Gross Revenue or “Average Unit Volume” from the ~~2024 2023~~ Outlets over the ~~2024 2023~~ Calendar Year. “Gross Revenue” has the same meaning as defined in Item 6 of this Disclosure Document and in the Franchise Agreement attached hereto as Exhibit A. These figures were reported to us by our affiliates and our franchisees and have not been independently audited.

**Part II** of this Item 19 is a historical financial performance representation and discloses ~~the average number of (1) certain details regarding~~ memberships from the ~~2024 2023~~ Outlets as of December 31, ~~2024 2023~~ (“Memberships”). ~~The Memberships include client memberships”) and (2) certain Sales Funnel Data from all ISI® Elite Training outlets that were frozen as well as active declines. Active declines are active memberships that have failed payments through auto pay. Typically, our Affiliate Outlets and Franchised Outlets will allow memberships to be operated during any amount of time in active decline for sixty (60) days before terminating these memberships the 2024 Calendar Year. The charts and the notes in Part II identify which group of outlets the applicable data is from.~~ These figures were reported to us by our affiliates and our franchisees through the MindBody software and have not been independently audited.

**Part III** of this Item 19 is a historical financial performance representation and discloses the ~~average attrition rate and lead to membership conversion rate for the entire ISI® Elite Training System over the adjusted profit and loss statement for our Affiliate Location in Fort Mill, South~~

~~Carolina, 2023 Calendar Year and includes data from all forty two (42) ISI® Elite Training outlets that were open for any period of time during the 2023 Calendar Year and not just the 2023 Outlets.~~  
These figures have not been independently audited.

*[Remainder of page intentionally left blank]*

**Part I**  
**Average Gross Revenue (Average Unit Volume)**  
**From the ~~2024~~2023 Outlets over the ~~2024~~2023 Calendar Year**

<b><u>Annual Gross Revenue by Subset</u></b>			
Group	Top <u>3325%</u>	Middle <u>3350%</u>	Bottom <u>3325%</u>
Outlets	<u>910</u>	<u>918</u>	<u>910</u>
Average Gross Revenue	<u>\$604,813611,653</u>	<u>\$428,565427,737</u>	<u>\$298,118245,291</u>
Median Gross Revenue	<u>\$563,639577,971</u>	<u>\$411,291432,989</u>	<u>\$321,146249,101</u>
Highest Gross Revenue	<u>\$823,968829,305</u>	<u>\$538,532521,724</u>	<u>\$341,690324,835</u>
Lowest Gross Revenue	<u>\$541,346527,237</u>	<u>\$342,125324,949</u>	<u>\$190,858122,773</u>
Number of Outlets that Met or Exceeded the Average Gross Revenue	<u>24</u>	<u>49</u>	<u>65</u>
Percentage of Outlets that Met or Exceeded the Average Gross Revenue	<u>2240%</u>	<u>4450%</u>	<u>6750%</u>

**Part II**  
**Average Number of Memberships**  
**From the 2023 Outlets as of December 31, 2023**

<b><u>Memberships System-wide Annual and Monthly Gross Revenue</u></b>			
Group	Top <u>33%</u> <u>Annual Gross Revenue</u>	Middle <u>33%</u> <u>Average Monthly Gross Revenue</u>	Bottom <u>33%</u>
Outlets	<u>938</u>	<u>938</u>	<u>9</u>
Average <u>Number of Memberships</u> <u>Gross Revenue</u>	<u>363</u> <u>\$428,289</u>	<u>258</u> <u>\$35,691</u>	<u>192</u>
Median <u>Number of Memberships</u> <u>Gross Revenue</u>	<u>358</u> <u>\$432,989</u>	<u>247</u> <u>\$36,082</u>	<u>196</u>
Highest <u>Number of Memberships</u> <u>Gross Revenue</u>	<u>421</u> <u>\$829,305</u>	<u>306</u> <u>\$69,109</u>	<u>226</u>
Lowest <u>Number of Memberships</u> <u>Gross Revenue</u>	<u>317</u> <u>\$122,773</u>	<u>\$10,231</u>	<u>153</u>
Number of Outlets that Met or Exceeded the Average <u>Number of Memberships</u> <u>Gross Revenue</u>	<u>419</u>	<u>419</u>	<u>5</u>

Percentage of Outlets that Met or Exceeded the Average <del>Number of Memberships</del> <u>Gross Revenue</u>	44 <u>50</u> %	44 <u>50</u> %	<del>56%</del>
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**Part III**

**~~Systemwide Attrition Rate and Lead-to-Member Conversion Rate~~**

The “Average Monthly Gross Revenue” disclosed in the chart above was calculated by dividing each of the 2024 Outlets’ annual Gross Revenue by twelve (12).

**Part II**  
**Membership Data**

**From ~~All ISI® Elite Training Businesses over the the 2024~~2023 Calendar Year**

<b><u>Average Active Members and Monthly Revenue per Active Member</u></b>		
<b><u>From the 2024 Outlets</u></b>		
<u>Subset of 2024 Outlets</u>	<u>Average Active Members</u>	<u>Average Monthly Revenue per Active Member</u>
<u>All 38 2024 Outlets</u>	<u>229</u>	<u>\$158</u>
<u>Top 25% (10)</u>	<u>320</u>	<u>\$160</u>
<u>Middle 50% (18)</u>	<u>230</u>	<u>\$160</u>
<u>Bottom 25% (10)</u>	<u>137</u>	<u>\$154</u>

“Active Members” are memberships that are not declined or suspended.

The “Average Monthly Revenue per Active Member” disclosed in the chart above was calculated by dividing each of the 2024 Outlets’ Average Monthly Gross Revenue by its number of Active Members as of December 31, 2024.

<b><u>System-wide Sales Funnel Data</u></b>			
<b><u>From all ISI® Elite Training Businesses that operated</u></b>			
<b><u>during any time in the 2024 Calendar Year</u></b>			
	<u>2024 Calendar Year</u>	<u>Average per Month</u>	<u>Average per Month per 2024 Outlet</u>
<u>Leads</u>	<u>46,588</u>	<u>3,882</u>	<u>102</u>
<u>1<sup>st</sup> Time Visits</u>	<u>24,591</u>	<u>2,049</u>	<u>54</u>
<u>New Members</u>	<u>7,828</u>	<u>652</u>	<u>17</u>

“Leads,” in the chart above, are prospective new Members that contacted an ISI® Elite Training Business during the 2024 Calendar Year. The Leads figures in this table are from all ISI® Elite Training Businesses that were open for any amount of time during the 2024 Calendar Year, and not just the 2024 Outlets.

“1<sup>st</sup> Time Visits,” in the chart above, are prospective new Members that signed up for and attended an initial session at an ISI® Elite Training Business during the 2024 Calendar Year. The 1<sup>st</sup> Time Visits figures in this table are from all ISI® Elite Training Businesses that were open for any amount of time during the 2024 Calendar Year, and not just the 2024 Outlets.

“New Members,” in the chart above, are new Members that signed up for and purchased a membership at an ISI® Elite Training Business during the 2024 Calendar Year. The New Members figures in this table are from all ISI® Elite Training Businesses that were open for any amount of time during the 2024 Calendar Year, and not just the 2024 Outlets.

The “Average per Month” column reflects the corresponding figures in the “2024 Calendar Year” column divided by twelve (12).

The “Average per Month per 2024 Outlet” column reflects the corresponding figures in the “Average per Month” column divided by thirty-eight (38), which represents the 2024 Outlets.

<u>New Member Data From the 2024 Outlets</u>		
<u>Subset of 2024 Outlets</u>	<u>2024 Calendar Year</u>	<u>Average New Members per Month</u>
<u>Top 25% (10)</u>	<u>290</u>	<u>24</u>
<u>Middle 50% (18)</u>	<u>202</u>	<u>17</u>
<u>Bottom 25% (10)</u>	<u>130</u>	<u>11</u>

### Membership Attrition and Retention Data

Attrition Rate: The “Attrition Rate” is the rate at which Members of an ISI® Elite Training Business cancel their memberships. During the ~~2024~~2023 Calendar Year, the ~~monthly Attrition Rate across the entire ISI® Elite Training system ranged from 0.63% to 6.1% with an average monthly Attrition Rate for the entire across the 2024 Outlets was 5.75~~2023 Calendar Year of 4.29%.

Retention Rate: The “Retention Rate” is the rate at which Members of an ISI® Elite Training Business extend or renew their memberships. During the 2024 Calendar Year, the average monthly Retention Rate across the 2024 Outlets was 94.25%.

<u>System-wide Types of Membership During the 2024 Calendar Year From all ISI® Elite Training Businesses that operated during any time in the 2024 Calendar Year</u>	
<u>Type of Membership</u>	<u>Percentage of Active Member Memberships</u>
<u>Elite Unlimited Membership</u>	<u>86%</u>
<u>VIP Membership</u>	<u>10%</u>
<u>4 Play Membership</u>	<u>4%</u>

The “Elite Unlimited Membership” is an ongoing membership that grants the Member unlimited sessions per month.

The “VIP Membership” is an ongoing membership that grants the Member eight (8) sessions per month.

The “4 Play Membership” is an ongoing membership that grants the Member four (4) sessions per month.

### Part III

~~Lead to Member Conversion Rate: “Prospective Members” are individuals who sign up to participate in a free session at an ISI® Elite Training Business, and they are considered “Prospective Members” when their information is entered into the MindBody system that all ISI® Elite Training Businesses utilize. The “Lead to Member Conversion Rate” measures the rate at which Prospective Members sign an agreement with an ISI® Elite Training Business and become paying Members of that Business. During the 2023 Calendar Year, the Lead to Member Conversion Rate across the entire ISI® Elite Training system was eighteen percent (18%), which is the percentage of all Prospective Members across all ISI® Elite Training Business that operated during any time in the 2023 Calendar Year who signed an agreement with an ISI® Elite Training Business and became paying Members of that Business.~~

### Affiliate Outlet Detailed Performance From the 2024 Calendar Year

The table below discloses an adjusted profit and loss statement from our Affiliate Outlet located in Fort Mill, South Carolina, which has been operating since 2019 in a location with approximately 3,000 square feet. This Affiliate Outlet does not pay us Royalty Fees, which have been estimated at the bottom of the table. This Affiliate Outlet does contribute 2% of its Total Income to the Brand Fund. “Total Income” in the table below has the same meaning as “Gross Revenue” as used in this Item 19, the Franchise Agreement, and elsewhere in this Disclosure Document. The profit and loss statement has been adjusted to remove expenses that the Affiliate Outlet incurred related to meals and entertainment, personal vehicle expenses, and certain owner expenses that were categorized as facility expenses, as we do not expect our franchisees to incur such expenses. Otherwise, the adjusted profit and loss statement reflects the actual historical income and expenses that the Affiliate Outlet experienced during the 2024 Calendar Year. Since the Affiliate Outlet has been in operation since 2019, this table does not include any expenses related to the initial development of the Affiliate Outlet.

<u>ISI® Elite Training Fort Mill</u>		
<u>January 1, 2024 to December 31, 2024</u>		
-	-	<b>Total</b>
<u>Income</u>	-	
<u>Membership Revenue</u>		<u>543,049.74</u>
<u>Discounts, Refunds, and Returns</u>		<u>599.91</u>
<b>Total Income</b>		<b><u>\$543,649.65</u></b>
<u>Cost of Goods Sold</u>	-	
<u>Cost of Goods Sold</u>		<u>0</u>
<u>Apparel</u>		<u>20,064.22</u>
<u>Supplements</u>		<u>10,596.59</u>
<b>Total Cost of Goods Sold</b>		<b><u>\$30,660.81</u></b>
<b>Gross Profit</b>		<b><u>\$512,988.84</u></b>
<u>Expenses</u>	-	
<u>Payroll Expenses</u>		<u>428</u>

<u>Payroll Coaches</u>	<u>55,434.36</u>
<u>Front Staff Payroll</u>	<u>84,878.87</u>
<u>Payroll Taxes</u>	<u>35,909.03</u>
<u>Payroll Processing Fees</u>	<u>9,281.08</u>
<b><u>Total Payroll Expenses</u></b>	<b><u>\$185,931.34</u></b>
<u>Advertising &amp; Marketing</u>	<u>10,340.10</u>
<u>Digital Advertising</u>	<u>16,343.90</u>
<b><u>Total Advertising &amp; Marketing</u></b>	<b><u>\$26,684.00</u></b>
<u>Insurance</u>	<u>8,515.89</u>
<u>Workers Compensation</u>	<u>1,081.27</u>
<b><u>Total Insurance</u></b>	<b><u>\$9,597.16</u></b>
<u>Facility Expense</u>	<u>6,339.39</u>
<u>Facility Supplies &amp; Expenses</u>	<u>2,533.49</u>
<b><u>Total Facility Expense</u></b>	<b><u>\$8,872.88</u></b>
<u>Rent &amp; Lease</u>	<u>51,924.57</u>
<u>Utilities - Water &amp; Sewer</u>	<u>291</u>
<u>Utilities - Electricity</u>	<u>6,120.30</u>
<u>Telephone Expense</u>	<u>3,319.62</u>
<u>Utilities - Gas</u>	<u>185.26</u>
<b><u>Total Rent &amp; Lease</u></b>	<b><u>\$61,840.75</u></b>
<u>Royalties</u>	<u>\$0.00</u>
<u>Brand Fund Contributions (2% of Total Income)</u>	<u>11,076.58</u>
<b><u>Total Royalties and Brand Fund Contributions</u></b>	<b><u>\$11,076.58</u></b>
<u>Technology Expense</u>	<u>11,755.06</u>
<u>Bank Charges &amp; Fees</u>	<u>36</u>
<u>Office Expense</u>	<u>13,866.61</u>
<u>Taxes &amp; Licenses</u>	<u>1,066.00</u>
<u>Dues &amp; Subscriptions</u>	<u>669.89</u>
<u>Janitorial Expense</u>	<u>6,770.03</u>
<u>Licenses &amp; Permits</u>	<u>1,400.70</u>
<b><u>Total Expenses</u></b>	<b><u>\$339,567.00</u></b>
<b><u>Net Income</u></b>	<b><u>\$173,421.84</u></b>
<b><u>Profit Margin (Net Income as % of Total Income)</u></b>	<b><u>31.90%</u></b>
<u>Estimated Royalties (7% of Income)</u>	<u>\$38,055.48</u>
<b><u>Adjusted Net Income (After Estimated Royalties)</u></b>	<b><u>\$135,366.36</u></b>
<b><u>Adjusted Profit Margin (Adjusted Net Income as % of Total Income)</u></b>	<b><u>24.90%</u></b>

**Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.**

Written substantiation for the preceding financial performance representation will be made available to the prospective franchisee 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 your future income, you should report it to the franchisor's management by contacting Adam Rice, Chief Executive Officer, ISI® Franchise International, Inc., 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217, or at (704) 910-1017, the Federal Trade Commission, and the appropriate state regulatory agencies.

*[Remainder of page intentionally left blank]*

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table 1  
System wide Outlet Summary  
For Fiscal Years ~~2021~~2022 to ~~2023~~2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2021</del> 2022	<u>512</u>	<u>1222</u>	+ <u>710</u>
	<del>2023</del> 2022	<u>1222</u>	<u>2238</u>	+ <u>1016</u>
	<del>2023</del> 2024	<u>2238</u>	<u>4044</u>	+ <u>186</u>
Company-Owned	<del>2021</del> 2022	4	<u>45</u>	<del>0</del> + <u>1</u>
	<del>2022</del> 2023	<u>45</u>	<u>52</u>	+ <u>1-3</u>
	<del>2023</del> 2024	<u>52</u>	<u>21</u>	- <u>31</u>
Total Outlets	<del>2021</del> 2022	<u>916</u>	<u>1627</u>	+ <u>79</u>
	<del>2023</del> 2022	<u>1627</u>	<u>2740</u>	+ <u>913</u>
	<del>2023</del> 2024	<u>2740</u>	<u>4245</u>	+ <u>155</u>

**Table 2  
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)  
For Fiscal Years ~~2021~~2022 to ~~2023~~2024**

State	Year	Number of Transfers
<del>FL</del> <del>AZ</del>	<del>2022</del> 2021	0
	<del>2023</del>	<u>0</u>
	<del>2024</del>	<u>1</u>
<del>FL</del> <del>NC</del>	2022	1
	2023	0
	<del>2021</del> 2024	+ <u>0</u>
<del>NC</del>	2022	0
	2023	1
	<del>2021</del> 2024	<del>0</del> <u>3</u>
<del>SC</del> <del>SC</del>	2022	0
	2023	1
	<del>2021</del> 2024	+ <u>1</u>
Total	2022	1
	2023	2
	<del>2024</del>	<u>8</u>

**Table 3**  
**Status of Franchise Outlets**  
**For Fiscal Years ~~2021~~2022 to ~~2023~~2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
AZ	<del>2022</del> 2021	0	0	0	0	0	0	0
	<del>2023</del> <del>2022</del>	0	<del>0</del> 1	0	0	0	0	<del>0</del> 1
	<del>2023</del> 2024	<del>0</del> 1	<del>0</del> 1	0	0	0	0	1
CA	<del>2022</del> 2021	0	<del>0</del> 1	0	0	0	0	<del>0</del> 1
	<del>2023</del> <del>2022</del>	<del>0</del> 1	<del>0</del> 1	<del>0</del> 1	0	0	0	<del>0</del> 1
	<del>2023</del> 2024	<del>0</del> 1	<del>0</del> 1	0	0	0	0	1
FL	<del>2022</del> 2021	<del>0</del> 2	<del>0</del> 1	0	0	0	0	<del>0</del> 3
	<del>2023</del> <del>2022</del>	<del>0</del> 3	<del>0</del> 1	0	0	0	0	3
	<del>2023</del> 2024	3	<del>0</del> 3	0	0	0	0	<del>0</del> 6
GA	<del>2022</del> 2021	1	0	0	0	0	0	1
	<del>2023</del> <del>2022</del>	1	<del>0</del> 1	0	0	0	0	<del>0</del> 2
	<del>2023</del> 2024	<del>0</del> 2	1	0	0	0	0	<del>0</del> 3
IN	<del>2022</del> 2021	0	<del>0</del> 1	0	0	0	0	<del>0</del> 1
	<del>2023</del> <del>2022</del>	<del>0</del> 1	<del>0</del> 1	0	0	0	0	1
	<del>2023</del> 2024	1	0	0	0	0	0	1
MD	<del>2022</del> 2021	0	0	0	0	0	0	0
	<del>2023</del> <del>2022</del>	0	<del>0</del> 3	<del>0</del> 1	0	0	0	<del>0</del> 2
	<del>2023</del> 2024	<del>0</del> 2	<del>0</del> 3	0	0	0	0	<del>0</del> 3
NC	<del>2022</del> 2021	<del>0</del> 5	<del>0</del> 4	0	0	0	0	<del>0</del> 9
	<del>2023</del> <del>2022</del>	<del>0</del> 9	<del>0</del> 4	0	0	0	0	<del>0</del> 12

	<del>2023</del> 2024	912	31	0	0	0	0	1213
PA	<del>2022</del> 2021	0	0	0	0	0	0	0
	<del>2023</del> 2022	0	01	0	0	0	0	01
	<del>2023</del> 2024	01	10	0	0	0	0	1
SC	<del>2022</del> 2021	24	2	0	0	0	0	46
	<del>2023</del> 2022	46	24	0	0	0	0	610
	<del>2023</del> 2024	610	40	0	0	0	0	10
TN	<del>2022</del> 2021	0	01	0	0	0	0	01
	<del>2023</del> 2022	01	10	0	0	0	0	1
	<del>2023</del> 2024	1	0	0	0	0	0	1
TX	<del>2022</del> 2021	0	0	0	0	0	0	0
	<del>2023</del> 2022	0	03	0	0	0	0	03
	<del>2023</del> 2024	03	32	0	0	0	0	35
VA	<del>2022</del> 2021	0	0	0	0	0	0	0
	<del>2023</del> 2022	0	01	0	0	0	0	01
	<del>2023</del> 2024	01	10	01	0	0	0	10
WI	<del>2022</del> 2021	0	0	0	0	0	0	0
	<del>2023</del> 2022	0	01	0	0	0	0	01
	<del>2023</del> 2024	01	10	01*	0	0	0	10
Totals	<del>2022</del> 2021	512	710	0	0	0	0	1222
	<del>2022</del> 2023	1222	1018	02	0	0	0	2238
	<del>2023</del> 2024	2238	188	02	0	0	0	4044

\*This outlet closed in 2024, but is about to reopen under new ownership as of the issuance date of this Disclosure Document.

**Table 4**  
**Status of Company-Owned Outlets**  
**For Fiscal Years ~~2021~~2022 to ~~2023~~2024**

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
NC	<del>2022</del> <del>021</del>	0	<del>0</del> <del>1</del>	0	0	0	<del>0</del> <del>1</del>
	<del>2023</del> <del>022</del>	<del>0</del> <del>1</del>	<del>1</del> <del>0</del>	0	0	0	1
	<del>2023</del> <del>024</del>	1*	0	0	0	<del>0</del> <del>1</del>	<del>1</del> <del>0</del>
SC	<del>2022</del> <del>021</del>	4	0	0	0	0	4
	<del>2023</del> <del>022</del>	4	0	0	0	<del>0</del> <del>3</del>	<del>4</del> <del>1</del>
	<del>2023</del> <del>024</del>	<del>4</del> <del>1</del>	0	0	0	<del>3</del> <del>0</del>	1
Totals	<del>2022</del> <del>021</del>	4	<del>0</del> <del>1</del>	0	0	0	<del>4</del> <del>5</del>
	<del>2023</del> <del>022</del>	<del>4</del> <del>5</del>	<del>1</del> <del>0</del>	0	0	<del>0</del> <del>3</del>	<del>5</del> <del>2</del>
	<del>2023</del> <del>024</del>	<del>5</del> <del>2</del>	0	0	0	<del>3</del> <del>1</del>	<del>2</del> <del>1</del>

\*This company owned location has been sold to a franchisee as of the Issuance Date of this Disclosure Document.

**Table 5**  
**Projected Openings**  
**As of December 31, ~~2023~~2024**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Current Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
Alabama	1	1	0
<del>Arizona</del>	<del>1</del>	<del>1</del>	<del>0</del>
California	<del>2</del> <del>1</del>	<del>2</del> <del>1</del>	0
Florida	<del>7</del> <del>3</del>	<del>7</del> <del>2</del>	0
<del>Georgia</del>	<del>1</del>	<del>1</del>	<del>0</del>
Illinois	1	1	0
<del>Maryland</del>	<del>1</del>	<del>1</del>	<del>0</del>

Mississippi	1	1	0
<u>New Jersey</u>	<u>2</u>	<u>2</u>	<u>0</u>
North Carolina	<del>54</del>	<del>53</del>	0
Ohio	1	1	0
South Carolina	2	2	0
Texas	1	1	0
<u>Virginia</u>	<u>1</u>	<u>0</u>	<u>0</u>
<u>Wisconsin</u>	<u>1</u>	<u>1</u>	<u>0</u>
<b>Totals</b>	<b><u>2320</u></b>	<b><u>2317</u></b>	<b>0</b>

A list of the names of all Franchisees and the addresses and telephone numbers of their respective franchised Facilities are listed as Exhibit F to this Disclosure Document. A list of the name and last known home address and telephone number of every Franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our past fiscal year ~~ending December 31, 2023~~, or who has not communicated with us within 10 weeks of ~~our application~~ the issuance date of this Disclosure Document, is also attached as part of Exhibit F.

If you buy this franchise, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system. During the last three fiscal years, franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchised system.

We created and support the ISI Elite® Training Franchise Advisory Council, which shares the same principal address as us. The Franchise Advisory Council consists of a representative group of ISI Elite® Training franchisees who meet with our leadership to review plans and discuss matters of common interest.

## ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements for the fiscal years ending December 31, ~~2023~~2024, December 31, ~~2022~~2023, and December 31, ~~2021~~2022 and our unaudited Balance Sheet as of ~~February 29, 2024~~March 31, 2025 and our unaudited Profit and Loss Statement from January 1, 2024 to ~~February 29, 2024~~March 31, 2025 are attached to this Disclosure Document as Exhibit ~~HI~~. Our fiscal year end is December 31.

## **ITEM 22 CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement - Exhibit A

Development Agreement – Exhibit B

State-Specific Addendum (if applicable) – Exhibit D

[Relentless PM Agreement – Exhibit H](#)

## **ITEM 23 RECEIPTS**

A receipt in duplicate is attached to this Disclosure Document as Exhibit [JK](#). You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to us at: Attn: Adam Rice, Chief Executive Officer, ISI® Franchise International, Inc. at 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217, or (704) 910-1017.

**EXHIBIT A**  
**To Franchise Disclosure Document**

**ISI FRANCHISE INTERNATIONAL, INC.**  
**FRANCHISE AGREEMENT**

## TABLE OF CONTENTS

<b><u>Section</u></b>	<b><u>Page</u></b>
<b>RECITATIONS</b>	<b>1</b>
<b>1. ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE</b>	<b>2</b>
<b>2. GRANT OF FRANCHISE</b>	<b>4</b>
<b>3. TERM AND RENEWAL</b>	<b>6</b>
<b>4. FEES AND PAYMENTS</b>	<b>7</b>
<b>5. DUTIES OF FRANCHISOR</b>	<b>12</b>
<b>6. DUTIES OF FRANCHISEE</b>	<b>16</b>
<b>7. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS</b>	<b>24</b>
<b>8. OPERATIONS MANUALS AND CONFIDENTIAL/PROPRIETARY INFORMATION</b>	<b>28</b>
<b>9. ADVERTISING</b>	<b>31</b>
<b>10. ACCOUNTING AND RECORDS</b>	<b>35</b>
<b>11. INSURANCE AND INDEMNIFICATION</b>	<b>37</b>
<b>12. INDEPENDENT CONTRACTOR</b>	<b>40</b>
<b>13. TRANSFER AND ASSIGNMENT</b>	<b>40</b>
<b>14. COVENANTS</b>	<b>45</b>
<b>15. DEFAULT AND TERMINATION</b>	<b>47</b>
<b>16. POST-TERM OBLIGATIONS</b>	<b>51</b>
<b>17. TAXES AND INDEBTEDNESS</b>	<b>53</b>
<b>18. WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT</b>	<b>53</b>
<b>19. ENFORCEMENT</b>	<b>54</b>
<b>20. NOTICES</b>	<b>55</b>
<b>21. GOVERNING LAW AND DISPUTE RESOLUTION</b>	<b>55</b>
<b>22. SEVERABILITY AND CONSTRUCTION</b>	<b>58</b>
<b>23. ACKNOWLEDGMENTS</b>	<b>59</b>
<b>Exhibit A: Data Sheet</b>	
<b>Exhibit B: Form of Personal Guaranty</b>	
<b>Exhibit C: Form of Collateral Assignment of Lease</b>	
<b>Exhibit D: EFT Withdrawal Authorization Form</b>	
<b>Exhibit E: Form of Confidentiality and Non-Competition Agreement (for use by Franchisee for Management Personnel of the Franchised Business and Officers/Directors of the Franchisee)</b>	
<b>Exhibit F: Conditional Assignment of Telephone/Facsimile Numbers and Domain Names</b>	

**ISI FRANCHISE INTERNATIONAL, INC.  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on this \_\_\_ day of \_\_\_\_\_, 20\_\_ (“Effective Date,”) by and between: (i) ISI Franchise International, Inc., a South Carolina corporation with its principal place of business at 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217 (the “Franchisor”); and (ii) \_\_\_\_\_, a (resident of) (corporation organized in) (limited liability company organized in) \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Franchisee”).

**RECITATIONS**

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the establishment, development, opening, and operation of a business that provides various types of personal and group fitness training, fitness counseling and nutritional counseling that we authorize (collectively, the “Approved Services”), along with certain fitness-related supplies and merchandise that may or may not bear our Proprietary Marks (collectively, the “Approved Products”), with high levels of customer service and attention and in a clean, friendly environment that is welcoming to clientele (each, a “Facility”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a Facility, including instruction on fitness and nutritional counseling; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Facility; standards and specifications for the furniture, fixtures and equipment located within a Facility; established relationships with approved or designated suppliers for certain products and services; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) the System and Franchisor’s related materials contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Facilities are identified by the proprietary marks that Franchisor determines and designates for licensing in connection with the operation of a franchised Studio, which includes Franchisor’s current primary mark ISI® ELITE TRAINING, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Facility utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor's high and uniform standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single ISI® ELITE TRAINING Facility from an approved location, and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Facility based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

## **AGREEMENT**

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

### **1. PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE**

- A. The business venture contemplated by this Agreement involves business risks.
- B. Franchisee's success will be largely dependent upon Franchisee's ability as an independent businessperson.
- C. Franchisee has received, read, and does understand this Agreement and any attachments.
- D. Franchisee understands and agrees that the fitness industry is highly competitive with constantly changing market conditions.
- E. Franchisee acknowledges and agrees that Franchisor has fully and adequately explained each provision of this Agreement to Franchisee's satisfaction.
- F. Franchisee has consulted with Franchisee's own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business. Franchisee either has consulted with such advisors or has deliberately declined to do so.

- G. Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this franchise were answered in writing to the satisfaction of Franchisee.
- H. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).
- I. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing.
- J. Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.
- K. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- L. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those that are specifically required to offer and provide the Approved Services necessary to operate the Franchised Business at the Premises (defined below) and within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located.
- M. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a System Facility; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

## 2. GRANT OF FRANCHISE

- A. **Grant of Franchise.** Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single franchised Facility (the “Franchised Business”).
- B. **Approved Premises; Site Selection Area.** The Franchised Business must be operated from a single location that Franchisor reviews and approves (the “Premises”). If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general marketing area (the “Site Selection Area”) on the data sheet attached to this Agreement as Exhibit A (the “Data Sheet”) wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement. Franchisee acknowledges and agrees that: (i) it does not have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their franchised Facility within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each franchised Facility, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis.
- C. **Relocation of Premises.** Once the Franchisor approves the Premises of the Franchised Business, the location will be set forth in the Data Sheet. Franchisee may only use the Premises to operate the Franchised Business. Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor’s prior written consent, which Franchisor will not unreasonably withhold, provided: (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below) that meets Franchisor’s then-current site selection criteria for the premises of a System Facility; and (ii) at Franchisor’s request, Franchisee pays Franchisor a relocation fee amounting to 20% of our then-current initial franchise fee prior to Franchisor’s approval of the relocation.
- D. **Designated Territory.** Upon locating and securing a Premises, Franchisor will designate a geographical area surrounding the Premises wherein Franchisee will be afforded certain territorial rights as set forth in this Agreement (the “Designated Territory”). For so long as this Agreement is not subject to termination, Franchisor will not open or operate, or license a third party the right to open or operate, another Facility utilizing the Proprietary Marks and System from a physical location within the Designated Territory. The boundaries of the Designated Territory, once determined by Franchisor, will be described in the Data Sheet. Franchisee acknowledges that it does not have any other territorial rights within the Designated Territory.

1. Franchisee may not solicit prospective customers of the Designated Territory, unless (a) these prospective customers do not reside within the territory granted to another franchisee or other System Facility location, and (b) Franchisee obtains Franchisor's prior written consent.
  2. Franchisee may not actively advertise the Franchised Business outside of the Designated Territory, unless (a) the area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and is not granted to another franchisee or other System Facility location, and (b) Franchisee obtains Franchisor's prior written consent.
- E. **Rights Not Granted.** Franchisee acknowledges and agrees that this Agreement does not afford Franchisee any rights or options to open any additional Facilities and that Franchisee does not have any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises and within the Designated Territory. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Facilities, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.
- F. **Reservation of Rights.** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) establish and operate, and license any third party the right to establish and operate, other Facilities and Franchised Businesses using the Proprietary Marks and System at any location outside of the Designated Territory; (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside of the Designated Territory; (iii) use the Proprietary Marks and System, other such marks Franchisor designates, to distribute the Approved Products and/or Approved Services in any alternative channel of distribution, within or outside of the Designated Territory (including without limitation the Internet, DVDs and/or digital media featuring Approved Services instruction, mail order, catalog sales, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and/or Approved Services (but under different marks), within or outside the Designated Territory; and (v) use, and license others the right to use, the Proprietary Marks and System to engage in any other activity not expressly prohibited by this Agreement.
- G. **Modification of System.** Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be

necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement. Moreover, Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or modification to the System once Franchisee has been notified of such change/modification in writing (via the Operations Manual or otherwise).

### 3. **TERM AND RENEWAL**

- A. **Term.** Unless previously terminated pursuant to this Agreement, the term of this Agreement shall commence as of the Effective Date and continue until the **later** of (a) ten (10) years from the Effective Date or (b) the end of the term of Franchisee's Lease for the Premises (the "Initial Term").
- B. **Renewal.** Franchisee may submit a request to renew this Agreement for up to four (4) additional, consecutive terms of five (5) years each, and must provide each request to renew no less than six (6) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
1. Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal; and (ii) received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date.
  2. Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement.
  3. Franchisee pays Franchisor a renewal fee amounting to twenty-five percent (25%) of our then-current Initial Franchise Fee at least ninety (90) days prior to the expiration of the then-current term. Franchisee will not be required to pay an additional Initial Franchise Fee (as defined in Section 4) upon renewal.
  4. Franchisee executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and

individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule, or ordinance.

5. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor.
6. Franchisee or transferee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Facility within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly-developed System Facility.

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

- A. **Fees.** In consideration of the rights and license granted herein, Franchisee shall pay the following amounts:
  1. *Initial Franchise Fee.* Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of \$60,000.00 (the "Initial Franchise Fee"), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment. In the event Franchisee is a qualified veteran of the United States that has been honorably discharged and otherwise approved as part of Franchisor's "Veteran's Discount Program," then the parties agree and acknowledge that the Initial Franchise Fee shall be discounted by \$5,000 for the total cost of \$55,000 for the first unit. There will be an additional \$5,000 discount for each unit subsequently purchased thereafter.
  2. *Royalty Fee (or "Royalties").* Commencing at the earlier of (a) the date the Franchised Business opens or is required to be open under the Franchise Agreement or (b) the date when Franchisee starts generating or collecting revenue, Franchisee must pay Franchisor an ongoing royalty fee amounting seven percent (7%) of the Gross Revenues (as defined in Section 4(D)) generated by the Franchised Business in the preceding prior month period (the "Royalty Fee").

The parties agree that Franchisor may collect the Royalty Fee, as well as other recurring fees due under this Agreement, on a weekly, daily or monthly interval based on the Gross Sales generated by the Franchised Business over the preceding reporting period (business day, week or

calendar month), as it determines appropriate and designates in a prior writing to Franchisee consistent with Section 4(E) of this Agreement below.

3. *Contribution to Brand Development Fund (or "Fund").* Franchisor may require Franchisee to make a monthly contribution to the brand development fund (the "Fund") that Franchisor has established (or establishes) in an amount equal to up to three percent (3%) of the Gross Revenues (as defined in this Section 4(D) below) generated by the Franchised Business in the preceding calendar month (the "Fund Contribution"). Franchisor expects and intends to collect the then-current Fund Contribution from Franchisee at the same time and in the same manner as the Royalty Fees, but Franchisor will have the right to modify the collection interval as set forth in Section 4(E) below.
4. *Local Advertising Requirement.* As detailed more fully in Section 9 of this Agreement, Franchisee must expend a minimum of \$6,000 over each calendar quarter (3 months) of operation, commencing at the earlier of (a) the date Franchisee commences operation of the Franchised Business, and (b) the required opening data hereunder. Franchisor may designate one (1) or more Approved Supplier(s) from which Franchisee must purchase or otherwise acquire any marketing and advertising materials that Franchisee wishes to cover as part of its Local Advertising Requirement (or "LAR").
5. *Technology Fee.* Franchisee must pay Franchisor or its designated Approved Supplier(s) the then-current technology fee that Franchisor designates (the "Technology Fee") to defray and/or cover all of the costs of the specific technology services and products that Franchisor determines to provide as part of the System license in the Manuals or otherwise in writing. The parties agree and acknowledge that Franchisor may modify the Technology Fee upon 30 days' prior written notice to Franchisee (via the Manuals or otherwise). Franchisor may collect the Technology Fee on the interval it determines appropriate as set forth in 4(E) below. We will not be responsible for any information, including but not limiting to, client data, personal information, passwords, financial data, or any other data that may be breached in the event that your google suite that we provide to you is hacked or breached by unauthorized persons or is used in any way that is unauthorized per this agreement or the Operations Manual.
6. *Computer System and Required Software.* Franchisee agrees and acknowledges that it must acquire and maintain: (i) the hardware components associated with the computer hardware and point-of-sale system that Franchisor designates in the Manuals or otherwise in writing for use in connection with the Franchised Business (the "Computer System"); and (ii) the point-of-sale software, customer record management software, staffing-scheduling software and any other software programs we designate for use in connection with the Franchised Business (collectively, the

“Required Software”). The amounts payable for any Computer System or Required Software components or maintenance will be due and payable as Franchisee agrees with the Franchisor’s Approved Supplier for the item/service at issue.

7. *Initial Training Fees.* Franchisee must pay Franchisor the appropriate initial training fees associated with Franchisor’s provision of the “Owner Operator Module” to Franchisee and/or its operating principal and/or Designated Manager, and (b) the “Coach Module” to the personnel of the Franchised Business that Franchisees wishes to conduct fitness classes, instruction and or any other Approved Services at or in connection with the Franchised Business, as described more fully in Sections 5(A)-(B) and 6 of this Agreement.
8. *All Other Required Expenditures to Establish and Operate the Franchised Business.* In addition to the foregoing, Franchisee agrees and acknowledges that it must ensure that all payments due and owing in connection with the Franchised Business, whether in connection with its establishment or ongoing operation, or timely paid to Franchisor, landlord, the appropriate Approved Supplier or other provider, as and when such amounts become due and owing such parties. Franchisee agrees and acknowledges that this includes all training/tuition fees, advertising and marketing obligations, annual conference fees, evaluation fees, relocation fees and other amounts that are specifically identified in this Agreement.

- B. **Method of Payment.** With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the “EFT Program”), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the “EFT Account”). Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee’s bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee’s bank, all documents, including Franchisor’s form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and Franchisor’s ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee’s banking relationship, including any change to the EFT Account.
- C. **Access to Computer System.** Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view Franchisee’s computer system used in connection with the Franchised Business (the “Computer System”) via the Internet, other electronic means or by visiting the Facility, in order to obtain

Gross Revenues, tenant occupancy rates and other available information that Franchisor reasonably requests about the Franchised Business. Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System. Franchisor may require Franchisee to use a Computer System and/or related software that is administered through Franchisor and that provides Franchisor with automatic access to all data and reports that might be created by such Computer System and/or software.

- D. **Gross Revenue.** “Gross Revenue” means the total revenue generated by the Franchised Business from the offer, sale and provision of the Approved Services and Approved Products, This including all membership-related fees (such as initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees; monthly, semi-annual or yearly dues and all revenues generated and derived during any presale of memberships) regardless of the amount of monthly membership fees you actually collect. Gross Revenue also includes: (i) the fair market value for any service or product you receive in barter or exchange for your services or products, the retail value of any discounted and/or complementary (free) services (including membership packages) or products given to Members; and (ii) all “business interruption” or comparable insurance proceeds that Franchisee receives in connection with an alleged or actual loss of Gross Revenue via the Franchised Business due to a casualty to or similar event at the Franchised Business. “Gross Revenue” does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any Member of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Services.
- E. **Gross Revenue Reports; Right to Modify Payment Interval.** Prior to or at the same time Franchisee makes each Royalty payment, Franchisee must send Franchisor a signed Gross Revenue report (a “Gross Revenue Report”) detailing the following information: (i) Gross Revenues of the Franchised Business from the preceding calendar month; (ii) Franchisee’s calculated Royalty Fee based on the Gross Revenues from the preceding monthly period and Fund Contribution (if appropriate) based on the Gross Revenues from that same period and (iii) any other information Franchisor may require for that reporting period. Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Revenues Reports from time to time.

1. The parties agree and acknowledge that Franchisor may require Franchisee to use a Computer System and/or software in connection with the Franchised Business that provides Franchisor with automatic access to Gross Revenues Reports and any other data/reports generated by such Computer System and/or software, but in no event shall such access by Franchisor affect Franchisee's obligation to provide all reports required under this Franchise Agreement unless Franchisor agrees otherwise in writing.
  2. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee's Royalty Fee, Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on daily, weekly, bi-weekly or monthly basis). In such event, Franchisee's reporting obligations may also be modified by Franchisor accordingly.
- F. **Late Payments.** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to the Franchisor, in addition to the overdue amount, at a rate amounts to the greater of (i) one and one-half percent (1.5%) per month, or (ii) the highest rate permitted under applicable law for this type of commercial relationship, plus \$25 per instance, which shall begin from the date of non-payment or underpayment and continue until the amount at issue is fully paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have.
- G. **Taxes Owed by Franchisee.** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.
- H. **Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interests in the real estate where the franchise is located (if Franchisee purchases its Premises), as well as all improvements to that real estate. Franchisee further grants to Franchisor a security interest in all furniture, furnishings, equipment, fixtures, inventory, and supplies located at or used in connection with the Franchised Business, whether now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions, and replacements therefore, as well as all cash and non-cash proceeds derived from insurance, the disposition of any such collateral to secure payment and performance of all debts, liabilities, and obligations of any kind of Franchisee to Franchisor under this Agreement, whenever and however incurred, any promissory note given by Franchisee to Franchisor, or any other agreement between them. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents necessary or desirable to evidence, perfect, and

continue the priority of the security interests granted herein. Franchisee agrees and understands that it must promptly execute and deliver any such documents to Franchisor upon request.

1. Notwithstanding anything contained in Section 4(H) of the Franchise Agreement to the contrary, Franchisee does not grant Franchisor any security interest in any real property associated with the Franchised Business if such real property is being leased by the Franchisee.
2. The parties agree that Franchisor will not execute on any security interest granted to Franchisor under Section 4(H) of the Franchise Agreement unless Franchisee fails to cure a material default under the Franchise Agreement within the applicable time period for cure after Franchisor has provided Franchisee with proper notice of such default(s).

- I. **Inability to Operate Franchised Business.** If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Premises and resume operations (or relocate the Franchised Business to a different approved location within the Designated Territory), with said waiver period not to exceed ninety (90) days commencing from the date Franchisee gives Franchisor notice of the damage or loss.

## 5. **DUTIES OF FRANCHISOR**

### A. **Initial (Pre-Opening) Training.**

1. Franchisor shall offer and make available an initial training program (the “Initial Training Program”) for Franchisee and up to two (2) additional persons designated by Franchisee, provided both individual trainees attend at the same time. One of the trainees must be Franchisee (or one of Franchisee’s principals responsible for the Franchised Business if Franchisee is an entity) and, if applicable, the other attendee must be Franchisee’s proposed manager or head performance coach who will be responsible for the day-to-day management of the Franchised Business (the “Designated Manager”), subject to Franchisee paying the Initial Training Fee amounting to \$2,500 per attendee.
2. Franchisor will provide a specific module of training to the individual or individual(s), if other than Franchisee and its operating principal(s), that Franchisee wishes to provide fitness classes and instruction, as well as any of the other Approved Services, at the Franchised Business (each, an “Authorized Coach”) with the training necessary for that individual to provide such Approved Services at a franchised System Facility (the “Coach Module”),

subject to Franchisee paying Franchisor's then-current Training Fee for the Coach Module training provided.

3. Franchisor will also provide, as it determines appropriate, Franchisee and its initial Facility staff with on-site training that Franchisor will provide at or around the time the Franchised Business is targeting its opening to the public (the "On-Site Module").
4. All modules described in this Section (each, a "Module") will be provided subject to the schedules and availability of Franchisor's training personnel.
5. Franchisor reserves the right to charge Franchisee its then-current training fee for any Module, if any, prior to making arrangements for its personnel to provide such training.

B. **Replacement and/or Additional Personnel Training.** Franchisor will also provide the Initial Training Program to any replacement personnel or those who attend but fail to complete the program as well, provided Franchisee pays Franchisor's then-current training fees, as well as any costs and expenses incurred by Franchisor's personnel. The parties agree and acknowledge that any: (i) new Designated Manager of Franchisee must complete the Owner/Operator Module of Initial Training Program within sixty (60) days of hire (and must be trained by a person who has completed our Initial Training Program before he/she takes over any management responsibility with respect to the Franchised Business); and (ii) any new or replacement individual that Franchisee wishes to serve as an Authorized Coach of the Franchised Business must complete the Coach Module prior to conducting any classes or otherwise providing any Approved Services to Members or other guests of the Franchised Business.

C. **Additional and Refresher Training.** Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its management to attend such courses. Franchisor may require Franchisee and its designated attendees to pay its then-current training tuition fee in connection with attending additional/refresher training (in addition to Franchisee's obligation to pay for any expenses incurred by Franchisor and its personnel in providing such training).

D. **Manuals.** Franchisor will provided access to, or otherwise loan, Franchisee one (1) copy of its proprietary and confidential operations manual prior to the opening of the Franchised Business, as well as any other instructional manuals as Franchisor deems appropriate (collectively, the "Manuals"). Franchisor will also loan Franchisee a list of: (i) all furniture, fixtures, equipment, inventory, supplies and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the "Required Items"); (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items, which may be Franchisor or its affiliates (collectively,

the “Approved Suppliers”); and (iii) a list of the Approved Products and Approved Services that Franchisee is authorized to offer, sell or provide at and from the Franchised Business. The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to you. Franchisor may also establish and maintain a System website and/or portal which may be used for the purposes of (a) providing updates, supplements and supplemental information that will constitute part of one (1) or more Manuals, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Franchised Business. In the event Franchisee or its personnel saves or prints out a hard copy of any Manual, then such electronic/hard versions of said Manual must be immediately returned upon expiration or termination of this Agreement for any reason (and never used for any competitive purpose). The provisions of this Section shall survive the term of this Agreement.

- E. **Site Selection Assistance.** Franchisor will provide Franchisee with site selection assistance and guidance with regards to Franchisee’s selection of a Premises for the Franchised Business, including Franchisor’s then-current site selection criteria, as it deems appropriate in its sole discretion. Franchisor may require that Franchisee use an Approved Supplier for site selection assistance. Franchisor will also review and approve of any location the Franchisee proposes for the Franchised Business. Franchisor must approve of Franchisee’s proposed location, as well as the lease for the Premises (the “Lease”) or purchase agreement for the location, prior to Franchisee entering into any such agreement for that location to serve as the Premises of the Franchised Business. Franchisor may condition its approval of any Lease for the proposed Premises on the landlord’s execution of Franchisor’s form of Consent and Agreement of Landlord attached to this Agreement at Exhibit C. Franchisor will use reasonable efforts to review and approve of any proposed Premises location and corresponding Lease within thirty (30) days of receiving all reasonably requested information from Franchisee.
- F. **Grand Opening Advertising Assistance.** Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the Grand Opening Advertising Program (as defined and described more fully in Section 9 of this Agreement), which program shall be conducted at Franchisee’s expense.
- G. **Continuing Assistance.** Franchisor may, as it deems appropriate and advisable in its sole discretion, provide continuing advisory assistance in the operation of the Franchised Business. Franchisor’s determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement. Franchisor may provide such assistance via telephone, fax, intranet communication, Skype or any other communication

channel Franchisor deems appropriate, subject to the availability and schedules of Franchisor's personnel. In the event Franchisee requests that Franchisor provide any type of assistance or training on-site at the Franchised Business, then Franchisee may be required to pay Franchisor's then-current training tuition fee in connection with such training (in addition to reimbursing Franchisor for any costs/expenses that Franchisor's personnel incurs in connection with providing such assistance). Franchisor will offer you guidance on prices for our products and services that, in our judgment, constitute good business practice through our ISI Elite Training Membership Options and Rates Policy guide. Such rates shall be amended from time to time.

- H. **Review of Advertising Materials.** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.
- I. **Website and Email Addresses.** For so long as Franchisor has an active website containing content designed to promote the ISI® ELITE TRAINING brand, System and Proprietary Marks (collectively, the "Website"), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee has not breached this Agreement and failed to cure such breach within the applicable time period set forth herein (if any). Franchisor may also provide Franchisee with one or more email address(es), as it deems appropriate in its discretion, which Franchisee must use only in connection with the Franchised Business.
- J. **Inspection of the Franchised Business and Premises.** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Such inspections may include inspections of the Premises, taking photographs and/or videotape of the Facility's common area, taking samples of any Approved Products for sale at the Facility, interviewing and surveying Franchisee's personnel and customers, inspecting any and all books and records, and conducting mystery shop services. Franchisor is not responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations.
- K. **Administration of Fund.** Franchisor will administer the Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement.
- L. **Approval by Franchisor Does Not Constitute Acceptance and/or Representation of Success.** Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site selection or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and

project oversight) provided by Franchisor or its nominee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.

- M. **Delegation of Duties.** Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.
- N. **Pre-Opening Obligations Acknowledgement.** If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within ninety (90) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.
- O. **Annual Conference.** Franchisor may establish and conduct an annual conference for all System Facility owners and operators and may require Franchisee and its Designated Manager to attend this conference each year. Franchisee will be solely responsible for all expenses incurred in attending the annual conference (including any employee wages). Franchisee shall purchase a minimum of one (1) ticket per conference. The cost of each ticket shall not exceed one thousand dollars (\$1,000). Franchisee shall pay Franchisor the then-current ticket fee even if Franchisee fails to attend any annual conference, which shall not cure such default and shall be in addition to any remedies available to Franchisor under this Agreement.
- P. **Real Estate and Construction Management.** Upon signing this Agreement, Franchisee shall pay Franchisor, Franchisor's designated Approved Supplier, or Franchisor's affiliate twenty thousand dollars (\$20,000) for real estate and construction management services, which covers the oversight of the real estate (site selection), architectural, and general contractor bidding processes for Franchisee's Franchised Business.

## 6. **DUTIES OF FRANCHISEE**

- A. **Secure a Premises.** Franchisee must secure a Premises within the Designated Territory within four (4) months of executing this Agreement, unless Franchisor agrees to an extension of time in writing. If Franchisor has designated an Approved Supplier for site selection assistance, then Franchisor may require that Franchisee use this Approved Supplier. If Franchisee is entering into a Lease for the proposed Premises, then Franchisee must ensure that both Franchisee and the party leasing the Premises to Franchisee under the Lease (the "Landlord") execute the form of Collateral Assignment of Lease and other Lease Addendum terms attached to this Agreement as Exhibit C (the "Lease Addendum") prior to, or at the same time, the Lease is executed. Franchisee's failure to provide

Franchisor with a copy of the Lease Addendum signed by both Franchisee and the Landlord shall constitute a material violation of this Agreement that Franchisor will not be deemed to have waived at any time during the term, unless Franchisor agrees otherwise in a separate writing signed by both parties.

- B. **Access to Franchisor for Inspection of Premises.** Upon the surrender of the Premises, Franchisee must conduct a physical inventory so that there is an accurate accounting of inventory, fixtures, furniture, supplies and equipment on hand, and shall provide a signed copy of this physical inventory to Franchisor as of the date of surrender of the Premises. Franchisor shall have the right to enter the Premises at its convenience and conduct said physical inventory on its own.
- C. **Compliance with Lease.** Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee's default thereunder, this termination will also constitute a material breach of this Agreement by Franchisee. In the event Franchisor provides appropriate notice as described in Section 6(A) above and assumes control of the Premises and the operation of the former Franchised Business upon the termination or expiration of the Lease, the future operation of that Facility by Franchisor shall not be as an agent of Franchisee and Franchisor shall not be required to account to Franchisee as a result thereof.
- D. **Construction and Build-Out.**
1. *Single Unit.* Franchisee must complete all construction and build-out of the Premises in a manner consistent with Franchisor's System standards, specifications and any agreed-upon plans and open the Franchised Business to the public no later than ten (10) months after the date this Agreement is executed. Franchisor may require that Franchisee use an Approved Supplier for pre-opening project and construction management services. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party. Franchisee shall not open the Franchised Business to the public until Franchisee has sold one hundred and fifty (150) memberships through presales. If Franchisee fails to sell one hundred and fifty (150) memberships through presales and Franchisee's deadline for opening the Franchised Business to the public, as described herein, has passed, this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party.

2. *Development of Unit Pursuant to ADA.* The parties further agree and acknowledge that if Franchisee is opening and operating the Franchised Business pursuant to its development obligations under an Area Development Agreement that Franchisee (or its affiliate) has entered into with Franchisor (an “ADA”), then that ADA will control the timeline wherein Franchisee must open and commence operating the Franchised Business (in the event there is an inconsistency between the ADA and this Agreement). Franchisee must open and commence operations of the Franchised Business within the time period prescribed in the development schedule set forth in the ADA (regardless of when Franchisee executes this Agreement).
- E. **Required Licenses and Permits.** Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises in the Designated Territory, including all required licenses and permits related to the offer, provision and/or sale of the Approved Services and Approved Products that Franchisor authorizes Franchisee to provide at the Franchised Business. Certain states may require that Franchisee file and post a bond, or otherwise obtain special permit(s), if it is determined that the Franchised Business constitutes a “Health Club” under the applicable laws of where the Franchised Business is located.
- F. **Approved Services and Approved Products.** Franchisee must only offer and sell only the Approved Services and Approved Products at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor’s System standards and specification related to the manner in which the Approved Services and Approved Products are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Products and Approved Services from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee’s right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute. Franchisee shall accept as payment for services or products any such indication of prepayment or credit, no matter where such credit was issued or such prepayment was made. If Franchisee offers and/or sells any products at or from the Franchised Business that Franchisee has obtained from a supplier other than the Approved Suppliers, Franchisee will be charged a fee of Fifty Dollars (\$50) per day until Franchisee ceases offering and/or selling such products.
- G. **Other Devices Prohibited at Premises.** Franchisee is specifically prohibited from installing, displaying, or maintaining any vending machines, gaming machines, automatic teller machines, internet kiosks, public telephones (or payphones), or any

other electrical or mechanical device in the Facility other than those Franchisor prescribes or approves.

- H. **Fixtures, Furniture, Signs and Inventory.** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, artwork, décor items and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. Franchisor will not require Franchisee to make material renovations or refurbishments to the Premises of the Franchised Business more than once every five (5) years, unless such renovation/refurbishment is in connection with a renewal or transfer of this Agreement. The parties agree and acknowledge, however, that the limitation set forth in the preceding sentence will not apply to any request to modify the Proprietary Marks as provided for in this Agreement.
- I. **Compliance with Applicable Laws.** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto, including any laws and regulations related to providing fitness services, including personal and group fitness training, fitness counseling and nutritional counseling, and certification/licensing of personal trainers. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.
- J. **Required Items.** Franchisee must: (i) purchase any and all Required Items that Franchisor designates for use in connection with the Franchised Business, including without limitation, all products, supplies, inventory, fixtures, Computer System, parts, and materials required for the operation of the Franchised Business; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchisee designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.
- K. **Alternative Product/Service and/or Alternative Supplier Approval.** If Franchisee wishes to use or offer any unapproved item, including any unapproved service or product, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the

purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request and pay Franchisor's then-current product/supplier evaluation fee (the "Evaluation Fee"), if any. At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within one hundred twenty (120) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

- L. **Computer Issues.** Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders.
  
- M. **Promotional Materials and Events.**

1. Franchisee must openly and prominently display franchise promotional materials provided or designated by Franchisor and participate in any ongoing System-wide sales, specials or other promotions that Franchisor designates.
2. In the event Franchisor arranges for to participate in a promotional exhibition, show or other event to be held within the Territory (or in close proximity to the Territory where prospective customers of the Franchised Business may be located or visiting) that is designed to promote the Proprietary Marks, System, brand and/or Franchised Business, then Franchisee (or an Authorized Coach providing Approved Services at the Franchised Business) may be required by Franchisor to participate in such events up to one (1) time every six (6) months (for a period of up to 5 days), provided reasonable advance written notice is provided.

N. **Initial Training Program and Pre-Opening Training of Personnel; Other Training/Conference Attendance.** Franchisee must ensure that (i) Franchisee or one (1) or its operating principals attends and completes the Owner/Operator Module of the initial training program to our satisfaction, and (ii) each and every individual that Franchisee wishes to provide and/or conduct fitness classes, instruction and/or other Approved Services of any kind first attends and successfully completes the then-current Coach Module (which Franchisor may determine to provide certain parts of via remote instruction via online training or learning management system), prior to: (i) opening the Franchised Business with regards to the initial management and Authorized Coaches of the Franchised Business; and (ii) with regards to any subsequent Authorized Instructors or any Designated Manager, prior to that individual undertaking any such responsibility or functions in connection with the operation of the Franchised Business.

1. Franchisee must also cover all costs associated with personnel of Franchisee attending any and all portions of the Initial Training Program.
2. Franchisee must also complete any additional or refresher training the Franchisor is permitted to require Franchisee to attend each year, and Franchisee must attend Franchisor's annual conference if such a conference is conducted by Franchisor. Franchisee shall purchase a minimum of 1 ticket and the cost for such ticket shall not exceed one thousand dollars (\$1,000) per ticket. Franchisee shall pay Franchisor the then-current ticket fee even if Franchisee fails to attend any annual conference, which shall not cure Franchisee's default and shall be in addition to any remedies available to Franchisor under this Agreement.
3. Any failure to attend and complete the Initial Training Program or other training/conferences described in this Section will be a material default of this Agreement and grounds for termination if not cured within the appropriate cure period set forth in this Agreement (if any).

O. **Training of Employees; Required Coach Module for all Prospective Authorized Coaches.**

1. *Personnel Training.* Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the (a) the Owner/Operator Module, and (b) the Coach Module, of our Initial Training Program, as well as the On-Site Module, is available and on-site at the Premises to: (i) conduct and train personnel of the Franchised Business that are not providing the Approved Services; and (ii) assist ay prospective Authorized Coach with its participation and completion of the Coach Module that, absent Franchisor's consent in a separate signed writing, must be provided by Franchisor's training personnel (at Franchisor's headquarters, on Premises or remotely, as Franchisor designates in the Manuals or otherwise in writing). For all other Franchised Business personnel other than an Authorized Coach or Designated Manager that must attend training with Franchisor, Franchisee will be solely responsible for properly training all of Franchisee's other personnel on sales, advertising, maintenance of the Premises, the POS and computer system, as well as any other information that is relevant to each employee's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing.
2. *Required Personnel and/or Management at Franchised Facility when Operational.* At least one (1) individual must be on site at the Premises of the Franchised Business that: (i) completed the Owner/Operator Module at all times the Franchised Business is open; and (ii) completed the Coach Module at all times that the Franchised Business is offering/providing the Approved Services via classes, memberships or otherwise.

P. **Hours of Operation.** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.

Q. **Image.** Franchisee shall maintain the image of the Franchised Business at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that the Premises is maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures remain in good, clean condition and is properly displayed. Franchisor may require Franchisee to refurbish, renovate and/or otherwise substantively modify the interior of the Franchised Business, including the furniture, fixtures and equipment used at the Premises, no more than once every five (5) years (unless the change is required in connection with a renewal or transfer of this Agreement) so that the Premises and Franchised Business conform with Franchisor's then-current System standards and specifications for a newly-developed

R. **Customer Lists and Data/Agreements.** Franchisee must (i) maintain a list of all of its current and former customers, as well as their purchase history associated therewith, at the Premises; and (ii) make such lists, Membership-related agreements and other contracts available for Franchisor's inspection upon request. Franchisee must promptly return this information, which is deemed "Confidential Information" and Franchisor's exclusive property hereunder, to Franchisor upon expiration or termination of this Agreement for any

reason. Franchisee acknowledges that Franchisor may have automatic access to any or all of this information via the Computer System and related software that Franchisor requires for use in connection with the Franchised Business.

- S. **Promotional/Maximum Prices; Pricing Guidelines.** To the extent permitted under applicable law, Franchisee must follow Franchisor's general pricing guidelines, including any promotional or maximum prices set by Franchisor for any Approved Product or Approved Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition with respect to the pricing of certain Approved Products and Approved Services offered at the Franchised Business. Franchisor may request information from Franchisee that has been used to substantiate any reduction in pricing made by Franchisee to meet market conditions.
- T. **Operation of Franchised Business and Customer Service.** Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.
- U. **Access to Facility.** To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) inspect the Premises; (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (iii) interview or survey personnel and customers of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken). If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.
- V. **Personal Participation by Franchisee.** Franchisee must personally participate in the direct management operation of the Franchised Business on a full-time basis, unless Franchisee engages a Designated Manager that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business when Franchisee is not present. If Franchisee designates a manager at any time, that manager must successfully complete the Initial Training Program prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the

Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.

- W. **Credit Cards**. Franchisee must accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, American Express and Discover and any other major credit cards designated by Franchisor.
- X. **Payments to Franchisor**. Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Y. **Employment Decisions**. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained.
- Z. **Bookkeeping Software**. Franchisor may require Franchisee to use a third-party provider (other than QuickBooks) for bookkeeping services if Franchisee (i) fails to timely and accurately provide any and all required reports under this Agreement and/or Development Agreement, or (ii) underreports the Gross Revenues of the Facility at any time.

## 7. **PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A. **Ownership of Proprietary Marks**. Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. **Permitted Use**. It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.

- C. **Use of Proprietary Marks in Advertising and Signage.** To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:
1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals;
  2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
  3. Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice: "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, ISI® ELITE TRAINING, under a license agreement with ISI Franchise International, Inc."
- D. **Proprietary Marks are Sole Property of Franchisor.** Franchisee acknowledges that the Proprietary Marks, System, Manual, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, or attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.
- E. **Legal Action Involving Proprietary Marks.** Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.

- F. **Right to Modify or Substitute of Marks by Franchisor.** If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages except as specifically set forth in this Section.
- G. **Modification or Substitution of Proprietary Marks by Franchisee.** Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.
- H. **Cease Use of Marks on Termination/Non-Renewal.** Upon termination or expiration and non-renewal of this Agreement, Franchisee agrees to immediately cease use, in any manner whatsoever, of any of the Proprietary Marks or any other Proprietary Marks or trade names that may be confusingly similar to the Proprietary Marks.
- I. **Telephone Numbers Advertised in Connection with the Marks.** Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the Proprietary Marks or any mark/name similar to those marks. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.
- J. **Non-Exclusive Use of Proprietary Marks.** Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as

Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.

- K. **Acknowledgements.** With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;
  2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and
  3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.
- L. **No Use Outside Scope.** Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.
- M. **Notification of Infringement.** Franchisee shall notify Franchisor within three (3) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.
- N. **Indemnification Regarding Marks.** Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense

or settlement of any third-party claim that Franchisor determines to take control of under this Section 7. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement. Franchisor will not reimburse Franchisee for its expenses and legal fees for separate, independent legal counsel, unless Franchisor approves of Franchisee's use of such counsel in writing prior to Franchisee engaging counsel. Franchisor will not reimburse Franchisee for disputes where Franchisor challenges Franchisee's use of the Proprietary Marks.

- O. **Other Obligations of Franchisee.** In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:
1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the Internet or otherwise online, except as approved in writing by Franchisor; and
  2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time.

## 8. **OPERATIONS MANUALS AND CONFIDENTIAL INFORMATION**

- A. **Compliance with Manuals.** In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals.
- B. **Control of Facility.** Franchisee acknowledges the Manuals provided by Franchisor to Franchisee is intended to protect Franchisor's standards, systems, names, and marks and is not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that Franchisee's Business will be under the control of the Franchisee at all times. Franchisee will be responsible for the day-to-day operation of the business.
- C. **Loan of Manuals.** Franchisor will loan or provide online access to one (1) copy of the Manuals to Franchisee. The Manuals shall at all times remain the sole property of Franchisor and any and all copies (hard copies or electronic files) of the Manuals must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement.
- D. **Modification of Manuals.** In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms

of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.

- E. **Confidential Information Generally.** In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business.
- F. **Confidential Information Defined (including Trade Secrets).** The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary/confidential information include the following:
1. The Manuals;
  2. Any information or materials, whether technical or non-technical, that is used in connection with or otherwise related to the establishment and operation of an franchised Facility or the System that is not commonly known by, or available to, the public, including without limitation: (i) information and materials related to the architectural plans, design, layout, equipping, build-out and/or construction of a Facility; (ii) methodology, protocol and System standards/specifications for the promotion, offer, sale and provision of any Approved Services or Approved Products, including fitness and nutritional counseling strategies and instruction; (iii) information related to Franchisor's relationship with existing or prospective Approved Suppliers or other third-party vendors (whether or not Franchisee is required to use such vendors); (iv) the class reservations and payments system, as well as Computer System and related software generally, that has been customized in any manner for use by Franchisor and/or a Facility; (v) marketing and advertising materials, as well as any other items that display the Proprietary Marks in any manner, as well as Franchisor's designated marketing/advertising/promotional campaigns; and (vi) any passwords, logins or other keys necessary to access Franchisee's POS system, reservation system, Computer System or related software used in connection with the Franchised Business; and

3. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the “Confidential Information”).
- G. **Confidential Information as Property of Franchisor.** Franchisee acknowledges and agrees that the Confidential Information and any business goodwill of the Franchise are Franchisor’s sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be immediately turned over by Franchisee, at Franchisee’s sole expense, to Franchisor or to Franchisor’s authorized representative.
- H. **Information Not Proprietary.** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as defined in Section 8(H) below) is information that:
1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
  2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.
- I. **Reasonable Efforts to Maintain Confidentiality.** Franchisee shall at all times treat the Confidential Information as confidential and shall use all reasonable efforts to keep such information secret and confidential, including without limitation, all logins/passwords/keys necessary to access any component of the Computer System or related software used in connection with the Franchised Business. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee’s employees. Franchisee shall not, at any time without Franchisor’s prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.
- J. **Prevention of Unauthorized Use or Disclosure.** Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, “Restricted Persons”) execute Franchisor’s prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit E (the “Confidentiality and Non-Competition Agreement”). Franchisee must obtain a

signed copy of the Confidentiality and Non-Competition Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee's spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of Franchisor's request.

- K. **Improvements.** Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the "Improvements"), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor's interest therein. These obligations shall continue beyond the termination or expiration of this Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

## 9. **ADVERTISING**

- A. **Designated Advertising Materials and Promotional Programs.** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the ISI® ELITE TRAINING Facilities operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.
- B. **Approval for all Advertising/Promotional Materials.** All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials twenty (20) days prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use.

Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have fifteen (15) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Once approved, Franchisee may use the proposed materials for a period of ninety (90) days, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously-approved materials in writing. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase "Franchises Available" and references to Franchisor's telephone number and/or website.

- C. **Grand Opening Advertising (Initial Marketing Spend)**. Franchisee must spend a minimum of \$35,000 to promote and advertise the grand opening of the Franchised Business within the Designated Territory, which must be spent during the twelve (12) weeks of presales immediately prior to Franchisee's opening of the Franchised Business (the "Grand Opening Advertising" or "Initial Marketing Spend"). If Franchisor collects any portion of the Grand Opening Advertising, it will only do so in order to pay its out-of-pocket costs to implement the Grand Opening Advertising campaign on Franchisee's behalf.
- D. **Local Advertising Requirement**. In addition to Grand Opening Advertising, Franchisee must expend a minimum of Six Thousand Dollars (\$6,000.00) each calendar quarter (3-month period) the Franchised Business is open and operating on advertising and marketing the Franchised Business within the Designated Territory as a Local Advertising Requirement.
1. Franchisee agrees and acknowledges that Franchisor may collect portions of the Local Advertising Requirement to cover the costs/fees associated with any local advertising and/or marketing services that Franchisee is required to utilize in connection with the Franchised Business, and such payments may be collected (as incurred) in the same manner as the Royalty or as otherwise designated by Franchisor.
  2. Upon Franchisor's request, Franchisee must provide Franchisor with invoices or other proof of its monthly expenditures on local advertising and marketing.
  3. Franchisee must ensure that: (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including any other System franchise); and (ii) the

Franchised Business is listed in the appropriate Internet-based directories that Franchisor designates.

4. Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and that area has not been granted to any other System Facility and/or franchisee/developer, or (b) Franchisor otherwise provides its prior written consent in writing.

E. **Brand Fund**. Franchisor reserves the right to establish a System-wide creative brand Fund designed to promote the System, Proprietary Marks and Franchisor's brand generally. If such a Fund is established, Franchisor may require Franchisee to contribute to this Fund on a monthly basis in an amount equal three percent (3%) of the Gross Revenues of the Franchised Business as described in Section 4. Any amounts Franchisee is required to contribute to the Fund will be credited towards Franchisee's Advertising Fee requirements. All payments by Franchisee to the Fund are non-refundable upon payment, and Franchisor will account separately for all sums paid to the Fund. The Fund will be maintained and administered by Franchisor or Franchisor's designee as follows:

5. Franchisor will use Fund and all contributions to it and any earnings on it, exclusively for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Approved Services.
2. Franchisor is not obligated to spend monies from the Fund in any particular Franchisee's market in proportion to the payments to the Fund made by the Franchisee in that market. Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally.
3. The Fund may be used to meet any and all costs of maintaining, administering, directing and preparing advertising, marketing and promotional materials. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor's Website (and the interior pages thereof), employing advertising and public relations agencies, purchasing promotional items, and providing other marketing materials and services to Facilities operating under the System. These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Fund and its programs. No part of the Fund shall be used by Franchisor to defray any of its general operating expenses,

other than those reasonably allocable to the advertising described in this Section or other activities reasonably related to the administration or direction of the Fund.

5. Franchisor shall administratively segregate all contributions to the Fund on its books and records. All such payments to the Fund may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds, and may be deemed an asset of Franchisor, subject to Franchisor's obligation to expend the monies in the Fund in accordance with the terms hereof. Franchisor may, in its sole discretion, elect to accumulate monies in the Fund for such periods of time, as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event Franchisor's expenditures for the Fund in any one (1) fiscal year shall exceed the total amount contributed to the Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust.
  6. Franchisor will, on an annual basis, account for the operation of the Fund and prepare an unaudited financial statement evidencing such accounting that will be available to Franchisee, upon Franchisee's written request, one hundred twenty (120) days after Franchisor's fiscal year end.
  7. Franchisor may dissolve, suspend, modify and/or reinstate the Fund at any time after it is established.
- F. **Advertising Council.** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Counsel, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Facilities, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.
- G. **Website (and/or Other Internet Presence on Social Media or Otherwise).** Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or

maintained by or for the benefit of Franchisee shall be deemed “advertising” under this Agreement, and will be subject to (among other things) Franchisor’s approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor’s prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee’s use of separate websites and social media, as Franchisor determines necessary or appropriate.

H. **Cooperatives.** Franchisor may establish regional advertising cooperatives that are comprised of multiple Facility owners located within a geographical region that Franchisor designates (each, a “Cooperative”). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in an amount not to exceed Franchisee’s Local Advertising Requirement each month. All amounts paid to a Cooperative will be credited towards Franchisee’s Local Advertising Requirement. Franchisor shall have the right to specify the governing rules, terms and operating procedures of any Cooperative.

~~I. **Call Center.** Beginning at least twelve (12) weeks before Franchisee opens for business and continuing during the term of this Agreement, Franchisee shall pay Franchisor, Franchisor’s affiliate, or any other party designated by Franchisor, the then-current fee for use of a call center that receives inbound leads for Franchisee and performs related marketing functions (the “Call Center Fee”). The Call Center Fee may be a flat monthly fee or it may be based on the volume of calls fielded through the call center for Franchisee. Franchisee shall pay the Call Center Fee when Franchisee is invoices for the Call Center Fee. As of the date of this Agreement, the Call Center Fee is approximately nine hundred dollars (\$900) per month.~~

~~J.I.~~ **Digital Advertising.** Franchisee may, but shall not be required to, engage Franchisor’s affiliate and/or designated supplier for digital advertising services. If Franchisee engages Franchisor’s affiliate or designated supplier for digital advertising services, Franchisee shall pay such party its then-current digital advertising fees for the management of Franchisee’s digital advertising, on a recurring basis, in addition to actual digital advertising spend that Franchisee must pay directly (or indirectly through the party managing Franchisee’s digital advertising) to third-party platforms.

## 10. **ACCOUNTING AND RECORDS**

A. **Maintenance of Records.** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall

accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for at least three (3) years, even if this Agreement is no longer in effect. Upon Franchisor's request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents).

- B. **Examination and Audit of Records.** Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files, and data at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Revenues of the Franchised Business or any amount due to Franchisor by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts.
- C. **Computer System for Records.** Franchisee shall record all transactions and Gross Revenues of the Franchised Business on a Computer System that is designated or approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4 of this Agreement.
- D. **Computer System Files and Passwords.** Franchisee will not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement. Consistent with the other provisions of this Agreement, Franchisee agrees and acknowledges that Franchisor may have automatic access to Franchisee's specific passwords/keys/logins through the

Computer System components and related software that Franchisor requires Franchisee to use in connection with the Franchised Business.

- E. **Current Contracts.** At any time and upon reasonable request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current Member or Membership-related agreements and class-based packages that Franchisee is involved in or working with in connection with the Franchised Business.
- F. **Tax Returns.** Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- G. **Required Reports.** Franchisee must provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Revenues Report as described more fully in Section 4 of this Agreement on or before the fifth (5<sup>th</sup>) day of each calendar month; (ii) on or before the twentieth (20<sup>th</sup>) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within ninety (90) days after the close of each fiscal year of Franchisee, financial statements which shall include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (iv) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.
- H. **Change to Ownership of Franchisee.** In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any authorized change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any of the Designated Manager(s) that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change.

## 11. **INSURANCE AND INDEMNIFICATION**

- A. **Required Insurance.** Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. In addition to any other

insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

1. General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate;
2. Property and casualty insurance that covers you for damages or losses to the Business with a minimum policy limit of \$1,000,000 per occurrence or an amount we reasonable specify;
3. “All Risks Property” coverage, including property damage limit, for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;
4. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners or attributable to prevention of access to the Business, with coverage for up to twelve (12) months of projected earnings and such longer period as we may specify periodically. Business interruption insurance is optional; however we may require you to obtain this coverage in the future with liability limits in amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners;
5. Automobile liability coverage (optional), including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit or what is in accordance with your state guidelines;
6. Professional liability insurance (not optional if you are participating in the Iron Kids program) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$1,000,000 and \$3,000,000 aggregate or an amount we reasonably specify;
7. Product liability insurance (optional) that covers you for damages that result in injury from products that you distribute with a minimum with a minimum policy limit of \$1,000,000 per occurrence and \$3,000,000 aggregate or an amount we reasonably specify;
8. Umbrella Policy having a limit of \$2,000,000 on an occurrence basis in excess of covering the underlying insurance described above which is at least as broad as each underlying policy, provided that you may purchase more underlying coverage and less umbrella coverage under such policies as long as you maintain the total amount of the limits specified for each coverage area;
9. Workers’ compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement.

10. Employment practices liability insurance (optional) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;
11. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
12. Child abuse and molestation insurance;
13. Tenant's liability insurance;
14. Any other Insurance required by the state or locality in which the Facility is located and operated in such amounts as required by statute; and
15. Other insurance coverage, as we, your state or the landlord may reasonably require, as Franchisor notifies Franchisee via an update to the Manuals or otherwise in writing at any time after this Agreement is signed.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. **Failure to Procure and Maintain Insurance.** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.
- C. **Indemnification.** Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors,

officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the “Indemnitees”), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys’ fees and court costs), that are brought against any of the Indemnitees (collectively, the “Claims”) that arise out of or are otherwise related to Franchisee’s (a) breach or attempted breach of, or misrepresentation under, this Agreement, and/or (b) ownership, construction, development, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor’s option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

## 12. **INDEPENDENT CONTRACTOR**

- A. **No Fiduciary Relationship.** In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. **Independent Contractor Relationship.** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor’s request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): “This ISI® ELITE TRAINING Facility is independently owned and operated pursuant to a franchise agreement.” Neither this Agreement nor Franchisor’s course of conduct is intended, nor may anything in this Agreement (nor Franchisor’s course of conduct) be construed to state or imply that Franchisor is the employer or joint employer of Franchisee’s employees and/or independent contractors.

## 13. **TRANSFER AND ASSIGNMENT**

- A. **No Transfer by Franchisee Without Franchisor’s Approval.** Franchisee’s rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee’s interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor’s prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor’s prior written consent shall be voidable at Franchisor’s option and shall subject this Agreement to termination as specified herein.
- B. **Death or Disability.**
1. In the event of Franchisee’s death, disability or incapacitation (or the death, disability or incapacitation of Franchisee’s principals/owners/guarantors),

Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the "90 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

2. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.

- C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in

the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D).

- D. **Right of First Refusal.** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.
- E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:
1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;
  2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
  3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;

4. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Agreement;
5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;
6. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;
7. Franchisee must pay Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000.00), and the Franchisee/transferee must also ensure that they cover and pay any third-party broker fees that either party determined to involve with the proposed assignment/transfer transaction;
8. The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, with the parties agreeing and acknowledging that transferee will also be responsible for all costs and expenses associated with attending the initial training program);
9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;
10. The transferee must demonstrate that is has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;
13. The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;
14. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document; and
15. Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchised Business as Franchisee has supplied Franchisor hereunder.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any transfer fee in the event: (i) Franchisee wishes to transfer its rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by Franchisee and established solely for purposes of operating the Franchised Business under the Franchise Agreement; or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

- F. **Transfer from an Individual Franchisee to Business Entity.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) Franchisee is, and at all times remains, the owner of 51% or more of the outstanding shares of the corporation or a controlling interest in the limited liability company; (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or

Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.

- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

#### 14. **COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

- A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Designated Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Designated Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that (a) generates revenue from the offer, sale and/or provision of any personal and group fitness training, fitness counseling, or nutritional counseling (or any combination thereof) similar to that which is offered by a System Facility (each, a "Competing Business"), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (ii) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;
2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or
3. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

- B. **After the Term of this Agreement.**

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.
  
2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
  - a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business within a twenty five (25) mile radius of the: (i) the Premises; or (ii) any other System Facility (whether franchised or company-owned) that is open or under development as of the date this Agreement expires, terminates, or is assigned in any manner; or
  
  - b. Solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.

**13.12. Intent and Enforcement.** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 14 are necessary to protect Franchisor's procedures and know-how transmitted

during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 14 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation on the restrictive covenants set forth in Section 14(B) shall be tolled during any default under this Section 14.

~~14.13.~~ **Confidentiality and Non-Competition Agreement.** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement (which will be in substantially the same form as the document attached to this Agreement as Exhibit E). Franchisee must furnish Franchisor a copy of each executed agreement.

~~15.14.~~ **No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

## 15. **DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

A. **Automatic Termination.** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;

4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;
5. A final judgment in excess of \$10,000 against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.

B. **Termination upon Notice.** Franchisor has the right to terminate this Agreement upon written notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:

1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application;
2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C) of this Agreement during any twelve (12) month period, whether or not these breaches were timely cured;
4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business;

7. If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);
9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Approved Services that Franchisor authorizes at the Franchised Business; (ii) allowing any individual other than an Authorized Coach that has completed the Coach Module to conduct any fitness classes/instruction or any other Approved Services at the Premises or otherwise in connection with the Franchised Business; (iii) any purchase of any non-approved item or service for use in connection with the Franchised Business; (iv) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates;
11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;
12. If Franchisee fails to provide Franchisor with access, or otherwise blocks Franchisor's access, to Franchisee's POS system, Computer System or registers located at the Franchised Business as required under this Agreement, and fails to remedy this default within twenty four (24) hours of being notified by Franchisor;
13. If Franchisee fails to pay Franchisor, its affiliates or any of its Approved Suppliers any amount that is due and owing Franchisor within ten (10) days

of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;

14. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the sole opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
17. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;
18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period; or
19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or customers; or if Franchisee loses its approval from any city, state, or other regulatory agency to operate a business that provides fitness services, including personal and group fitness training, fitness counseling and nutritional counseling.

C. **Termination upon Notice and 30 Days' to Cure.** Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Manuals; and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.

D. **Step-In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject

to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must (a) pay Franchisor a management fee of up to Three Hundred Fifty Dollars (\$350.00) per day (as Franchisor designates) during the time period that Franchisor's representatives are operating the Franchised Business (the "Management Fee"), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

## 16. **POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. **Cease Ownership and Operation of Facility; Cease Affiliation with Franchisor and Brand Generally.** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of a System franchisee at or with respect to the Premises (unless Franchisor agrees otherwise in writing);
- B. **Return Manuals and Confidential Information.** Return to Franchisor the Manuals and all trade secrets, Confidential Information (including customer lists and information) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;
- C. **Assignment of Customer Contracts, Telephone/Facsimile Numbers and Domain Names.** Take such action as may that Franchisor designates to: (i) provide and assign to Franchisor the then-current and up-to-date customer list to Franchisor; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and

similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit F.

- D. **Cease Using Proprietary Marks.** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest; cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System; and remove all trade dress, physical characteristics, color combinations, and other indications of operation under the System from the Premises. Without limiting the generality of the foregoing, Franchisee agrees that, in the event of any termination or expiration and non-renewal of this Agreement, it will remove all signage bearing the Proprietary Marks, deliver the fascia for such signs to Franchisor upon Franchisor's request, and remove any items that are characteristic of the System "trade dress" from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass.
1. Upon Franchisor's request, Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor; and
  2. Franchisee must cease holding itself out as a present franchisee of Franchisor or Franchisor's franchise system and, upon Franchisor's request, as a past franchisee of Franchisor.
  3. Franchisee must de-brand and remove all trade-dress from their franchised business within fourteen (14) days after termination. This include all signs, banners, or other identification or marks that are owned, trademarked, or used in connection with ISI Elite Training Franchised Business.
  4. Franchisee must provide photo or video proof of such measures as necessary in compliance with the Section and any other section of this Agreement that is deemed necessary by the Franchisor to comply with all post-termination requirements.
- E. **Compliance with Post-Term Covenants.** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement.
- F. **Payment of Amounts Due.** Pay Franchisor, as well as each of Franchisor's Approved Suppliers, any and all amounts owed under this Agreement or otherwise

in connection with the former Franchised Business within 10 days of the termination or expiration date.

- G. **Written Evidence of Compliance.** Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise; and
- H. **Franchisor's Option to Purchase Operating Assets.** Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).
- I. **Franchisor's Collateral Assignment of Lease Rights.** Franchisee must afford Franchisor the option and rights set forth in the Collateral Assignment of Lease and other Lease Addendum terms that Franchisee and Landlord were required to agree to as a condition to Franchisor approving the Premises prior to Franchisee securing the same, within the time period set forth in that Lease Addendum or 30 days past the date this Agreement expires or terminates, whichever is later.

## 17. **TAXES AND INDEBTEDNESS**

- A. **Taxes.** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- B. **Debts and Obligations.** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

## 18. **WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT**

- A. **Franchisor's Approval.** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond

with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.

- B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.
- C. **Terms of Other Franchise Agreements.** No warranty or representation is made by the Franchisor that all ISI® ELITE TRAINING franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. **Modification of System and Manuals.** Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. **No Disclaimers of Franchise Disclosure Document.** Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

## 19. **ENFORCEMENT**

- A. **No Withholding of Payments.** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- B. **Costs and Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation



third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

- C. **Mediation**. At Franchisor’s option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties’ respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place at Franchisor’s then-current corporate headquarters under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor’s rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee’s payment obligations under this Agreement.
- D. **Injunctive Relief**. Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee’s violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee’s use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee’s obligations on termination

or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

- E. **Venue.** Subject to Sections 21(C) and 21(D) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to Franchisor's then-current corporate headquarters or, if appropriate, the United States District Court for the Western District of North Carolina. Franchisee acknowledges that this Agreement has been entered into in the State of North Carolina, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in North Carolina, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of North Carolina as set forth in this Section.
- F. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G. **Notice Requirement.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H. **No Withholding of Payments.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I. **Limitation of Actions.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs

sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

- J. **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.
- K. **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.
- L. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

## 22. **SEVERABILITY AND CONSTRUCTION**

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- B. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

## 23. **ACKNOWLEDGMENTS**

- A. Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisee acknowledges that this Agreement, the franchise disclosure document ("FDD"), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.
- B. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated

with Franchisor's franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK  
SIGNATURES ON THE FOLLOWING PAGE***

**IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.**

**FRANCHISOR:**

**ISI FRANCHISE INTERNATIONAL, INC.**

By: \_\_\_\_\_  
Adam Rice, Chief Executive Officer

**FRANCHISEE:**

\_\_\_\_\_

**IF AN INDIVIDUAL:**

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

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

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

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

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

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

**IF A PARTNERSHIP, CORPORATION,  
OR OTHER ENTITY:**

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

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

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

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

**EXHIBIT A TO THE FRANCHISE AGREEMENT**  
**DATA SHEET AND STATEMENT OF OWNERSHIP**

1. SITE SELECTION AREA

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area:

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2. PREMISES

Pursuant to Section 2(C) of the Franchise Agreement, the Franchised Business shall be located at the following approved Premises:

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3. DESIGNATED TERRITORY

Pursuant to Section 2(D) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

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4. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

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

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

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

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

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

E-mail Address: \_\_\_\_\_

5. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**THE PARTIES SIGNING THIS DATA SHEET BELOW AGREE AND ACKNOWLEDGE THAT THIS DATA SHEET, BY ITSELF, DOES NOT CONSTITUTE A FRANCHISE AGREEMENT OR OTHERWISE CONFER ANY FRANCHISE RIGHTS UPON FRANCHISEE. THIS DATA SHEET PROVIDES CERTAIN DEAL-SPECIFIC INFORMATION IN CONNECTION WITH THE FRANCHISE THAT IS GOVERNED BY THE FRANCHISE AGREEMENT TO WHICH THIS DATA SHEET IS AN EXHIBIT.**

**THE PARTIES AGREE AND ACKNOWLEDGE THAT THE FOREGOING FRANCHISE AGREEMENT MUST BE EXECUTED PRIOR TO OR CONTEMPORANEOUS WITH THIS DATA SHEET FOR ANY RIGHTS TO BE CONFERRED.**

IN WITNESS WHEREOF, the undersigned has duly executed this Exhibit to the Franchise Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISEE**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**ISI FRANCHISE INTERNATIONAL,  
INC.**

By:

\_\_\_\_\_  
Adam Rice, Chief Executive Officer

**EXHIBIT B TO THE FRANCHISE AGREEMENT**

**PERSONAL GUARANTY**

NOTE:IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/ PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE’S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE’S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

**ARTICLE I  
PERSONAL GUARANTY**

The undersigned persons (individually and collectively “you”) hereby represent to ISI FRANCHISE INTERNATIONAL INC. (the “Franchisor”) that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named \_\_\_\_\_ (the “Franchisee”), as well as their respective spouses, as of the date this Personal Guaranty (the “Personal Guaranty” or “Guaranty”) is executed. The undersigned agree and acknowledge that: (i) Franchisee has entered into a franchise agreement with Franchisor at or around the same time this Guaranty is being executed (the “Franchise Agreement”); and (ii) the undersigned are executing this Guaranty as part of the material consideration for Franchisor agreeing to award the franchise rights to Franchisee under that Franchise Agreement.

In consideration of the grant by Franchisor to the Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

## **ARTICLE II CONFIDENTIALITY**

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Confidential Information, trade secrets and/or confidential information, including without limitation: (i) site-selection criteria; (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the “System”) for the establishment and operation of a franchised Facility; (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business; (iv) knowledge of specification for and suppliers of, and methods of ordering, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business; (v) knowledge of the operating results and financial performance of other System Facility locations; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) Franchisor’s proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (viii) information regarding the development of Franchisor’s proprietary marks (the “Proprietary Marks”); (ix) information generated by, or used or developed in, the Facility’s operation, including customer names, addresses, telephone numbers and related information and any other information contained in the Franchised Business’s computer system; (x) the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business; and (xi) any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, “Confidential Information”). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor’s copyrighted materials; price marketing mixes related to the offer and sale or fitness services and other Approved Services and Approved Products (as defined in the Franchise Agreement); standards and specifications for providing the Approved Services and Approved Products and other merchandise or services offered or authorized for sale by System franchisees; methods and other techniques and know-how concerning the of operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee’s obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes “Confidential Information” under this Section: (i) former, current and prospective customer information, including customer names and addresses, contracts/agreements (collectively “Customer Lists”), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

## **ARTICLE III NON-COMPETITION**

You acknowledge that as a participant in the Franchisor’s System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor’s franchisees, you agree as follows:

1. **During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money, lease space or extend credit to (or otherwise have any interest in or involvement with), any other business that (a) offers or provides any personal and group fitness training, fitness counseling, or nutritional counseling (or any combination thereof) that is the same or similar to that which is offered at a System Facility location (each, a “Competing Business”), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business; provided, however, that this Section does not apply to your operation of a System franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than two percent (2%) of the interests in a publicly traded company.

1.2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor’s affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

1.3. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2. **After the Term of This Agreement.**

2.1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in offering or granting franchises or licenses, or establishing joint ventures, for the ownership or operation of a Competing Business.

2.2. For a period of two (2) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1. Own, maintain, engage in, be employed by, lend money to, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business at or within the following areas: (i) at the Premises of the Franchised Business; (ii) within the Designated Territory granted under the Franchise Agreement; or (iii) within a radius 25 miles of (a) the perimeter of the Designated Territory granted under the Franchise Agreement or (b) any other System Facility (whether franchised or company-owned) that is open or under development as of the date the Franchise Agreement expires, terminates, or is assigned in any manner.

2.2.2. Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

2.2.3. Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, or any other System franchisee to discontinue employment.

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

#### **ARTICLE IV DISPUTE RESOLUTION**

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of North Carolina.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, at Franchisor's then-current headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any arbitration proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further

mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1. *Excepted Claims.* The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5. **Jurisdiction and Venue.** Subject to the dispute resolution provisions in this Guaranty, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located closest to Franchisor's then-current headquarters or, if appropriate, the United States District Court for the Western District of North Carolina. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or arbitration proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

9. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts

or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

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

13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor's obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor's sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

14. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16. **Successors.** References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns or transferees.

**IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.**

**PERSONAL GUARANTORS**

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

**EXHIBIT C TO THE FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE**

**THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this “Assignment”) is effective as of \_\_\_\_\_ (the “**Effective Date**”), and is being signed simultaneously with the Lease (the “**Lease**”) dated \_\_\_\_\_ between \_\_\_\_\_ (the “**Franchisee**” or “**Tenant**”) and \_\_\_\_\_ (the “**Landlord**”) for the real property commonly known as \_\_\_\_\_ (the “**Premises**”).

1. **Incorporation and Precedence.** This Assignment is incorporated into the Lease and supersedes any conflicting provisions in it. Capitalized terms not otherwise defined in this Assignment have the meanings as defined in the Lease.

2. **Background.** The Tenant will operate an ISI Elite Training franchise at the Premises under a Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) with ISI Franchise International, Inc. (the “**Franchisor**”). By entering into a franchise relationship with the Franchisor, the Tenant has agreed to grant the Franchisor a security interest in all of the furniture, fixtures, inventory and supplies located in the Premises as collateral for: (a) the payment of any obligation, liability or other amount owed by Tenant or its affiliates to the Franchisor under the Franchise Agreement. The Franchise Agreement also requires that the Lease contain provisions that the Tenant is requesting the Landlord to include.

3. **Access to Premises.** During the term of the Lease, the Landlord and Tenant acknowledge and agree that the Franchisor will have unrestricted access to the Premises within normal business hours to inspect the Premises and Tenant’s business operations in accordance with the Franchise Agreement.

4. **Notice of Default.** The Landlord will give written notice to the Franchisor (concurrently with the giving of such notice to the Tenant) of any default (a “**Default**”) by the Tenant under the Lease by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time:

ISI Franchise International, Inc.  
5601 77 Center Drive, Suite 215  
Charlotte, NC 28217  
Attention: Adam Rice

Such notice will grant the Franchisor the right, but not the obligation, to cure any Default, if the Tenant fails to do so, within ten (10) days after the expiration of the period in which the Tenant may cure the Default under the Lease. Such notice will also grant the Franchisor ten (10) days in which to exercise its right to assume the lease as described below.

5. **De-identification Upon Termination.** Upon termination of the Franchise Agreement or the Lease, Landlord shall, during normal business hours, grant Franchisor access to the Premises for the purpose of removing certain material bearing Franchisor’s intellectual property, including all trademarks and trade dress.

6. **Franchisor’s Assumption of Lease.** Within ten (10) days of receiving notice of a Default of

the Lease by Tenant or upon the default of the Franchise Agreement by Tenant, Franchisor may deliver written notice to Landlord to have the Lease assigned to the Franchisor or a designated affiliate of Franchisor as lessee (the “**Assignment Notice**”). Upon receiving such written notice, (i) the Franchisor or its designated affiliate will become the lessee of the Premises and will be liable for all past-due obligations under the Lease as well as obligations arising after the date of the Assignment Notice, and (ii) the Landlord will recognize the Franchisor or its designated affiliate as the lessee of the Premises effective as of the date of the Assignment Notice. Nothing herein shall be construed as a requirement of the Franchisor or an affiliate to assume the Lease.

7. Amendment. The Landlord and the Tenant will not cancel, terminate, modify or amend the Lease such that the Franchisor’s rights under this Assignment are altered in any way without the Franchisor’s prior written consent.

8. Benefits and Successors. The benefits of this Assignment inure to the Franchisor and to its successors and assigns.

9. Remaining Provisions Unaffected. Those parts of the Lease that are not expressly modified by this Assignment remain in full force and effect.

Intending to be bound, the Landlord and the Tenant sign and deliver this Assignment effective on the Effective Date, regardless of the actual date of signature.

“**LANDLORD**”

“**TENANT**”

\_\_\_\_\_

\_\_\_\_\_

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

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

**EXHIBIT D TO THE FRANCHISE AGREEMENT**  
**EFT AUTHORIZATION FORM**

# ISI® ELITE TRAINING

## Authorization for Direct Payment via ACH

Direct Payment via ACH is the transfer of funds from an account for the purpose of making a payment.

I (we) authorize ISI® Franchise International Inc. (“COMPANY”) to electronically debit my (our) account and, if necessary, to electronically credit my (our) account to correct erroneous debits as follows:

Checking Account /  Savings Account (select one) at the depository Financial Institution named below (“DEPOSITORY”). I (we) agree that ACH transactions I (we) authorize comply with all applicable law.

**Business Name:** \_\_\_\_\_

**Business address:**  
\_\_\_\_\_

**Depository name:** \_\_\_\_\_

**Depository address:** \_\_\_\_\_

**Routing number:** \_\_\_\_\_ **Account number:** \_\_\_\_\_

**Name(s) on the account:** \_\_\_\_\_

**Debit transaction frequency:**

**Recurring Entries** (entries that recur at substantially regular intervals, without further affirmative action by the Receiver)

**Date of debit:** \_\_\_\_\_

**Number of and/or frequency of debits:** \_\_\_\_\_

I (we) understand that this authorization will remain in full force and effect until I (we) notify COMPANY with written notification that I (we) wish to revoke this authorization in such time and in such manner as to afford ISI® Elite Training and United Community a reasonable opportunity to cancel this authorization.

Name(s): \_\_\_\_\_

(Please Print)

Date: \_\_\_\_\_ Signature(s): \_\_\_\_\_

**EXHIBIT E TO THE FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**  
*(for trained employees, officers, directors, general partners, members, Designated Managers  
and any other management personnel of Franchisee)*

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of \_\_\_\_\_ (the “Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from ISI Franchise International, Inc. (the “Company”) to: (i) establish and operate an ISI® ELITE TRAINING franchised business (the “Franchised Business”); and (ii) use in the operation of the Franchised Business the Company’s trade names, trademarks and service marks (collectively, the “Proprietary Marks”) and the Company’s unique and distinctive format and system relating to the establishment and operation of ISI® ELITE TRAINING Franchised Businesses (the “System”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: \_\_\_\_\_ (the “Premises”).

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company’s proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the “Manual”); Franchisor’s proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other ISI® ELITE TRAINING Facility businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of ISI® ELITE TRAINING Facility business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the “Confidential Information”).

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or

duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that: (i) generates revenue from the offer, sale and/or provision of personal and group fitness training, fitness counseling and nutritional counseling (or any combination thereof) similar to that offered and sold by a System Facility; or (ii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that generate revenue from the offer, sale and/or provision of services including personal and group fitness training, fitness counseling and nutritional counseling and/or the other Approved Products and Approved Services similar to those offered by a System Facility (collectively, a "Competing Business"). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Designated Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 25-mile radius of the Premises; or (ii) within a 25-mile radius of any other System Facility business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two-year period following the termination or expiration of my employment with the Franchisee.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to 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 Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, 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.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF **[INSERT STATE WHERE FRANCHISED BUSINESS IS LOCATED]** AND MYSELF HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISED BUSINESS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR **[INSERT APPROPRIATE COURT]**. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY **[INSERT STATE WHERE FRANCHISED BUSINESS IS LOCATED]** OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF,

FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice.

The notice shall be addressed to

For Franchisee: [INSERT FRANCHISEE's NOTICE ADDRESS]

For Undersigned: [INSERT UNDERSIGNED's NOTICE ADDRESS]

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

**IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.**

**UNDERSIGNED**

[NAME OF PERSONNEL/MANAGER]

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

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

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

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

**ACKNOWLEDGED BY FRANCHISEE**

[FRANCHISEE NAME]

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

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

**EXHIBIT F TO THE FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES**

1. \_\_\_\_\_, doing business as ISI® ELITE TRAINING franchised facility (the “Assignor”), in exchange for valuable consideration provided by ISI Franchise International, Inc. (the “Assignee”), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its ISI® ELITE TRAINING franchised facility located at \_\_\_\_\_ (collectively, the “Assigned Property”). The Assigned Property includes the following:

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

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

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

**ASSIGNOR: [FRANCHISEE NAME]**

BY: \_\_\_\_\_ Date: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ASSIGNEE: ISI FRANCHISE INTERNATIONAL, INC.**

BY: \_\_\_\_\_  
Adam Rice, Chief Executive Officer

**EXHIBIT B TO DISCLOSURE DOCUMENT**

**DEVELOPMENT AGREEMENT**

**ISI FRANCHISE INTERNATIONAL, INC.**

**AREA DEVELOPMENT AGREEMENT**

DEVELOPER

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DATE OF AGREEMENT

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## TABLE OF CONTENTS

1.	REFERENCES AND DEFINITIONS	2	
A.	DEVELOPMENT AREA		2
B.	DEVELOPMENT SCHEDULE/DEVELOPMENT PERIOD		2
C.	FRANCHISE AGREEMENT		2
D.	PRINCIPALS		2
2.	USE OF SYSTEM	2	
3.	GRANT OF DEVELOPMENT RIGHTS	3	
A.	TERM.		3
B.	COMMITMENT OF DEVELOPER		3
C.	DEVELOPMENT PLAN		3
D.	EXECUTION OF FRANCHISE AGREEMENT		3
4.	DEVELOPMENT RIGHTS AND OBLIGATIONS	4	
A.	RESERVATIONS OF RIGHTS		4
B.	RIGHTS DURING DEVELOPMENT PERIODS		4
C.	DEVELOPMENT OBLIGATIONS		5
E.	EXPIRATION OR TERMINATION		5
5.	TITLE BOXING CLUB FITNESS FACILITIES CLOSINGS	6	
6.	PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS	6	
7.	DUTIES OF DEVELOPER	6	
A.	ORGANIZATION OF DEVELOPER		6
B.	REQUIREMENTS OF REPRESENTATIVE		7
D.	BEST EFFORTS		8
8.	SITE SELECTION, LEASES, FRANCHISE AGREEMENT	8	
A.	SELECTION OF SITE BY DEVELOPER		8
B.	DEMOGRAPHIC INFORMATION		8
C.	LEASE OR PURCHASE OF SITE		8
D.	FRANCHISE AGREEMENT		9
9.	DEVELOPMENT FEE	9	
10.	SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT	9	
11.	COVENANTS	9	
12.	RELATIONSHIP OF THE PARTIES	12	
13.	LICENSED MARKS	13	
14.	TERMINATION	14	
15.	EFFECT OF TERMINATION AND EXPIRATION	16	

16.	TRANSFER OF INTEREST	16	
A.	BY FRANCHISOR		16
B.	DEVELOPER MAY NOT ASSIGN WITHOUT APPROVAL OF THE FRANCHISOR		16
C.	CONDITIONS FOR APPROVAL OF ASSIGNMENT.		16
D.	ASSIGNMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY		17
E.	RIGHT OF FIRST REFUSAL		18
G.	PUBLIC OR PRIVATE OFFERINGS		19
H.	NOTICE TO FRANCHISOR		20
17.	APPROVALS	20	
18.	NONWAIVER	20	
19.	DEVELOPER'S RECORDS AND REPORTS	21	
20.	NOTICES AND PAYMENTS	21	
23.	ENFORCEMENT	24	
A.	SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS		24
B.	EXCEPTIONS		25
D.	RIGHTS OF PARTIES ARE CUMULATIVE		25
E.	COSTS AND ATTORNEYS' FEES		25
H.	VARIANCES		25
J.	BINDING EFFECT		26
K.	CONSTRUCTION/INTEGRATION CLAUSE		26
24.	CAVEAT	27	
25.	MISCELLANEOUS	27	

## EXHIBITS

ATTACHMENT: GUARANTY AND ASSUMPTION OF OBLIGATIONS

EXHIBIT A – DEVELOPMENT AREA

EXHIBIT B – DEVELOPMENT SCHEDULE

EXHIBIT C – FRANCHISE AGREEMENT

EXHIBIT D – STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS

EXHIBIT E – CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE

## AREA DEVELOPMENT AGREEMENT

**THIS AREA DEVELOPMENT AGREEMENT** (the “Agreement”), is made and entered into on \_\_\_\_\_, by and between: (i) ISI Franchise International, Inc., a South Carolina corporation with its principal place of business at 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217 (the “Franchisor”); and (ii) \_\_\_\_\_, a/n \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “Developer”).

### WITNESSETH:

WHEREAS, as the result of the expenditure of time, effort and expense, Franchisor has created a unique and distinctive proprietary system (hereinafter the “System”) related to the establishment, development, opening, and operation of a business that provides various types of personal and group fitness training, fitness counseling and classes via a membership model and other method that Franchisor authorizes (collectively, the “Approved Services”), along with certain fitness-related supplies and merchandise that may or may not bear Franchisor’s proprietary marks (collectively, the “Approved Products”), with high levels of customer service and attention and in a clean, friendly environment that is welcoming to clientele (each, a “Facility”).

WHEREAS, Franchisor owns the System and the right to use the Proprietary Marks (as defined below), and grants the right and license to others to use the System and the Proprietary Marks;

WHEREAS, the distinguishing characteristics of the System include, without limitation, proprietary methodology and procedures for the establishment and operation of a Facility, including instruction on fitness and nutritional counseling; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Facility; standards and specifications for the furniture, fixtures and equipment located within a Facility; established relationships with approved or designated suppliers for certain products and services; and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility.

WHEREAS, Franchisor identifies the System and licenses the use of certain trade names, service marks, trademarks, emblems and indicia of origin, including its current primary mark ISI® ELITE TRAINING, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”).

WHEREAS, Developer desires the right to develop, own and operate multiple franchised Facilities under the System in a defined geographic area under a Development Schedule (the “Development Schedule”) set forth in this Agreement; and

WHEREAS, Developer acknowledges that Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted as a franchised Facility may evolve and change over time, that an investment in a franchised Facility involves a business risk and the success of the venture is largely dependent upon Developer’s business abilities and efforts.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

## **1. REFERENCES AND DEFINITIONS**

### **A. DEVELOPMENT AREA**

“Development Area” means the geographic area described in Exhibit A.

### **B. DEVELOPMENT SCHEDULE/DEVELOPMENT PERIOD**

“Development Schedule” means the schedule for Developer to open and operate a specific cumulative number of System Facilities as set forth in Exhibit B to this Agreement. Each “Development Period” is a period of time set forth in the Development Schedule wherein Developer must meet each specific development obligations.

### **C. FRANCHISE AGREEMENT**

The term “Franchise Agreement” means the then-current form of agreements (including the franchise agreement and any exhibits, riders, collateral assignments of leases or subleases, shareholder guarantees and preliminary agreements) that Franchisor customarily uses in the granting of a franchise for the ownership and operation of a System Facility, which may contain different terms than the form of Franchise Agreement that Developer executes in conjunction with the execution of this Agreement.

Concurrent with the execution of this Agreement, Developer shall execute the Franchise Agreement for the first Facility that Developer is granted the right to open within the Development Area hereunder. Franchisor, in its sole discretion, but subject to the express provisions contained herein, may modify or amend in any respect the standard form of Franchise Agreement it customarily uses in granting a franchise for a System Facility.

The parties agree and acknowledge that: (i) Developer must timely execute Franchisor’s then-current form of Franchise Agreement for each System Facility that Developer is required to open and commence operating pursuant to the Development Schedule; and (ii) Franchisor may, in its discretion, modify or amend the form of Franchise Agreement that Franchisor is using as of the date this Agreement is executed as it deems appropriate for (a) use in the System generally, and (b) execution by the parties in connection with the Facilities that Developer must subsequently open and commence operating under this Agreement.

### **D. PRINCIPALS**

The term “Principals” includes, collectively and individually, Developer’s owners; if Developer is an entity, any officers and directors of Developer (including the officers and directors of any general partner of Developer) and any person and of any entity directly owning and/or controlling ten percent (10%) or more of Developer, or a managing member or manager of a limited liability company. The initial Principals shall be listed in Exhibit D. The Principals must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations (immediately following this Agreement) undertaking to be bound jointly and severally to all provisions of this Agreement.

## **2. USE OF SYSTEM**

Developer acknowledges, and does not contest, Franchisor’s exclusive ownership and rights to each and every aspect of the System. Developer’s right to use the System is specifically limited to the

Development Area and the terms and conditions of this Agreement and Franchise Agreements executed pursuant thereto.

### **3. GRANT OF DEVELOPMENT RIGHTS**

#### **A. GRANT AND TERM**

In reliance on the representations and warranties of Developer and its Principals, Franchisor grants to Developer, and Developer hereby accepts the right and obligation to develop, \_\_\_\_\_ ( ) System Facilities within the Development Area in full compliance with the terms of this Agreement, including the timely development obligations to open a specific cumulative number of System Facilities over prescribed periods of time as established in the Development Schedule; and in full compliance with all obligations and provisions under the form(s) of Franchise Agreement entered into for the right to own and operate each individual System Facility.

The term of this Agreement shall commence upon full execution of this Agreement and, unless earlier terminated by Franchisor pursuant to the terms hereof, this Agreement shall expire upon the earlier of: (i) the date Developer timely opens the last System Facility it is required to open and commence operations within the Development Area pursuant to this Agreement; or (ii) the last day of the last Development Period on the Development Schedule. Developer acquires no rights under this Agreement to develop System Facilities outside the Development Area. Upon expiration or termination of this Agreement for any reason, Developer will have no rights whatsoever within the Development Area (other than any territorial rights that Franchisor has granted to Developer in connection with any System Facility(ies) that Developer has timely opened pursuant to a Franchise Agreement as required by the Development Schedule prior to the date this Agreement is terminated or expires).

#### **B. COMMITMENT OF DEVELOPER**

Franchisor has granted these rights in reliance on the business skill, financial capability, personal character and expectations of performance by the Developer and its Principals. This Agreement is for the purpose of developing and operating the System Facilities, and is not for the purpose of reselling the rights granted by this Agreement.

#### **C. DEVELOPMENT PLAN**

The following conditions and approvals are conditions precedent before the right of Developer to develop each System Facility becomes effective. At the time Developer selects a site for each System Facility, Developer must satisfy the operational, financial and training requirements, set forth below:

(1) Operational: Developer must be in substantial compliance with the material terms and conditions of this Agreement and all Franchise Agreements granted Developer. For each System Facility operated by Developer, Developer must be in substantial compliance with the standards, specifications, and procedures set forth and described in the Manuals (defined in the Franchise Agreement).

(2) Financial: Developer and the Principals must satisfy Franchisor's financial criteria for Developers and Principals with respect to Developer's operation of its existing System Facilities, if any, and the proposed System Facility. Developer must be in compliance and not been in default during the twelve (12) months preceding Developer's request for approval, of any monetary obligations of Developer to Franchisor or its affiliate under any Franchise Agreement granted under this Agreement.

#### **D. EXECUTION OF FRANCHISE AGREEMENT**

This Agreement is not a Franchise Agreement and does not grant Developer any right or license to operate a System Facility, or to provide services, or to distribute goods, or any right or license in the Proprietary Marks. Developer must timely execute Franchisor's then-current form of Franchise Agreement for each System Facility that Developer is required to open under the Development Schedule.

#### **4. DEVELOPMENT RIGHTS AND OBLIGATIONS**

##### **A. RESERVATION OF RIGHTS**

Franchisor (on behalf of itself and its affiliate and its subsidiaries) retains the rights, in its sole discretion and without granting any rights to Developer: (1) to itself operate, or to grant other persons the right to operate, System Facilities at locations and on terms Franchisor deems appropriate outside the Development Area granted Developer, and (2) to sell the products and services authorized for System Facilities under the Proprietary Marks or under other trademarks, service marks and commercial symbols through dissimilar channels of distribution and under terms Franchisor deems appropriate within and outside the Development Area, including, but not limited to, by electronic means, such as the Internet, and by web sites established by Franchisor, as we determine, in our sole discretion.

In addition, Franchisor, any other developer and any other authorized person or entity shall have the right, at any time, to advertise and promote the System, in the Development Area. Developer acknowledges and agrees that Developer is only granted the right to develop and operate System Facilities within the Development Area. Accordingly, within and outside the Development Area, Franchisor and its affiliate and its subsidiaries may also offer and sell, and may authorize others to offer and sell products and services identified by the Proprietary Marks (including memberships and gift cards) at or from any location.

Franchisor or any other developer or any other authorized person or entity shall have the right, at any time, to establish and operate businesses offering dissimilar products or dissimilar services within and outside the Development Area granted by the Area Development Agreement and within and outside the Designated Territory granted by a Franchise Agreement, under the Proprietary Marks and on any terms and conditions as determined by Franchisor; to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at a System Facility and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or the licensees of these businesses) are located or operating, which may include within the Development Area granted by this Area Development Agreement and within the Designated Territory granted by any franchise agreement.

Franchisor may be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction, by a business providing products and similar services to those provided at a System Facility, or by another business, even if such business operates, franchises and/or licenses competitive businesses within the Development Area granted by the Area Development Agreement and within the Designated Territory granted by a Franchise Agreement.

Franchisor has the right to own, operate and license others to own and operate other business concepts in and outside the Development Area, provided the other business concepts are not similar to a System Facility utilizing the Proprietary Marks and System.

Franchisor has no obligation and will not pay Developer if it exercises any of the rights specified above within the Development Area granted by the Area Development Agreement or within the Designated Territory granted by a Franchise Agreement.

##### **B. RIGHTS DURING DEVELOPMENT PERIODS**

Except as provided below, if Developer (i) is in compliance with the material terms and conditions contained in this Agreement, including the timely development obligations to open a specific cumulative number of System Facilities over prescribed periods of time as established in Exhibit B (the “Development Schedule”) and (ii) is in substantial compliance with all material obligations under Franchise Agreements executed by Developer for individual System Facilities under this Agreement; then during the Development Schedule, Franchisor: (i) will grant Developer the right to own and operate System Facilities located within the Development Area pursuant to the terms of this Agreement; and (ii) will not operate (directly or through its affiliate), nor grant a franchise for the location of, any System Facility within the Development Area, except for franchises granted to Developer under this Agreement, or other than through the uses and exceptions as described in Section 4(A) of this Agreement.

If Developer, for any reason within his control, fails to comply with the Development Schedule, this failure constitutes a material default of this Agreement, and Franchisor has the right to terminate this Agreement pursuant to Section 14 of this Agreement. In the event Developer fails to cure the noticed default within the time allowed under Section 14, Franchisor may terminate this Agreement and grant individual or area development franchises within the Development Area to third parties or own and operate Facilities owned by Franchisor or by the affiliate of Franchisor. Franchisor and Developer agree that the timely development of Facilities by Developer in compliance with the Development Schedule will control the rights granted Developer by this Agreement, regardless of the time period granted Developer to open a Facility pursuant to a Franchise Agreement for such Facility. Upon termination of this Agreement, all rights granted Developer revert to Franchisor, who is free to franchise any other person to use the System within the Development Area or to itself own and operate System Facilities within the Development Area.

Notwithstanding anything contained in this Section, Franchisor will provide Developer with a one-time reasonable extension of time not to exceed 90 days to comply with its development obligations in any one of the Development Period as set forth in the Development Schedule (see Exhibit B), provided: (i) Developer has already executed a lease for, or otherwise obtained, a Premises that Franchisor approves for any System Facility(ies) it is required to open and operate during that Development Period; and (ii) Developer notifies Franchisor of its need for such an extension no less than 30 days prior to expiration of that Development Period. The parties agree and acknowledge that Franchisor’s grant of this one-time extension under this Section will not extend, modify or otherwise affect the expiration of any of Developer’s subsequent Development Periods or subsequent development obligations.

### **C. DEVELOPMENT OBLIGATIONS**

Developer will at all times faithfully, honestly, and diligently perform his obligations under this Agreement and will continuously exert his best efforts to timely promote and enhance the development of System Facilities within the Development Area. Developer agrees to open and operate the cumulative number of System Facilities at the end of each Development Period set forth in the Development Schedule (see Exhibit B). Developer agrees that compliance with the Development Schedule is the essence of this Agreement.

### **D. EXPIRATION OR TERMINATION**

After this Agreement expires or terminates for any reason, Franchisor shall have the absolute right to own and operate, or license other parties the right to own and operate System Facilities, in the Development Area, except in those Designated Territories granted under each Franchise Agreement that Developer enters into pursuant to this Agreement.

## **5. FACILITY CLOSINGS**

If during the term of this Agreement, Developer ceases to operate any System Facility developed under this Agreement for any reason, Developer must develop a replacement System Facility to fulfill Developer's obligation to have open and in operation the required number of System Facilities upon the expiration of each Development Period. The replacement System Facility must be open and in operation within nine (9) months after Developer ceases to operate the System Facility to be replaced or Developer will be in material breach of this Agreement. If, during the term of this Agreement, Developer, in accordance with the terms of any Franchise Agreement for a System Facility developed under this Agreement, transfers its interests in that System Facility, a transferred System Facility shall continue to be counted in determining whether the Developer has complied with the Development Schedule so long as it continues to be operated as a System Facility. If the transferred System Facility ceases to be operated as a System Facility, it will not count toward Developer's compliance with the Development Schedule.

## **6. PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS**

Developer shall enter into a separate Franchise Agreement with Franchisor for each System Facility developed pursuant to this Agreement. The Franchise Agreement to be executed for the first System Facility to be developed by Developer under this Agreement must be executed and delivered to Franchisor concurrently with the execution and delivery of this Agreement. All subsequent System Facilities developed under this Agreement must be established and operated under the then-current form of Franchise Agreement then being used by Franchisor for System Facilities under the System. The then-current form of Franchise Agreement may differ from the form attached as Exhibit C, including different royalty fees and advertising contributions among other things. Developer must execute the then-current form of Franchise Agreement for each System Facility to be developed under this Agreement.

Developer acknowledges that the projected opening dates for each System Facility set forth in the Development Schedule are reasonable requirements. Developer must execute the then-current form of Franchise Agreement for each Facility by the earlier of: (i) fifteen (15) days from the date a lease is signed for a location that Franchisor approves for the System Facility at issue; and (ii) the date necessary for Developer to otherwise comply with its development obligations under this Agreement (both subject to applicable waiting periods under state and federal franchise laws).

## **7. DUTIES OF DEVELOPER**

### **A. ORGANIZATION OF DEVELOPER**

Developer makes the following representations, warranties and covenants and accepts the following continuing obligations:

(1) If Developer is a corporation, limited liability company or a partnership, Developer represents, warrants and covenants that: (i) Developer is duly organized and validly existing under the state law of its formation; (ii) Developer is duly qualified and is authorized to do business in each jurisdiction which requires such qualification; (iii) the execution and performance of this Agreement are within Developer's corporate power, if Developer is a corporation or if Developer is a partnership permitted under Developer's written partnership agreement, or if Developer is a limited liability company, permitted under the management agreement;

(2) If Developer is a corporation, copies of its articles of incorporation, bylaws, other governing documents, any amendments, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, shall be promptly furnished to Franchisor. If Developer is a partnership,

copies of Developer's written partnership agreement and other governing documents shall be promptly furnished to Franchisor before the execution of this Agreement. If Developer is a limited liability company, copies of Developer's organizational documents and management agreement shall be promptly furnished to Franchisor;

(3) If Developer is a corporation, partnership, limited liability company, or other form of legal entity other than an individual, Developer shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Developer or, if Developer is a partnership, Developer shall maintain at all times a current list of all owners of an interest in the partnership, or, if Developer is a limited liability company, it shall maintain at all times a current list of managers and members of the limited liability company;

(4) If, after the execution of this Agreement, any person ceases to qualify as one of the Developer's Principal's (as defined in Section 1), or if Developer believes in the event any individual later qualifies as one of Principals, Developer shall promptly notify Franchisor and that person shall execute any documents (including, as applicable, this Agreement) as Franchisor may reasonably require;

(5) If Developer is a corporation, Developer must maintain stop-transfer instructions against the transfer of its records of any equity security and each stock certificate of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 7 shall not apply to a publicly held corporation. If Developer is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to restrictions imposed on assignments by this Agreement. If Developer is a limited liability company, its articles of organization and operating agreement must provide that ownership interests are subject to restrictions on transfers imposed on assignments by this Agreement;

(6) Developer agrees to maintain at all times throughout the term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement; and

(7) Each Principal who has right, title, or interest of ten percent (10%) or more in the ownership of Developer, must each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete (Exhibit E). The Principals agree to jointly and severally guarantee the performance of all of Developer's obligations, under the terms of this Agreement, except the obligation to open Facilities.

## **B. REQUIREMENTS OF REPRESENTATIVE**

Upon the execution of this Agreement, Developer must designate and retain an individual throughout the term of this Agreement to act on behalf of Developer in all transactions with Developer concerning Developer's obligations under this Agreement (the "Representative"). If Developer is an individual, Developer must perform all obligations of the Representative. The Representative must use reasonable efforts to do the following, during the entire period he serves in that capacity: (1) maintain a direct or indirect ownership interest in the Developer; (2) devote substantial time and reasonable efforts to the supervision and conduct of the business contemplated by this Agreement and execute this Agreement as one of the Principals; and (3) meet Franchisor's standards and criteria for a Representative as set forth in the Manuals or otherwise in writing by Franchisor. If the Representative or any designee is not able to continue to serve in the capacity of Representative or no longer qualifies, Developer must promptly notify Franchisor and designate a replacement.

**C. BEST EFFORTS; COMPLIANCE WITH APPLICABLE LAWS**

Developer must use his best efforts to substantially comply with all requirements of federal, state and local rules, regulations and orders. Developer will have sole authority and control over the day-to-day operations of the Franchised Business and Developer's employees and/or independent contractors. Developer agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Developer or Developer's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

**8. SITE SELECTION, LEASES, FRANCHISE AGREEMENT**

**A. SELECTION OF SITE BY DEVELOPER**

Developer assumes all costs, liabilities, expenses and responsibilities for locating, obtaining, financing and developing sites for System Facilities, and for constructing and equipping System Facilities at those sites. The selection of a site and the development of a Facility at any site is the responsibility of Developer. The selection of a site by Developer is subject to our approval and must be in compliance with Franchisor's site selection procedures and its standards for demographic characteristics, parking, traffic patterns and the predominant character of the neighborhood, and other commercial characteristics of the site and any other factors Franchisor may consider relevant in reviewing a site selected by Developer. Developer must not enter into a binding commitment with a prospective seller or lessor of real estate with respect to the site for a Facility until Franchisor has approved the proposed site. Developer specifically acknowledges that the selection of a site by Developer in compliance with Franchisor's site selection procedures and the approval of a site by Franchisor does not constitute a representation, promise or guarantee by Franchisor that the site and the Facility to be operated at that site will be profitable or successful. Developer acknowledges that factors governing the success of a System Facility are unpredictable and beyond Franchisor's control. Franchisor is not responsible to Developer or to any other person or entity if a site approved by Franchisor fails to meet Developer's expectations for revenue or operational criteria.

**B. DEMOGRAPHIC INFORMATION**

Before acquiring a site for any Facility by lease or purchase, Developer must locate a site for the Facility that satisfies the site selection guidelines Franchisor provides to Developer and must submit to Franchisor, in the form Franchisor specifies, a description of the site, a demographic study and other information and materials Franchisor may reasonably require and shall represent in writing that Developer has the option or other firm commitment to obtain the site. Franchisor will review information provided by Developer for the site which may include the population of the work force or residents, character of the neighborhood, household income, ingress and egress, and trade area. If on-site evaluations by Franchisor are requested by Developer or determined to be necessary by Franchisor, then Franchisor or its designee will, at Franchisor's expense, provide a single on-site inspection in connection with each Facility that Developer is required to open hereunder at Franchisor's expense. Developer must reimburse Franchisor for the reasonable expenses Franchisor incurs for any additional on-site evaluations, including, but not limited to, the cost of travel, lodging, meals and wages of Franchisor's representatives and employees.

**C. LEASE OR PURCHASE OF SITE**

Developer shall not make any binding commitment to purchase or lease real estate for a proposed site for a System Facility until the proposed site has been approved by Franchisor and a Franchise Agreement has been executed by Franchisor and Developer (or its affiliate) for a Facility at such site. Developer shall provide Franchisor with a copy of either the proposed contract of sale or lease relating to the site before the Franchise Agreement is executed. Developer must comply with the conditions set forth in the Franchise Agreement at issue in connection with the signing of such a lease, including ensuring that both Developer and the landlord for the proposed site execute Franchisor's prescribed form of Collateral Assignment of Lease.

Developer may, but shall not be required to, pay Franchisor's designated supplier or affiliate a Project Management Fee for each System Facility beyond the first System Facility.

#### **D. FRANCHISE AGREEMENT**

Franchisor will deliver a Franchise Agreement, in the then-current form, to Developer for execution by Developer (or its affiliate). With the execution of this Agreement, Developer must concurrently execute the Franchise Agreement establishing Developer's first System Facility and return both this Agreement and the Franchise Agreement to Franchisor. If Developer fails to execute the Franchise Agreement, Franchisor may, at its sole discretion, revoke its approval of the site and its offer to grant Developer a franchise to operate a System Facility at the site.

#### **9. DEVELOPMENT FEE**

Concurrently with the execution of this Agreement, Developer must pay to Franchisor a nonrefundable area development fee equal to \$\_\_\_\_\_ (the "Development Fee"). The Development Fee is deemed fully earned by Franchisor upon execution of this Agreement in consideration of lost development opportunities and is nonrefundable under any circumstances. Developer will not be required to pay any additional initial franchise fee for each Facility opened pursuant to this Agreement upon executing a Franchise Agreement for that Facility.

#### **10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT**

Developer understands and agrees that any and all individual Franchise Agreements executed by Developer and Franchisor for System Facilities within the Development Area are independent of this Agreement. The continued effectiveness of any Franchise Agreement does not depend on the continued effectiveness of this Area Development Agreement. If any conflict arises with this Agreement and any Franchise Agreement, the Franchise Agreement controls, has precedence and superiority (except with respect to the opening deadline for each System Facility Developer is granted the right to open under this Agreement).

#### **11. COVENANTS**

A. Developer and the Representative covenant that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer and the Representative must devote substantial time, energy and best efforts to the management and operation of the development activities required under this Agreement.

B. Developer acknowledges that, as a participant in Franchisor's System, Developer will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Developer agrees to

the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees and developers.

(1) During the term of this Agreement, neither Developer, its Principals, owners, officers or guarantors, nor any immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that (a) generates revenue from the sale of personal and group fitness training, fitness counseling, or nutritional counseling (or any combination thereof) that is similar to that offered by a System Facility (each, a "Competing Business"), or (b) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Developer under a Development Agreement with Franchisor; or (ii) any business operated by a publicly traded entity in which Developer owns less than two percent (2%) legal or beneficial interest;

(b) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

(c) Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

(2) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its principals, owners and guarantors, nor any member of the immediate family of Developer, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business. The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires.

(3) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its Principals, owners, officers and guarantors, nor any member of the immediate family of Developer, its Principals, owners, officers or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or

involvement with any other Competing Business within a twenty five (25) mile radius of the: (i) the Development Area; or (ii) any other System Facility (whether franchised or company-owned) that is open or under development as of the date this Agreement expires, terminates, or is assigned in any manner; or

(b) Solicit business from customers of Developer's former Facilities or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee or developer to discontinue employment.

C. It is the parties' intent that the provisions of this Section 11 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 11 by Developer, any of Developer's Principals, or any member of the immediate family of Developer or Developer's Principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Developer acknowledges that the covenants contained herein are necessary to protect the goodwill of other System franchisees and developers, and the System. Developer further acknowledges that covenants contained in this Section 11 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Developer agrees that in the event of the actual or threatened breach of this Section 11, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Developer and the Principals agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 11. Developer acknowledges and agrees on Developer's own behalf and on behalf of the persons who are liable under this Section 11 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 11 in no way prevent any such person from earning a living. Developer further acknowledges and agrees that the time limitation of this Section 11 shall be tolled during any default under this Section 11.

D. Developer must ensure that all management personnel of Developer's Facilities opened under this Agreement, as well as any officers or directors of Developer, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement. Developer must furnish Franchisor a copy of each executed agreement.

E. Developer hereby agrees that the existence of any claim Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 11. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 11.

F. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to reduce the period of time or geographic scope of the non-competition covenants set forth in this Section 11 and in Exhibit E, by written notice to Developer.

## **12. RELATIONSHIP OF THE PARTIES**

A. The parties agree that this Agreement does not create a fiduciary relationship between them, that Developer is an independent contractor and must at all times represent itself as an independent contractor. This Agreement does not create either party as an agent, legal representative, subsidiary, joint venturer, partner, employee or joint employer. Developer shall hold itself out to the public as an independent contractor operating pursuant to this Agreement. Developer agrees to take any action necessary to that end, including without limitation, exhibiting a notice on signage and member contracts, as required by Franchisor as to content and manner of disclosure. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer or joint employer of Developer's employees and/or independent contractors.

B. Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of any such action, or for any act or omission of Developer in the conduct of its business pursuant to this Agreement or any claim or judgment arising therefrom.

C. Developer and each of the Principals shall, at all times, indemnify and hold harmless Franchisor and its affiliate, successors and assigns and the officers, directors, shareholders, agents, representatives and employees of each of them ("Indemnitees") from all losses and expenses incurred in connection with any formal or informal action, suit, proceeding, claim, demand, investigation or inquiry or any settlement thereof, which arises out of or is based upon the action or negligence of Developer or any Principal in any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation of any Proprietary Mark or other proprietary right owned by Franchisor;

(2) Claims of sexual harassment or discrimination by Developer's employees or by a guest at the Facility;

(3) The violation of any federal, state or local law, regulation, rule, standard or directive, or any industry standard, including without limitation, health, sanitation and safety laws and regulations;

(4) Libel, slander or any other form of defamation of Franchisor or the System, by Developer or the Principals;

(5) The violation or breach by Developer or any of the Principals of any warranty, representation, agreement or obligation of this Agreement or any Franchise Agreement; and

(6) Acts, errors or omissions of Developer or any of its agents, servants, employees, contractors, partners, affiliates or representatives.

Notwithstanding anything contained in this Section 12(C), Developer will not be required to indemnify, defend or hold Franchisor harmless for any claims or causes of action that arise solely out of Franchisor's gross negligence or willful misconduct.

D. Developer and each of the Principals agree to give Franchisor immediate notice of any such action, suit, proceeding, claim, demand, inquiry or investigation.

E. Franchisor may, at any time and without notice, as it, in its reasonable discretion, consent, or agree to settlement, or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation.

F. All losses and expenses incurred under this Section 12 shall be chargeable to and shall be paid by Developer or any of the Principals pursuant to this Section 12, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense. However, Franchisor will indemnify Developer from losses or expenses resulting from the direct result of Franchisor's negligence or intentional acts.

G. The phrase "losses and expenses" shall include, without limitation, all monetary losses, compensatory, exemplary or punitive damages, fines, actual costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, damages to Franchisor's reputation and goodwill, costs of financing or advertising material and media costs and all expenses of recall, refunds, compensation, public notices and such other amounts incurred in connection with the matters described.

H. Developer must give Franchisor notice of any such action immediately upon Developer having received notice of any such action, claim or proceeding.

I. Under no circumstances shall Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Developer. Developer and the Principals agree that the failure of Franchisor to pursue recovery or mitigate loss from third parties will in no way reduce the amounts recoverable from Developer or the Principals.

J. Developer and the Principals expressly agree that the terms of this Section 12 shall continue in full force and effect after the termination, expiration or transfer of this Agreement or any interest herein.

### **13. PROPRIETARY MARKS**

A. Developer acknowledges that Developer has no interest in or to the Proprietary Marks and Developer's right to use the Proprietary Marks is derived solely from the individual Franchise Agreements entered into between Developer and Franchisor for the purpose of operating System Facilities. Developer agrees that all usage of the Proprietary Marks by Developer and any goodwill established exclusively benefits Franchisor. Developer agrees that after termination or expiration of this Agreement, Developer will not, except with respect to System Facilities operated by Developer under individual Franchise Agreements, directly or indirectly, at any time or in any manner identify itself or any business as a Developer or former Developer of, or otherwise associated with, Franchisor or use in any manner or for any purpose any Proprietary Mark or other indicia of a System Facility or any colorable imitation.

B. Developer must not use any Proprietary Mark as part of any corporate or trade names or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may Developer use any Proprietary Mark in connection with any business or activity, other than the business conducted by Developer under Franchise Agreements entered into between Developer and Franchisor, or in any other manner not explicitly authorized in writing by Franchisor.

C. Developer must immediately notify Franchisor in writing of any apparent infringement of or challenge to Developer's use of any Proprietary Mark, or claim by any person of any rights in any Proprietary Mark or similar trade name, trademark, or service mark of which Developer becomes aware. Developer must not communicate with any person other than Franchisor and its counsel regarding any infringement, challenge or claim. Franchisor has sole discretion to take action it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other

administrative proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Proprietary Mark.

D. Developer acknowledges that Franchisor is the lawful and sole owner of this domain name, which incorporates any of the Proprietary Marks, including the terms “ISI®” and “ISI Elite®”. Developer agrees not to register any of the Proprietary Marks now or hereafter owned by Franchisor or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names, including, but not limited to, generic and country code top level domain names available at the present time or in the future.

E. Developer agrees and acknowledges that this Agreement does not grant Developer any rights whatsoever to use any Proprietary Mark, and that such rights are only granted through Developer’s timely execution of a Franchise Agreement that will govern the operation of a Facility that Developer is required to open pursuant to the Development Schedule

#### **14. TERMINATION**

A. Franchisor may terminate this Agreement for a material default of this Agreement by Developer and all rights granted herein shall automatically terminate upon written notice to Developer, upon the occurrence of any of the following:

(1) If Developer becomes insolvent, makes a general assignment for the benefit of creditors; files a voluntary petition in bankruptcy, or an involuntary petition is filed against Developer in bankruptcy; or Developer is adjudicated bankrupt; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer’s assets or property, or any part thereof, is appointed by a court of competent jurisdiction; or if a proceeding for a composition of creditors under any state or federal law should be initiated against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer, (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer; or if a suit to foreclose any lien or mortgage against the premises or Facility is levied; or if the real or personal property of Facility is sold after levy thereon by any sheriff, marshal or law officer;

(2) If Developer or any of its Principals fail to comply with Section 11 of this Agreement;

(3) If Developer or a Principal discloses the contents of the Manuals or other confidential information contrary to this Agreement;

(4) If an immediate threat or danger to public health or safety results from the operation of a Facility operated by Developer under a Franchise Agreement;

(5) If Developer or a Principal has made material misrepresentations in connection with its application for the franchise;

(6) If Developer fails on three (3) or more occasions within any one (1) year period to comply with one (1) or more provisions of this Agreement, whether or not such failures to comply are cured after notice thereof is delivered to Developer; or

(7) Failure to comply with the conditions of transfer of any interest in Developer as required of this Agreement.

B. Franchisor may terminate this Agreement and all rights granted herein, upon thirty (30) days written notice to Developer, or a less time as specified below, for a material default of this Agreement, which shall constitute good cause for termination and the failure of Developer to cure the good cause for termination within the notice period. Good cause for termination shall be the occurrence of any one of the following events of default:

(1) If Developer fails to meet the development requirements set forth in the Development Schedule;

(2) If Developer fails to develop, open and operate each Facility and execute each Franchise Agreement in compliance with this Agreement;

(3) If Developer fails to designate a qualified replacement Representative;

(4) If Developer misappropriates, misuses or makes any unauthorized use of the Proprietary Marks or materially impairs the goodwill associated with the Proprietary Marks or with the System and does not cure such default following written notice from Franchisor;

(5) If Developer, fails, refuses or is unable to promptly pay when due any monetary obligation to Franchisor or its affiliate required by this Agreement, or by any Franchise Agreement or any other agreement between the parties and does not cure the monetary default within fourteen (14) days following written notice from Franchisor;

(6) If Developer fails to correct a deficiency of a health, sanitation, or safety issue after notice of such deficiency is issued by a local, state, or federal agency or regulatory authority; or

(7) If Developer fails to comply with any other material term or material condition imposed by this Agreement or any Franchise Agreement executed pursuant thereto.

C. Failure of Developer to cure the default within the specified time, or a longer period of time as applicable law may require, will result in Developer's rights under this Agreement to be terminated effective on the expiration of the notice period, and without further notice to Developer.

D. Upon termination of this Agreement, Developer has no right to establish or operate any Facility for which an individual Franchise Agreement has not already been executed by both Franchisor and Developer, as well as delivered to Developer, as of the date of termination. Franchisor, effective upon termination of this Agreement, shall have the absolute right and is entitled to establish, and to license others to establish, System Facilities in the Development Area, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

E. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties, unless Developer's acts or omissions also violate the terms and conditions of the applicable Franchise Agreement.

F. No right or remedy herein conferred upon or reserved to the Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

## **15. EFFECT OF TERMINATION AND EXPIRATION**

All obligations of Franchisor and Developer under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

## **16. TRANSFER OF INTEREST**

### **A. BY FRANCHISOR**

Franchisor has the absolute right to transfer or assign this Agreement and all or any part of its rights, duties or obligations to any person or legal entity without the consent of or notice to Developer. This Agreement shall inure to the benefit of, and be binding on the successors and assigns of Franchisor.

### **B. DEVELOPER MAY NOT ASSIGN WITHOUT APPROVAL OF THE FRANCHISOR**

Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Developer and its owners and that Franchisor has granted these rights to Developer in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Developer and/or its owners. Unless otherwise provided with respect to an assignment to an entity controlled by Developer as provided in Section 16(D), none of these rights nor any ownership interest in Developer may be voluntarily, involuntarily, directly or indirectly, assigned, sold, conveyed, pledged, sub-franchised or otherwise transferred by Developer or its owners (including by merger or consolidation, by issuance of additional securities representing an ownership interest in Developer, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner of a partnership, by transfer of an interest in Developer or in this Agreement in a divorce proceeding, or if Developer or an owner of Developer dies, by will, declaration of or transfer in trust or the laws of the intestate succession) without the approval of Franchisor. Any attempted assignment or transfer without such approval will constitute a breach of this Agreement and will not transfer any rights or interests to such assignee or transferee. Furthermore, Developer may not transfer any undeveloped areas unless written permission by the Franchisor is provided.

### **C. CONDITIONS FOR APPROVAL OF ASSIGNMENT**

If Developer is in substantial compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of an assignment or transfer contemplated by Section 16(B) so long as the proposed assignee or transferor has good and moral character, sufficient business experience and aptitude to develop and own and operate Facilities, and otherwise meets Franchisor's then-current standards for developers and System franchisees. Franchisor may require that any one or more of the following conditions be met before, or concurrently with, the effective date of any such assignment or transfer:

(1) All the accrued monetary obligations of Developer or any of its affiliates and all other outstanding obligations to Franchisor or its affiliate arising under this Agreement or any Franchise Agreement or other agreement between them and all trade accounts and any other debts to Franchisor, of whatsoever nature, prior to the transfer becoming effective shall be satisfied;

(2) Developer and its affiliates are not in material default of any substantive provision of this Agreement, any amendment hereof or successor hereto, or any Franchise Agreement granted pursuant to its terms, or other agreement between Developer or any of its affiliates and Franchisor or its affiliate;

(3) Developer and its Principals, as applicable, shall have executed a general release, in a form satisfactory to Franchisor, releasing Franchisor of any and all claims against Franchisor and its affiliate and their respective past and present partners, the past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under or related to this Agreement and any other agreements between Developer and Franchisor, or under federal, state or local laws, rules, and regulations or orders;

(4) The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets the criteria considered by Franchisor when reviewing a prospective developer's application for development rights, including, but not limited to, Franchisor's managerial and business experience standards, that the transferee possesses good moral character, business reputation and credit rating; that the transferee has the aptitude, financial resources and capital committed for the operation of the business, and the geographic proximity of other territories with respect to which transferee has been granted development rights or of other System Facilities operated by transferee, if any;

(5) The transferee shall sign a written assumption agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several liability from the date of the transfer of all obligations, covenants and agreements of Developer in this Agreement; and, if transferee is a corporation, limited liability company or a partnership, transferee's shareholders, partners, members or other investors, as applicable, shall also execute such agreement;

(6) Developer shall pay a transfer fee equal to Ten Thousand Dollars (\$10,000) per franchise this is granted to Franchisee under this Agreement and that Franchisee wishes to transfer, unless the transfer is being made: (i) to an immediate family member of Developer that Franchisor approves pursuant to Section 16(F); or (ii) in the form of an encumbrance of the assets of any Franchised Business (or a subordinating Franchisor's security interest in such assets) as a necessary condition to obtain SBA or traditional bank financing. Developer will always be solely responsible for all third-party broker fees incurred in connection with any transfer with respect to this Agreement;

(7) Developer acknowledges and agrees that each condition, which must be met by the transferee, is reasonable and necessary; and

(8) Developer must pay any referral fees or commissions that may be due to any franchise broker, sales agent or other third party upon the occurrence of such assignment.

Franchisor's consent to a transfer of any interest in Developer described herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee. Upon an approved transfer under this Section, Developer will only be bound by, and liable in connection with, its post-term obligations under this Agreement.

**D. ASSIGNMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY**

(1) Notwithstanding the provisions of this Section 16 of this Agreement, upon thirty (30) days' prior written notice to Franchisor, and without payment of a transfer fee, Developer may assign this Agreement to a corporation or limited liability company that conducts no business other than the development and/or operation of System Facilities. Developer shall be the owner of all the voting stock or interest of the corporation or limited liability company, or if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the corporation as he had in Developer

before the transfer. Developer and each of its Principals, as applicable, may transfer, sell or assign their respective interests in Developer, by and amongst themselves with Franchisor's prior written consent, which consent shall not be unreasonably withheld; but may be conditioned on compliance with Section 11, except that such transfer, sale or assignment shall not effect a change in the controlling interest in Developer.

(2) Any person who is or becomes a shareholder or member of Developer or has or acquires beneficial ownership of any shares of stock equal to or greater than ten percent (10%) ownership interest in Developer must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations undertaking to be bound jointly and severally to all provisions of this Agreement. Developer must furnish Franchisor at any time upon request a certified copy of the articles of incorporation or articles of organization and a list, in a form Franchisor requires, of all shareholders or members of record and all persons having beneficial ownership of shares of stock, reflecting their respective interests in Developer.

#### **E. RIGHT OF FIRST REFUSAL**

If Developer receives and desires to accept any bona fide offer to transfer an ownership interest in this Agreement from a third party, then the Developer shall promptly notify Franchisor in writing and send Franchisor an executed copy of the contract of transfer. Franchisor shall have the right and option, exercisable within thirty (30) days after actual receipt of such notification or of the executed contract of transfer which shall describe the terms of the offer, to send written notice to Developer that Franchisor intends to purchase the Developer's interest on the same terms and conditions offered by the third party. Closing on the purchase must occur within sixty (60) days from the date of notice by Franchisor to the Developer of Franchisor's election to purchase. If Franchisor elects not to accept the offer within the thirty (30) day period, Developer shall have a period not to exceed sixty (60) days to complete the transfer subject to the conditions for approval set forth in Section 16(C) of this Agreement. Any material change in the terms of any offer before closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 16 shall not constitute a waiver of any other provision of this Agreement. If the offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent, or any publicly-traded securities, including its own, or intangible benefits similar to those being offered. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by an independent appraiser designated by Franchisor, and his determination shall be binding.

#### **F. DEATH OR DISABILITY**

Upon the death or permanent disability of Developer (or the managing shareholder, managing member or partner), the executor, administrator, conservator or other personal representative of that person, or the remaining shareholders, partners or members, must appoint a competent manager that is approved by Franchisor within ninety (90) days from the date of death or permanent disability (the "90 Day Period"). Before the end of the 90 Day Period, the appointed manager must attend and successfully complete Franchisor's training program and must either execute Franchisor's then-current form of area development agreement for the unexpired term of this Agreement, or furnish a personal guaranty of any partnership, corporate or limited liability company Developer's obligations to Franchisor and Franchisor's affiliates. If the Facility is not being managed by a Franchisor approved manager during the 90 Day Period, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Developer's Facilities for and on behalf of Developer until an approved assignee is able to assume the management and operation of the Facility. Franchisor's appointment of a manager of the Facilities does

not relieve Developer of his obligations, and Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the Facility or to any creditor of Developer for any products, materials, supplies or services purchased by the Facility during any period in which it is managed by Franchisor's appointed manager. Franchisor has the right to charge a reasonable fee for management services and to cease to provide management services at any time. Franchisor's right of first refusal set forth in Section 16(E) will not apply to a transfer under this Section if the transferee is an immediate family member of Developer that Franchisor approves.

### **G. PUBLIC OR PRIVATE OFFERINGS**

(1) Developer acknowledges that the written information used to raise or secure funds can reflect upon Franchisor. Developer agrees to submit any written information intended to be used for that purpose to Franchisor before its inclusion in any registration statement, prospectus or similar offering circular or memorandum. This requirement applies under the following conditions: (i) if Developer attempts to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interest) and (ii) if any of its owners attempt to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interests) Developer (or any of its owners) agrees not to use the written materials submitted to Franchisor or any other written materials to raise or secure funds unless and until Franchisor approves of the language. No information respecting Franchisor or its affiliate shall be included in any securities disclosure document, unless that information has been furnished to Franchisor, in writing, pursuant to the written request of the Developer. The written request shall state the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference to Franchisor or its affiliate or any of their businesses in the offering literature or prospectus, the literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for the offering whatsoever. Developer must pay Franchisor a public offering fee of Three Thousand Five Hundred Dollars (\$3,500) for the costs to Franchisor to review the information. The written consent of Franchisor pursuant to this Paragraph G does not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering.

(2) The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

**“NEITHER FRANCHISOR NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER FRANCHISOR, NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER FRANCHISOR NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”**

(3) Developer and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliate, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor as the result of the offer or sale of securities. This Agreement applies to any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys' fees) asserted by a

purchaser of any security or by a governmental agency. Franchisor has the right (but not the obligation) to defend any claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or its affiliate or any of their respective officers, directors, employees or agents is named as a party.

## **H. NOTICE TO FRANCHISOR**

Provided Developer is not then a public company, if any person holding an interest in Developer (other than Developer or a Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Developer shall promptly notify Franchisor of such proposed transfer in writing and provide information as Franchisor may reasonably request before the transfer. The transferee may not be one of Franchisor's competitors. The transferee must execute a Confidentiality Agreement and Ancillary Covenants Not to Compete in the form then required by Franchisor, which form shall be in substantially the same form attached hereto as Exhibit E. Franchisor also reserves the right to designate the transferee as one of the Principals. If Developer is a public company, this provision applies only to transfers in interest by Principals or to any person or entity controlling more than ten percent (10%) of Developer's voting stock.

## **17. APPROVALS**

A. Wherever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor for such approval or consent.

B. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or to any third party to which it would not otherwise be subject, by providing any waiver, approval, advise, consent, or services to Developer in connection with this Agreement, or by any reason of neglect, delay or denial of any request therefor.

## **18. NONWAIVER**

A. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Developer or Principals with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver or estoppel of Franchisor's right to demand exact compliance with any of the terms herein and Developer and the Principals warrant and undertake that it shall not rely on such failure, custom or practice. Waiver by Franchisor of any particular default by Developer or any of the Principals shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by its other developers or by Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

B. All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement, the rights and remedies of the parties hereto shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such

right or remedy may be exercised or taken at any time and from time to time. The expiration or early termination of this Agreement shall not discharge or release Developer from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or early termination of this Agreement.

**19. DEVELOPER’S RECORDS AND REPORTS**

A. Developer must keep accurate records concerning all transactions and written communications between Franchisor and Developer relating to the development and operation of Facilities in the Development Area. Franchisor’s duly authorized representative has the right, following reasonable notice, at all reasonable hours of the day to examine all Developer’s records with respect to the subject matter of this Agreement, and has full and free access to records for that purpose and for the purpose of making extracts. All records must be kept available for at least three (3) years after preparation.

B. Developer must furnish to Franchisor monthly written reports regarding Developer’s progress on the development of System Facilities under this Agreement.

**20. NOTICES AND PAYMENTS**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manuals shall be deemed so delivered at the time delivered by hand or by e-mail with receipt confirmed by the receiving party or one (1) business day after sending by overnight courier with delivery confirmed and addressed to the party to be notified at its most current address of which the notifying party has been notified. The following addresses for the parties shall be used unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

ISI Franchise International, Inc.  
Attn: Adam Rice, Chief Executive Officer  
5601 77 Center Drive, Suite 215  
Charlotte, North Carolina 28217

With an additional copy by email to:

Franchise.Law  
Attn: Jonathan N. Barber  
jonathan@franchise.law

Notice to Developer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
ATTN: \_\_\_\_\_

**21. GOVERNING LAW AND ALTERNATIVE DISPUTE RESOLUTION**

A. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without reference to the state's conflict of laws principles.

B. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing notice as set forth in Section 20 of this Agreement, and make every effort to resolve the dispute internally. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

C. At Franchisor's option, all claims or disputes between Developer and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Developer and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place at Franchisor's then-current headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Developer will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Developer's payment obligations under this Agreement.

## **22. LITIGATION AND OTHER DISPUTE RESOLUTION PROVISIONS**

A. Subject to Sections 22(B)-(C) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must only and exclusively be initiated in the state court of general jurisdiction closest to Franchisor's then-current headquarters, or, if appropriate, the United States District Court that is closest to Franchisor's then-current headquarters (which is Charlotte, NC as of the date of this Agreement but may be modified by Franchisor upon written notice). Developer acknowledges that this Agreement has been entered into in the State of North Carolina, and that Developer is to receive valuable and continuing services emanating from Franchisor's headquarters in Charlotte, North Carolina, including but not limited to training,

assistance, support and the development of the System. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Iowa as set forth in this Section.

B. Developer acknowledges and agrees that irreparable harm could be caused to Franchisor by Developer's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer's use of the Proprietary Marks and confidential information; (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Developer's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Developer's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

C. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in Sections 21 and 22 of this Agreement, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

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

E. Developer shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Developer under this Agreement or any related agreements.

F. Developer further agrees that no cause of action arising out of or under this Agreement may be maintained by Developer against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Developer becomes aware of facts or circumstances reasonably indicating that Developer may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Developer hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

G. Developer hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Developer's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Developer's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

H. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT OR THE PERFORMANCE OF EITHER PARTY.

I. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

## **23. ENFORCEMENT**

### **A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**

(1) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement, is considered severable and if, for any reason, any portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties to this Agreement, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Developer is a party, otherwise upon Developer's receipt of a notice of non-enforcement from Franchisor.

(2) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure Franchisor prescribes is invalid or unenforceable, the prior notice and/or other action required by law or rule shall be substituted for the

comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Developer agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is prescribed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions, or any specification, standard or operating procedure Franchisor prescribes, any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in that jurisdiction, unless Franchisor elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

## **B. EXCEPTIONS**

Neither Franchisor nor Developer are liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war or riot; or (6) any other similar event or cause. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

## **C. RIGHTS OF PARTIES ARE CUMULATIVE**

The rights of Franchisor and Developer under this Agreement are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy precludes the exercise or enforcement by Franchisor or Developer of any other right or remedy which Franchisor or Developer is entitled by law to enforce.

## **D. COSTS AND ATTORNEYS' FEES**

If Developer is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Developer and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Developer must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

## **E. VARIANCES**

Developer acknowledges that Franchisor has and may at different times approve exceptions or changes from the uniform standards of the System in Franchisor's absolute sole discretion, which Franchisor deems desirable or necessary under particular circumstances. Developer understands that he has no right to object to or automatically obtain such variances, and any exception or change must be approved in advance from Franchisor in writing. Developer understands existing Developers may operate

under different forms of agreements and that the rights and obligations of existing Developers may differ materially from this Agreement.

#### **F. BINDING EFFECT**

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Developer and Franchisor.

#### **G. CONSTRUCTION/INTEGRATION CLAUSE**

This Agreement, all exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, undertakings, representations, and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Developer. Developer acknowledges that Developer is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of Developer's own independent investigation of the franchised business.

Developer hereby acknowledges and further represents and warrants to Franchisor that:

1. Developer has entered into this Agreement after making an independent investigation of Franchisor's operations and the System;
2. Franchisor has not made any guarantee or provided any assurance that the business location will be successful or profitable regardless of whether Franchisor may have approved of the franchise or site location;
3. Developer has (a) read this Agreement in its entirety and understands its contents; (b) been given the opportunity to clarify any provisions that Developer did not understand and (c) had the opportunity to consult with professional advisors regarding the operation and effect of the Agreement and the operation of the System;
4. Developer has, together with its advisors, sufficient knowledge and experience in financial and business matters to make an informed decision with respect to the franchise offered by Franchisor; and
5. Developer has received a copy of the Franchise Disclosure Document not later than the first personal meeting held to discuss the sale of a franchise, or fourteen (14) calendar days before execution of this Agreement or fourteen (14) calendar days before any payment of any consideration.

Except as may have been disclosed at Item 19 of Franchisor's Franchise Disclosure Document, Developer represents and warrants to Franchisor that no claims, representations, or warranties regarding the earnings, sales, profits, success or failure of the franchised business have been made to Developer and no such claims, representations or warranties have induced Developer to enter into this Agreement.

Except for those changes permitted to be made unilaterally by Franchisor, no amendment, change or variance from this Agreement is binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

## **24. CAVEAT**

A. The success of the business venture contemplated to be undertaken by this Agreement is speculative and depends, to a large extent, upon the ability of the Developer as an independent business person, and the active participation of Developer in the daily affairs of the business as well as other factors. Franchisor does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

B. Developer acknowledges that it has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to gross sales, volume, potential earnings or profits which Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth in this Agreement, to induce the Developer to accept this franchise and execute this Agreement.

C. Developer represents and acknowledges that he has received a copy of this Agreement, with all blanks filled in, from Franchisor at least seven (7) calendar days before the date of execution of this Agreement. Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.

## **25. MISCELLANEOUS**

A. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement.

B. The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of sections or paragraphs.

C. The "Developer" as used in this Agreement is applicable to one (1) or more persons, a corporation or a partnership or limited partnership or limited liability company as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Developer under this Agreement, their obligations and liabilities to Franchisor shall be joint and several. References to "Developer" and "Assignee" which are applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Developer or the Assignee, if Developer or the Assignee is a corporation, partnership, limited partnership or limited liability company.

This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

*[Signatures on the following page]*

**IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.**

**FRANCHISOR:**

**ISI FRANCHISE INTERNATIONAL, INC.**

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

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

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

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

**DEVELOPER:**

\_\_\_\_\_

**IF AN INDIVIDUAL:**

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

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

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

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

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

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

**IF A PARTNERSHIP, CORPORATION,  
OR OTHER ENTITY:**

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

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

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

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

## **ATTACHMENT TO DEVELOPMENT AGREEMENT**

### **GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, (each a “Guarantor”).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the “Area Development Agreement”) by and between ISI Franchise International, Inc. (the “Franchisor”), and \_\_\_\_\_ (“Developer”), each of the undersigned (each, a “Guarantor”) hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Area Development Agreement and as provided in the Area Development Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every obligation of Developer under the Area Development Agreement, both monetary obligations and non-monetary in nature, including without limitation, those obligations related to: confidentiality and non-disclosure; indemnification; the Proprietary Marks; the in-term and post-term covenants against competition, as well as all other restrictive covenants; and the governing law, venue, attorneys’ fees and other dispute resolution provisions set forth in the Area Development Agreement (that shall also apply to this Guaranty and Assumption of Obligations).

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor’s undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Area Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor’s liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor’s liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Area Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Area Development Agreement by a trustee of Developer; (6) neither the Guarantor’s obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys’ fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking

or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

**IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.**

**PERSONAL GUARANTORS**

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

\_\_\_\_\_  
[Insert Name of Guarantor]

\_\_\_\_\_  
[Insert Name of Spouse]

**EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT AREA**

The development rights and obligations of Developer, \_\_\_\_\_, to timely develop and open System Facilities shall be within the following described area:

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

**DEVELOPER**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**ISI FRANCHISE INTERNATIONAL, INC.**

By: \_\_\_\_\_  
Adam Rice, Chief Executive Officer

**EXHIBIT B TO AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT SCHEDULE**

1. Development Schedule

Developer, \_\_\_\_\_, agrees to timely open System Facilities in compliance with the following development schedule (the "Development Schedule"). Developer further agrees that failure to timely open the Facilities in compliance with the Development Schedule shall cause the rights of exclusivity granted to Developer regarding the geographic area defined in Exhibit A to be forfeited.

The Development Schedule is as follows:

<b>Expiration of Development Period</b>	<b>Number of New Unit Franchises that Must be Opened and Commence Operations Within Development Period</b>	<b>Number of Unit Franchises that Must be Open and Operating by the Expiration of the Development Period</b>

2. Forfeiture of Rights of Exclusivity

Developer's failure to comply with the Development Schedule in any manner shall be grounds for Franchisor to (a) terminate the Development Agreement to which this Development Schedule is attached as an Exhibit, or (b) in lieu of such termination, terminate any exclusive or other territorial rights that Developer may have within the Development Area or otherwise under the Development Agreement.

APPROVED:

**DEVELOPER**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**ISI FRANCHISE INTERNATIONAL, INC.**

By:

\_\_\_\_\_  
Adam Rice, Chief Executive Officer

**EXHIBIT C TO AREA DEVELOPMENT AGREEMENT**

**FRANCHISE AGREEMENT**

**(for initial Franchised Business to be developed within the Development Area)**

**EXHIBIT D TO AREA DEVELOPMENT AGREEMENT**

**STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS**

- A. The following is a list of shareholders, partners, members or other investors in Developer, including all investors who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest:

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>
-------------	---

- C. The following is a list of all of Principals described in and designated pursuant to this Area Development Agreement, each of whom shall execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Exhibit E of this Area Development Agreement:

**DEVELOPER**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**ISI FRANCHISE INTERNATIONAL, INC.**

By: \_\_\_\_\_  
Adam Rice, Chief Executive Officer

## EXHIBIT E TO AREA DEVELOPMENT AGREEMENT

### **CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, between: (i) **ISI FRANCHISE INTERNATIONAL, INC.**, a South Carolina corporation (“Franchisor”) with a business address at 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217; (ii) \_\_\_\_\_, a/an \_\_\_\_\_ with a business address at \_\_\_\_\_ (“Developer”); and (iii) \_\_\_\_\_, an individual with a notice address at \_\_\_\_\_ (“Covenantor”).

#### RECITALS

WHEREAS, Franchisor has obtained the right to develop a unique system (the “System”) for the development and operation of System Facilities under the name and marks ISI® ELITE TRAINING (each, a “Facility”); and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark ISI® ELITE TRAINING and other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as Franchisor may develop in the future to identify for the public the source of services and products marketed under the marks and under the System and representing the System’s high standards of quality, appearance, service and the System’s proprietary methodology and procedures for the establishment and operating procedures, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Facility, standards and specifications for the furniture, fixtures and equipment located within a Facility, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility; all of which Franchisor may change, improve and further develop and which Franchisor uses in connection with the operation of the System (collectively, the “Confidential Information”); and

WHEREAS, the Proprietary Marks and Confidential Information provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor’s competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Franchisor has granted Developer the limited right to develop a System Facility using the System, the Proprietary Marks and the Confidential Information, pursuant to an Area Development Agreement entered into on \_\_\_\_\_, 20\_\_ (“Area Development Agreement”), by and between Franchisor and Developer; and

WHEREAS, Franchisor and Developer have agreed in the Area Development Agreement on the importance to Franchisor and to Developer and other licensed users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it is necessary for certain employees, agents, independent contractors, officers, directors and equity interest holders of Developer, or any entity having an interest in Developer (“Covenantor”) to have access to and to use some of all of the Confidential Information in the management and operation of Developer’s System Facility using the System; and

WHEREAS, Developer has agreed to obtain from those covenantors written agreements protecting the Confidential Information and the System against unfair competition; and

WHEREAS, Covenantor wishes to remain, or wishes to become associated with or employed by Developer; and

WHEREAS, Covenantor wishes and needs to receive and use the Confidential Information in the course of his employment or association in order to effectively perform the services for Developer; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor.

NOW, THEREFORE, in consideration of the mutual covenant and obligations contained in this Agreement, the parties agree as follows:

### Confidentiality Agreement

1. Franchisor and/or Developer shall disclose to Covenantor some or all of the Confidential Information relating to the System. All information and materials, including, without limitation, manuals, drawings, specifications, techniques and compilations of data which Franchisor provides to Developer and/or Covenantor are deemed Confidential Information for the purposes of this Agreement.

2. Covenantor shall receive the Confidential Information in confidence and must, at all times, maintain them in confidence, and use them only in the course of his employment or association with a Developer and then only in connection with the development and/or operation by Developer of a System Facility for so long as Developer is licensed by Franchisor to use the System.

3. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

4. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Developer and only to the limited extent necessary to train or assist other employees of Developer in the development or operation of a System Facility.

5. Covenantor must surrender any material containing some or all of the Confidential Information to Developer or Franchisor, upon request, or upon termination of employment by Developer, or upon conclusion of the use for which the information or material may have been furnished to Covenantor.

6. Covenantor shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

7. Franchisor loans all manuals to Developer for limited purposes only and they remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor’s written consent.

## Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information during the term of this Agreement, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Facilities to any competitor;

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any Developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Developer's employment of that person if permitted under the Area Development Agreement; and

c. Except with respect to Facilities operated under a valid and existing Franchise Agreement between Developer (or Developer's affiliates) and Franchisor, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business (as defined below) or a business that is of a character and concept similar to a System Facility. For purposes of this Agreement, a "Competing Business" is defined as any business which generates ten percent (10%) or more of its revenue from the sale of personal and group fitness training, fitness counseling, or nutritional counseling (or any combination thereof) that are similar to that offered by a System Facility location, or any business which grants franchises or licenses to others to operate such a Competing Business.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for two (2) years following the earlier of the expiration, termination or transfer of all Developer's interest in the Area Development Agreement or the termination of his association with or employment by Developer, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Facilities to any competitor;

b. Employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any franchisee of franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment; and

c. Except with respect to Facilities operated under Franchise Agreements between Developer and its affiliates, and Franchisor or its affiliate or any of its subsidiaries, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business or a business that is of a character and concept similar to a System Facility (i) within the Development Area granted to Developer; or (ii) within a twenty-five (25) mile radius of the perimeter of the Development Area being granted to Developer or any other designated territory or development area licensed by Franchisor to a System Facility as of the date of expiration, termination or

transfer of all Developer's interest in the Area Development Agreement or the termination of Covenantor's association with or employment by Developer.

### Miscellaneous

1. Developer shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of a breach, or threatened or attempted breach of any of the provisions, Franchisor is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies available to it at law or in equity, including the right to terminate the Area Development Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Developer in enforcing this Agreement.

4. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA AND COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE DISTRICT FOR THE MIDDLE DISTRICT OF FLORIDA. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY FLORIDA OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to

ISI Franchise International, Inc.  
Attn: Adam Rice, Chief Executive Officer  
5601 77 Center Drive, Suite 215  
Charlotte, North Carolina 28217

If directed to Developer, the notice shall be addressed to:

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

If directed to Covenantor, the notice shall be addressed to:

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

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns. The respective obligations of Developer and Covenantor hereunder may not be assigned by Developer or Covenantor without the prior written consent of Franchisor.

***[THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK  
SIGNATURES ON THE FOLLOWING PAGE]***

**IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.**

**DEVELOPER:**

(If Developer is a corporation)

\_\_\_\_\_  
Name of Corporation

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

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

**COVENANTOR:**

\_\_\_\_\_

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

(If Developer is an individual owner,  
Developer must sign below; if a partnership,  
all partners must sign  
below)

\_\_\_\_\_  
Developer

\_\_\_\_\_  
Developer

\_\_\_\_\_  
Developer

\_\_\_\_\_  
Developer

(If Developer is a Limited Liability Company)

\_\_\_\_\_  
Name of Limited Liability Company

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

**EXHIBIT C**  
**To Franchise Disclosure Document**

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

California

Commissioner of Financial Protection and  
Innovation  
Department of Financial Protection and  
Innovation  
320 West 4th Street, Suite 750  
Los Angeles, CA 90013  
1-866-275-2677

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

Illinois

Attorney General of the State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

Indiana

Secretary of State  
302 West Washington, Room E-111  
Indianapolis, Indiana 46204

Kentucky

Commonwealth of Kentucky  
Office of the Attorney General  
Consumer Protection Division  
1024 Capital Center Drive  
P.O. Box 2000  
Frankfort, Kentucky 40602

Maryland

Maryland Securities Commissioner  
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 Building, 1st Floor  
Lansing, Michigan 48913

Minnesota

Commissioner of Commerce  
Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101-2198

Nebraska

Nebraska Department of Banking and Finance  
Bureau of Securities  
1526 K Street, Suite 300  
PO Box 95006  
Lincoln, Nebraska 68508

New York

Secretary of State  
99 Washington Avenue  
Albany NY, 12231

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St. 21<sup>st</sup> FL  
New York, NY 10005  
(212) 416-8222

North Dakota

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5th Floor Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

Rhode Island

Division of Securities  
Department of Business Regulation  
John O. Pastore Center, Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920

South Dakota

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

Texas

Statutory Documents Section  
Secretary of State  
P.O. Box 13550

Austin, Texas 78711

Virginia

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

State Administrator:  
State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219

Washington

Department of Financial Institutions  
Securities Division  
P.O. Box 41200  
Olympia, WA 98504-1200  
360-902-8760

Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

Wisconsin

Administrator  
Division of Securities  
Department of Financial Institutions  
201 W. Washington Avenue, Suite 300  
Madison, Wisconsin 53703

**EXHIBIT D**  
**To Franchise Disclosure Document**  
**STATE ADDENDA**

## **ADDITIONAL STATE DISCLOSURES**

If the franchise being awarded is subject to the franchise-specific laws of one (1) or more of the following states because (a) the franchise prospect is a resident of that state, and/or (b) the franchise rights being awarded in within that state, as applicable under the specific state statute(s) at issue, the addendum (or addenda) of that state set forth below will apply to the franchise documents and should be entered into with Franchisor.

## CALIFORNIA

### ADDENDUM TO DISCLOSURE DOCUMENT

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

THE 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 following language is added to the end of Item 3 of the Disclosure Document:

Neither ISI Franchise International, Inc., nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

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

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

The Franchise Agreement and Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law but we will enforce it to the extent enforceable.

The Franchise Agreement and Development Agreement require application of the laws of the State of North Carolina. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement and Development Agreement requires that any dispute not resolved by mediation, if Franchisor elects to submit such dispute to mediation, shall be resolved by litigation. The litigation must be initiated in the State of North Carolina at the state court of competent jurisdiction or, if appropriate, the federal district court that is closest to, or encompasses, the Franchisor's then-current headquarters. Franchisee will be responsible for reimbursing Franchisor the costs that Franchisor incurred in connection with any litigation in which Franchisor prevails. Franchisor shall be entitled to recover reasonable compensation for expenses, costs and fees in connection with litigation, including reasonable attorney's fees. 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) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchisor will not enforce in California the prohibition on franchisee employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as a no-poach/non-solicitation provision) in section 11(B)(1) and 11(B)(3) of the franchise agreement and Area Development Agreement that is disclosed in Item 17, rows q and r.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond, which must remain in effect until the Department lifts this requirement. The surety bond is in the amount of \$180,000 with United States Fire Insurance Company and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. A copy of the surety bond is on file with the Department.

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

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

**CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT AND THE AREA  
DEVELOPMENT AGREEMENT**

Notwithstanding anything to the contrary set forth in the ISI Franchise International Franchise Agreement or the ISI Franchise International Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all ISI Franchise International franchises offered and sold in the State of California:

This California Addendum is only applicable if you are a resident of California or if your business is located in California.

1. The franchisor will not enforce in California the prohibition on franchisee employing or soliciting for employment any current or former employee of franchisor or its affiliates (also known as a no-poach/non-solicitation provision) in section 11(B)(1) and 11(B)(3) of the franchise agreement and Area Development Agreement.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond, which must remain in effect until the Department lifts this requirement. The surety bond is in the amount of \$180,000 with United States Fire Insurance Company and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. A copy of the surety bond is on file with the Department.

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

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**ISI FRANCHISE INTERNATIONAL, INC.**

**FRANCHISEE :** \_\_\_\_\_

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

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

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

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

## ILLINOIS

### **ADDENDUM TO DISCLOSURE DOCUMENT**

Notwithstanding anything in the Franchisor's FDD to the contrary, the parties agree and acknowledge as follows:

Illinois law governs the Franchise Agreement and Development Agreement with regards to any state-specific claim arising out of Illinois franchise laws or franchise regulations.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and/or Development 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 and/or mediation 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 4 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.

Based upon the franchisor's financial condition, the Illinois Attorney General has required a financial assurance. We have obtained a surety bond in the sum of \$60,000 and that bond is on file with the Illinois Attorney General.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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.

**ILLINOIS**

**AMENDMENT TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

**The Franchise Agreement and Development Agreement are specifically amended as follows:**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Franchise Agreement and, if applicable, Development Agreement, agree as follows:

Illinois law shall govern the Franchise Agreement and Development Agreement with regards to any and all claims arising out of or based upon an Illinois franchise-specific law or regulation that is applicable to the sale/awarding of the franchise right(s) at issue.

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 mediation and/or 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 4 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.

Based upon the franchisor's financial condition, the Illinois Attorney General has required a financial assurance. We have obtained a surety bond in the sum of \$60,000 and that bond is on file with the Illinois Attorney General.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**ISI FRANCHISE INTERNATIONAL, INC.**

**FRANCHISEE :** \_\_\_\_\_

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

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

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

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

## MARYLAND

### ADDENDUM TO DISCLOSURE DOCUMENT

1. With respect to each Chart in Item 17 of the FDD, the “**Summary**” section of (a) Item 17(b) entitled **Renewal or Extension of the Term**, and (b) Item 17(m) entitled **Conditions for franchisor approval of transfer**, are hereby amended by adding the following:

Any general release you sign shall not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law.

2. The “**Summary**” section of Item 17(h) of each Chart in Item 17, entitled “**Cause defined – non-curable defaults**”, is amended by adding the following:

The Franchise (and, if applicable, Development) Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following are added to the end of each Chart disclosed in Item 17:

Despite any contradicting provision in the Franchise Agreement (and, if applicable, Development Agreement), you have three (3) years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided such laws are applicable to the awarding of the franchise right(s) at issue.

4. The following is added to the end of Item 5:

The Maryland Securities Commissioner has required us to obtain a surety bond because of our financial condition. We have obtained a surety bond in the sum of \$~~145481~~,000, and that bond is on file with the Maryland Securities Division.

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

**MARYLAND**

**AMENDMENT TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT**

**The Franchise Agreement and Development Agreement are specifically amended as follows:**

Any provision requiring Franchisee to execute a general release of any and all claims against Franchisor shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

Termination upon bankruptcy of the Franchisee might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce it to the extent enforceable.

Section 21(I) of the Franchise Agreement shall be supplemented by the following additional language:

PROVIDED, HOWEVER, THAT THIS LIMITATION OF CLAIMS SHALL NOT ACT TO REDUCE THE THREE (3) YEAR STATUTE OF LIMITATIONS AFFORDED FRANCHISEE FOR BRINGING A CLAIM UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Any provision of this Franchise Agreement which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Maryland Securities Commissioner has required us to obtain a surety bond because of our financial condition. We have obtained a surety bond in the sum of \$~~145~~481,000 and that bond is on file with the Maryland Securities Division.

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.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**ISI FRANCHISE INTERNATIONAL, INC.**                      **FRANCHISEE :** \_\_\_\_\_

By: \_\_\_\_\_    By: \_\_\_\_\_

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

|

## MINNESOTA

### ADDENDUM TO DISCLOSURE DOCUMENT

In accordance with the requirements of the state of Minnesota the following disclosure should be read in conjunction with the Disclosure Document. Any inconsistency with the information contained in the Disclosure Document will be resolved in favor of this Minnesota Addendum.

Item 13 **Trademarks** is amended by adding the following:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any of your costs incurred in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and are 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 **Renewal, Termination, Transfer and Dispute Resolution** in each Chart disclosed in this Item 17 is amended by adding the following:

**Renewal and Termination** 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 you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

**Choice of Forum** Nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

**Releases** A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.22.

These franchises have been registered under the Minnesota Franchise Act, registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete, and not misleading.

The Minnesota Franchise Act makes it unlawful to offer or sell any franchise in this state which is subject to registration without first providing to the franchisee, at least 7 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 7 days prior to the payment of any consideration, by the franchisee, whichever occurs first, a copy of this Disclosure Document, together with a copy of all proposed agreements relating to the franchise. This Disclosure Document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the franchisor and the franchisee.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any

statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

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

MINNESOTA

**AMENDMENT TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

**The Franchise Agreement and, if applicable, Development Agreement are hereby specifically amended as follows:**

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement (“Agreement”) agree as follows:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Agreement.

As required by Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee’s right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is 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.

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Agreement.

A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

The franchisee cannot consent to franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. *See* Minn. Rule 2860.4400J. A court will determine if a bond is required.

Nothing in the Disclosure Document or the Franchise Agreement (and, if applicable, Development Agreement) can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

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

Fees for NSF checks shall be subject to a maximum amount of thirty dollars (\$30.00).

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**ISI FRANCHISE INTERNATIONAL, INC.**

**FRANCHISEE:** \_\_\_\_\_

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

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

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

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

## NEW YORK

### ADDENDUM TO DISCLOSURE DOCUMENT

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 ANYTHING IN THIS 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 CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business

activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for a 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 provision 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 the franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## NORTH DAKOTA

### ADDENDUM TO DISCLOSURE DOCUMENT

The following statement is added to Item 5:

The North Dakota Securities Department requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Item 17 **Renewal, Transfer, Dispute Resolution, Choice of Forum, and Choice of Law** in each Chart disclosed in this Item 17 is amended by adding the following:

**Renewal** With respect to franchises governed by North Dakota law, we will comply with Section 51-19-09 of the North Dakota Franchise Investment Law, which will not allow for franchisees to sign a general release upon renewal of the Franchise Agreement.

**Transfer** With respect to franchises governed by North Dakota law, we will comply with Section 51-19-09 of the North Dakota Franchise Investment Law, which will not allow for franchisees to sign a general release upon a transfer of the Franchise Agreement.

**Dispute Resolution** Nothing in the Disclosure Document or Franchise Agreement can control the location if mediation is to take place between Franchisee and Franchisor as provided for in Section 51-19-09 of the North Dakota Franchise Investment Law.

**Choice of Forum** Nothing in the Disclosure Document or Franchise Agreement can control the jurisdiction of courts as provided for in Section 51-19-09 of the North Dakota Franchise Investment Law.

**Choice of Law** The Franchise Agreement will be governed by the laws of North Dakota with respect to Section 51-19-09 of the North Dakota Franchise Investment Law.

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

**NORTH DAKOTA**

**AMENDMENT TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

**The Franchise Agreement and, if applicable, Development Agreement are hereby specifically amended as follows:**

In recognition of the Section 51-19-09 of the North Dakota Franchise Investment Law the parties to the attached Franchise Agreement (“Agreement”) agree as follows:

Franchisees will not be required to sign a general release upon renewal of the Franchise Agreement.

Franchisees will not be required to sign a general release upon a transfer of the Franchise Agreement.

The location of any mediation is to take place at a location mutually agreed on by the Franchisee and Franchisor.

The jurisdiction of courts will be mutually agreed to by the Franchisee and Franchisor.

The Franchise Agreement will be governed by the laws of North Dakota.

Franchisee is not required to consent to a waiver of trial by jury.

Franchisee is not required to consent to a waiver of exemplary and punitive damages.

Any claims brought, must be brought within 10 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement or Development Agreement imposes a different limitations period for such claims, the provision of the Section 51-19-09 of the North Dakota Franchise Investment Law shall control.

The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

The North Dakota Securities Department requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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.

**IN WITNESS WHEREOF**, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

**ISI FRANCHISE INTERNATIONAL, INC.** Franchisee : \_\_\_\_\_

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

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

**RHODE ISLAND**

**ADDENDUM TO DISCLOSURE DOCUMENT**

The following language is added to Item 17(v) of each Chart disclosed in Item 17, entitled “**Choice of Forum**”:

*... ,except as otherwise required by the Rhode Island Franchise Investment Act*



## VIRGINIA

### ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document (or “FDD”) for ISI Franchise International, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

The following statement is added to Item 5:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The following statement is added to Item 17.h:

~~“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground 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 acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.



## **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT, AND RELATED AGREEMENTS**

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

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

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

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

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

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

Section 1 of the Franchise Agreement ("Preambles, Acknowledgments and Representations of Franchisee") is stricken for franchisees in Washington.

Section 3.B.4 of the Franchise Agreement shall not apply to franchisees in Washington.

The following sentence within Section 5.N of the Franchise Agreement ("Pre-Opening Obligations Acknowledgment") is stricken in accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2) while the

remainder of Section 5.N of the Franchise Agreement shall remain unaltered: “Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.”

The following sentence within Section 9.B of the Franchise Agreement (“Approval for all Advertising/Promotional Materials”) is stricken in accordance to RCW 19.100.180 while the remainder of Section 9.B of the Franchise Agreement shall remain unaltered: “If Franchisor does not provide its specific approval of the proposed materials within this fifteen (15) day period, the proposed materials will be deemed rejected.”

Section 13.B.1 of the Franchise Agreement is amended as follows:

“In the event of Franchisee’s death, disability or incapacitation (or the death, disability or incapacitation of Franchisee’s principals/owners/guarantors), Franchisee’s legal representative, or Franchisee’s partner’s or guarantor’s respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as “Franchisee” under this Agreement if: (i) within one hundred eighty (180) days from the date of death, disability or incapacity (the “180 Day Period”), such person has obtained Franchisor’s prior written approval and has executed Franchisor’s then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee’s obligations to Franchisor and Franchisor’s affiliates; and (ii) such person successfully completes Franchisor’s training program (which Franchisor will provide at Franchisor’s then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.”

The first sentence of Section 13.B.2. of the Franchise Agreement shall be amended as follows while the remainder of Section 13.B.2 of the Franchise Agreement shall remain unaltered: “Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 180 Day Period.”

Section 13.E.3 of the Franchise Agreement is stricken in accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2).

The post-termination non-competition provisions in Section 14.B of the Franchise Agreement (“After the Term of This Agreement”) and Section 11.B.3 of the Area Development Agreement may not be enforceable in Washington.

Section 14.E of the Franchise Agreement (“No Defense”) is stricken in accordance with RCW 19.100.180(1), RCW 19.100.180(2)(g), and RCW 19.100.220(2).

Section 15 of Exhibit E to the Franchise Agreement (“Confidentiality and Restrictive Covenant Agreement”) is stricken in accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2).

In accordance with RCW 19.100.180(2), Section 16.H of the Franchise Agreement (“Franchisor’s Option to Purchase Operating Assets”) shall be amended such that Franchisor shall purchase the assets referenced in the statute at their fair market value at the time of the expiration of the franchise based on Franchisor’s refusal

to renew or the termination of the Franchise Agreement upon an expiration or termination with good cause, with such amounts permitted to be offset by any amounts owed by Franchisee to Franchisor.

Section 21.I. of the Franchise Agreement, Article IV, Section 9 of Exhibit B to the Franchise Agreement (“Personal Guaranty”), and Section 22.F of the Area Development Agreement are stricken in accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2).

The following sentence within Section 23.A of the Franchise Agreement is stricken while the remainder of Section 23.A of the Franchise Agreement shall remain unaltered: “Franchisee recognizes and acknowledges that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson.”

The following within Section 23.B of the Franchise Agreement is stricken while the remainder of Section 23.B of the Franchise Agreement shall remain unaltered: “and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company shall be personally liable to Franchisee for any reason.”

The following sentence within Section 23.G of the Area Development Agreement (“Construction/Integration Clause”) is stricken while the remainder of Section 23.G of the Area Development Agreement shall remain unaltered: “Except as may have been disclosed at Item 19 of Franchisor’s Franchise Disclosure Document, Developer represents and warrants to Franchisor that no claims, representations, or warranties regarding the earnings, sales, profits, success or failure of the franchised business have been made to Developer and no such claims, representations or warranties have induced Developer to enter into this Agreement.”

Section 23.G.4 of the Area Development Agreement and Section 23.G.5 of the Area Development Agreement are stricken.

The following sentence within Section 24.B of the Area Development Agreement is stricken while the remainder of Section 24.B of the Area Development Agreement shall remain unaltered: “Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.”

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

Deferral. The franchisor will defer collection of the initial franchise fee until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee is open for business. The deferral of the Development Fee will be pro-rated, such that the franchisee will pay the franchisor the Fee proportionally upon the opening of each unit franchise.

*[Signatures on the following page]*

The undersigned does hereby acknowledge receipt of this addendum.

Agreed to by:

**ISI FRANCHISE INTERNATIONAL, INC.**

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

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

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

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

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

**EXHIBIT E**  
**To Franchise Disclosure Document**  
**OPERATIONAL MANUAL TABLE OF CONTENTS**

# TABLE OF CONTENTS

<b>INTRODUCTION</b>	<b>5-10</b>
Purpose	6
Modifications to Manual	6
Confidentiality & Responsibility	6
Storage	7
Support	7
Contact Information	7
Confidentiality Agreement (Franchisee Copy)	9
Confidentiality Agreement (Franchisor Copy)	10
<b>WE ARE IRONNATION</b>	<b>11-15</b>
History	12
Founder's Note	13
Mission Statement	14
Core Values	14
Mindset	15
<b>PREOPENING</b>	<b>16-26</b>
Timeline	17
Training	18
Virtual PreSales Training	18
IRONU	18
Coaches IRONU	19
Virtual Open Facility Training	19
On-Site Training	19
PreSales & Opening Supply Lists	19
Account Set Up	20
Preferred/Required Vendors	20
Licenses, Forms, Permits, & Insurance	22
PreSales & Founders Week	26
Grand Opening Event	26

## **ISI® ELITE TRAINING | WE RISE AS ONE**

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<b>NEW MEMBER ACQUISITION</b>	<b>27-39</b>
Mindset	28
Our Sales Philosophy	28
What is FEO?	29
Your Webpage	29
Your App	29
Understanding OC, CPL, CPS, CPC	30
Sales CRM Platform	31
Where Leads Come From	31
Following Up with Leads	32
Getting Leads to Show-Up	32
Leads Not Responding?	33
Overcoming Objections	35
5 Step Sales Process	37
Referrals	38
<b>MEMBER RETENTION</b>	<b>40-44</b>
Member Retention	41
The ISI® Attendance Standard	43
<b>MARKETING</b>	<b>45-55</b>
Mindset	46
ROI – Return on Investment	47
Why We Market	48
Ideas & Strategies for Hyperlocal Marketing	49
Organic Social Media	51
<b>POLICIES &amp; PROCEDURES</b>	<b>56-146</b>
Compliance Process	57
Cancellation, Transfer, Freeze Policy	62
Coaches Requirement Policy	70
Technology Policy	75
Facility Brand Standards & Equipment Policy	82
Facility Operation Hours Policy	86
Finance Cooperation Policy	91
Franchise Partner Membership Policy	96
Graphic Design and Image Policy	99
Internal Hiring Guidelines	103
Membership Options & Rates Policy	107
Personal Appearance & Dress Code Policy	119

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Retail Policy	123
Social Media Use Policy	128
Facility Pet Policy	135
IRONKidz Room Policy	139
Coaches Vault / Workout Policy	144

## HIRING 147-154

Purpose	148
Facility Manager	148
Head Performance Coach	149
Performance Coach	151
Sales Leader	153

## THE WORKOUT & COACHING 155-164

Daily Workout Breakdown	156
Lingo	156
Safety Cues	156
Movement Options & Coaching Up	157
Music	158
Voice Inflection	158
Emergency Workout	158
Art of Coaching	159
Post-Session Announcements	159
Workout Structure	159
Personal Connection in a Group	161
Tips for a Standard ISI® Branded ABT Session	161
The “Perfect” Coach	162
Commit to your Word	163
Energy	163
Travel Workouts	163

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**EXHIBIT F**  
**To Franchise Disclosure Document**  
**LIST OF CURRENT FRANCHISEES**

**LIST OF CURRENTLY OPERATING FRANCHISEES AS OF DECEMBER 31,  
2023**

Franchisee Name	Business Address	Business Number
<b>Arizona</b>		
<del>Megan Rogalski</del> <del>Erie Jenkins*</del>	15811 North Frank Lloyd Wright Blvd Suite 115, Scottsdale, AZ, 85260	<del>480-582-8915</del> <del>843-855-4108</del>
<b>California</b>		
<del>Donald Stewart*</del> <del>Karl Krahn*</del>	<del>1007 E Bidwell</del> 1373 Locust St., Folsom, Walnut Creek, CA 95630 94596	<del>925-705-9536</del> <del>916-934-8210</del>
<b>Florida</b>		
Evelyn Osio	2200 Biscayne Blvd Suite 101, Miami, FL 33137	305-833-8570
<u>Evelyn Osio</u>	<u>53 Southwest 11<sup>th</sup> St, Miami, FL 33130</u>	<u>305-631-2143</u>
Michael McLaughlin	1985 S Alafaya Trail, Orlando, FL 32828	407-734-2385
Timothy Johnson	4055 Tyrone Blvd N., Saint Petersburg, FL 33709	727-295-8918
<u>Neal Sterling</u>	<u>4906 Town Center Parkway, Suite 403, Jacksonville, FL 32246</u>	<u>904-800-3442</u>
<u>Mark Henderson</u>	<u>4424 Friendly Way, Wesley Chapel, FL 33543</u>	<u>813-517-4725</u>
<b>Georgia</b>		
Joseph Hodge	255 Meridian Dr., Grovetown, GA 30813	706-298-6788
Joseph Hodge	5106 Washington Road, Evans, GA, 30909	706-832-8545
<u>Kendra Fuentes*</u>	<u>63005 Roswell Rd, Sandy Springs, GA 30328</u>	<u>404-706-7035</u>
<b>Indiana</b>		
Jennifer Bromley*	14165 Cabela Pkwy., Suite 119, Noblesville, IN 46060	317-431-0170
<b>Maryland</b>		
<u>Emily Liu*</u>	<u>1 East Joppa Road, Suite 168, Towson, MD 21286</u>	<u>973-960-3180</u>
Emily Liu*	10200 Grand Avenue Suite 107, Owings Mills, MD, 21117	973-960-3180
Bill Williams*	11513 Wakefield Street Unit 104/105, Middle River, MD 21220	410-591-8996
<b>North Carolina</b>		
Zachary Dieter	974 S Point Rd., Belmont, NC 28012	704-618-6020
<del>Erik Knight</del> <del>Ariel Miller</del>	3866 Rural Retreat Rd, Burlington, NC 27215	336-347-3800
<del>Chris Carpenter</del> <del>Nick Dellapace</del>	16721 Orchard Stone Run Suite 140, Charlotte, NC 28277	<del>704-706-3986</del> <del>940-4699</del>
Laila Tafazzoli	2452 Park Rd Suite A, Charlotte, NC 28203	704-274-2383
Brandon Jackson*	1605 Elizabeth Ave, Charlotte, NC 28204	704-770-7325
Chris Carpenter*	2900 Derita Rd Ste D., Concord, NC 28027	704-706-3986
Ellen Abbott*	7260 NC-73 Suite 114, Denver, NC 28037	864-915-6976
Gavin Moss*	1620 Highwoods Blvd F101, Greensboro, NC 27410	336-497-0779
Aaron Verlinde	5614 Potter Rd, Matthews, NC 28104	704-970-0022
Denette Carte	19732 One Norman Blvd. Suite 340, Cornelius, NC, 28031	704-796-9122
Mallory Bryson	1621 Providence Rd S. Ste 330-340 Marvin, NC 28173	336-262-0712
<del>Ariel Kudlaez</del> <del>Michael Park</del>	3612 Rogers Branch Road, Wake Forest, NC 27587	<del>919-830-3410</del> <del>804-822-2492</del>
<u>Richard Froom</u>	<u>3651 Green Level W Rd Suite 100, Apex, NC 27523</u>	<u>919-589-5171</u>
<b>Pennsylvania</b>		
Darshak Patel	1301 W. Skippack Pike, Blue Bell, PA, 19422	267-670-6756
<b>South Carolina</b>		
<del>Chris Carpenter</del> <del>Heidi Lieske</del>	810 Brayden Parkway Suite # 105, Fort Mill, SC 29708	<del>704-706-3986</del> <del>803-992-0609</del>
<del>April Silvia</del> <del>Cameron Brobst</del>	7780 Charlotte Hwy., Indian Land, SC 29707	<del>803-373-1180</del> <del>676-8286</del>
Jeffrey Turner	1814 Crowne Commons Way Suite E4, Johns Island, SC 29455	843-279-5079
John Scarborough	425 Columbia Ave, Lexington, SC 29072	803-935-9009

<del>Chris Manning</del> <del>Haywood Brandon</del>	608 Hwy 17 S., North Myrtle Beach, SC 29582	843- <del>663-0600</del> 910-6372
<del>Michelle Birch</del> * <del>Joseph Hodge</del>	1738 Celanese Rd, Rock Hill, SC 29732	<del>706-832-8545</del> 843-855-0477
Sharon Snearly	309 SC 14, Suite A, Simpsonville, SC 29681	803-389-7731
Haywood Brandon	4007 Belle Terre Blvd., Myrtle Beach, SC, 29579	843-910-6372
Haywood Brandon	1315 4th Ave., Conway, SC, 29526	843-910-6372
Haywood Brandon	2737 U.S. 17 Business, Murrells Inlet, SC29576	843-910-6372
<b>Tennessee</b>		
Chris Carpenter*	4840 Centennial Blvd Suite 102, Nashville, TN 37209	419-852-6204
<b>Texas</b>		
<del>Tim Dillow</del>	<del>19003 Windsor Pointe Drive Suite 900, Tomball, TX 77375</del>	<del>253-677-7960</del>
Charles Yeager	14105 Ronald Reagan Blvd, Suite 101, Cedar Park, TX, 78641	512-917-4892
Aaron Goetsch*	5801 W. Interstate 20, Suite #395 Arlington, TX, 76017	623-330-0952
Spenser Thomas*	22106 Bulverde Road, Suite 106, San Antonio, TX, 78259-2180	210-593-3379
<del>Virginia Spenser Thomas*</del>	<del>5228 Broadway, San Antonio, TX 78209</del>	<del>210-593-3409</del>
<del>Mohammad Asif</del>	<del>3947 Brambleton Ave SW, Roanoke, VA, 24018</del>	<del>540-930-4050</del>
<b>Wisconsin</b>		
<del>Jordan Mudroek</del>	<del>17925 West Bluemound Drive, Suite 250, Brookfield, WI 53045</del>	<del>414-418-4998</del>

\* Indicates franchisees who also signed an Area Development Agreement.

**FRANCHISEES THAT HAVE SIGNED FRANCHISE AGREEMENT BUT NOT YET OPENED FRANCHISED BUSINESS AS OF DECEMBER 31, 20232024:**

Franchisee Name	City and State	Contact Number
Katie Lee	Hoover, AL	205-446-9188
<del>Bill Zimmer</del> <del>Megan Regalski</del>	<del>Gilbert, AZ</del> <del>Camarillo, CA</del>	<del>623-980-6851</del> 661-505-1170
<del>Brent Taravella</del> * <del>Nicole Glunt</del> *	<del>Culver</del> <del>Cooper City, CA</del> <del>FL</del>	<del>330-766-6198</del> 917-847-0527
<del>Tom Sabella</del> * <del>Donald Stewart</del> *	<del>Walnut Creek, CA</del> <del>Sarasota, FL</del>	<del>760-562-6116</del> 718-570-7220
Timothy Johnson	Downtown St. Petersburg, FL	727-295-8918
Evelyn Osio	Brickell, FL	305-788-4702
Neal Sterling	Jacksonville, FL	732-546-5697
Mark Henderson	Wesley Chapel, FL	813-517-4725
Michael Park	Fort Lauderdale, FL	973-641-9101
Nicole Glunt*	Fort Lauderdale, FL	330-766-6198
Steven Haber*	Boea Raton, FL	845-608-3247
Kendra Fuentes*	Sandy Springs, GA	678-637-7423
Ravi Rajagopalan*	Deerfield, <del>IL</del> <del>IN</del>	224-500-2062804-7449
Sarah Layne	Rockville, MD	301-922-0881
Martinas Rankin	Jackson <del>Flowood</del> , MS	601-382-2705
<del>Anthony Forgione</del> *	<del>Jersey City, NJ</del>	<del>914-490-5197</del>
<del>Steven Haber</del> *	<del>Englewood, NJ</del>	<del>845-608-3247</del>
Steve Rasa	Chapel Hill, NC	508-736-7142
Joshua Petersen	Harrisburg, NC	843-344-8508
Marisa Harte	Hickory, NC	704-287-6855
Shaun Palmer*	Holly Springs, NC	919-628-5461
Khan La Touche	Wilmington, NC	843-957-6627

<u>Melissa Macemore</u>	<u>Asheville, NC</u>	<u>336-703-7111</u>
<u>Michael Park</u>	<u>Raleigh, NC</u>	<u>973-641-9101</u>
<u>Tyler Ranney</u>	<u>New Albany, OH</u>	<u>614-670-1272</u>
<u>Mike Higgins</u>	<u>ColumbiaSandhill, SC</u>	<u>803-563-7978</u>
<u>Erin Brennehan</u> <u>Jessica Henry*</u>	<u>Lake WylieSummerville, SC</u>	<u>941-448-7091</u> <u>843-957-3915</u>
<u>Tim Dillow</u> <u>Rebecca Conley</u>	<u>NorthpointeCreeside, TX</u>	<u>253-677-7960</u> <u>832-922-8257</u>
<u>Rebecca Serenity</u>	<u>Ashburn, VA</u>	<u>703-282-0789</u>
<u>Paul Wajgel</u>	<u>Brookfield, WI</u>	<u>414-748-0177</u>

**LIST OF FORMER FRANCHISEES THAT LEFT OUR SYSTEM IN THE PAST FISCAL YEAR ENDING DECEMBER 31, ~~2023~~2024, OR THAT HAVE FAILED TO COMMUNICATE WITH US IN THE PAST 10 WEEKS:**

<b>Name</b>	<b>City and State</b>	<b>Contact Number</b>
<u>Eric Jenkins</u>	<u>N. Scottsdale, AZ</u>	<u>843-855-4108</u>
<u>Brent Taravella</u>	<u>Culver City, CA</u>	<u>917-847-0527</u>
<u>Karl Krahn</u>	<u>Folsom, CA</u>	<u>916-934-8210</u>
<u>Elizabeth Kiefer</u> <u>Marisa Harte, Trebor &amp; Sirkka Patrick</u>	<u>BallantyneHickory, NC</u>	<u>704-940-4699</u> <u>287-6855</u>
<u>Catherine Denel</u> <u>Shaun Palmer</u>	<u>MatthewsHolly Springs, NC</u>	<u>704-970-0022</u> <u>919-628-5461</u>
<u>Erik Knight</u>	<u>Burlington, NC</u>	<u>336-675-5450</u>
<u>Ariel Kudlacz</u>	<u>Wake Forest, NC</u>	<u>804-822-2492</u>
<u>Joshua Peterson</u>	<u>Harrisburg, NC</u>	<u>843-344-8508</u>
<u>Michelle Birch</u>	<u>Rock Hill, SC</u>	<u>843-855-0477</u>
<u>Chris Manning</u>	<u>N. Myrtle Beach, SC</u>	<u>8843-910-6371</u>
<u>April Silvia</u>	<u>Indian Land, SC</u>	<u>803-230-4714</u>
<u>Mohammad Asif</u>	<u>Roanoke, VA</u>	<u>540-930-4050</u>
<u>Jordan Mudrock</u>	<u>Brookfield, WI</u>	<u>414-418-4998</u>

**EXHIBIT G**  
**To Franchise Disclosure Document**

**SAMPLE FORM OF GENERAL RELEASE**

This General Release (“Release”) is made and entered into on this \_\_\_\_\_ day \_\_\_\_\_ of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_ and \_\_\_\_\_ between FBX (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

**WITNESSETH:**

**WHEREAS**, Franchisor and Franchisee are parties to a ISI® ELITE TRAINING Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20\_\_, granting Franchisee the right to operate a franchised business utilizing Franchisor’s then-current (a) proprietary marks and (b) system of operations, at the following location: \_\_\_\_\_  
\_\_\_\_\_.

**NOW THEREFORE**, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasors”), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the “Releasees”), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasors. The Releasors, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release. Releasors hereby acknowledge that this release is intended 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.

Each of the Releasors expressly acknowledges that they are familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing a release, which if known by him or her must have materially affected his or her settlement with the debtor.**

Each of the Releasors hereby specifically and expressly waives all rights that it may have under Section 1542 of the California Civil Code or any similar provision of law in any other jurisdiction. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Releasors acknowledge and agree that they have read the terms of this Release,

they fully understand and voluntarily accept the terms, and that they have entered into this Release voluntarily and without any coercion.

**IN WITNESS WHEREOF**, the parties hereto have executed this Release as of the date first above written.

**FRANCHISOR**

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

\_\_\_\_\_

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

\_\_\_\_\_

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

**FRANCHISEE**

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

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

**EXHIBIT H**  
**To Franchise Disclosure Document**  
**RELENTLESS PM AGREEMENT**

## AGREEMENT FOR SERVICES

This Agreement for Services (the “Agreement”) is made \_\_\_\_\_ (the “Effective Date”), by and between Relentless Project Management, LLC, a North Carolina limited liability company having an address of 5601 77 Center Drive, Suite 215, Charlotte, NC 28217 (“Company”), and \_\_\_\_\_, a \_\_\_\_\_ having an address of \_\_\_\_\_ (“Client”), with reference to the facts set forth in the Recitals below:

### RECITALS

- A. Company is a limited liability company engaged in the business of providing project management services.
- B. Client desires to retain Company to perform the services described in Section 2 below and Client and Company desire to set forth their understanding and agreement with respect to such services.

### AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Term of Agreement.** This Agreement shall remain in full force and effect for a term (the “Term”) commencing on the Effective Date and, unless sooner terminated as provided below, expiring upon the date that a certificate of occupancy for the Unit has been issued by the applicable governmental authority.
2. **The Services.** On the terms and subject to the conditions of this Agreement, Client hereby retains Company on an exclusive basis to provide the real estate and construction management services described on the attached **Exhibit “A,”** which are hereby incorporated by reference into this Agreement as if fully set forth in this Agreement (the “Services”).
3. **Payment.** Client shall pay Company the amounts set forth on the attached **Exhibit “B”** for the Services and for certain related expenses Company incurs in providing the Services.
4. **Client’s Cooperation.** Client shall use commercially reasonable efforts to assist and cooperate with Company and Company Personnel (as defined in Section 5 below) whenever necessary by making Client personnel available to Company for consultation, providing reasonable access to the Unit, and providing other information and data reasonably necessary for the performance of the Services.
5. **Company Personnel.** Company shall provide a sufficient number of its employees and/or agents (“Company Personnel”) necessary to perform the Services.
6. **No Authority to Execute Agreements.** Company shall have no right or power to enter into any contract, agreement or other similar document in the name of or on behalf of Client, or to otherwise obligate Client in any manner, without the prior written consent and approval of Client, which consent and approval shall not be unreasonably withheld. Notwithstanding the forgoing, Company shall have the right to negotiate with third-parties on Client’s behalf and, subject to prior approval by Client, make purchases on Client’s behalf. As evidence of Client granting Company this authority to act on behalf of Client and make purchases on behalf of Client, Client shall promptly execute the authorization letters attached hereto as Exhibit “C” and Exhibit “D” upon request from Company.

7. **Independent Contractor.** This Agreement does not establish an employer-employee relationship between Client and Company. Company Personnel are not employees or agents of Client, and Company shall exercise full control and supervision over the performance, employment, direction, compensation and discharge of any and all of Company Personnel and Company's obligations.
8. **Use of Deliverables.** Client acknowledges that Company may provide, among other things, reporting and data management structures, and business process management practices to its clients generally, including but not limited to database structures, management reports and electronic dashboards, web-based and other communication tools and practices. The methods and technology are considered intellectual property of Company and are not to be disclosed to third parties (including but not limited to Company's competitors, but expressly excluding Client's actual or prospective landlords, affiliates, lenders, brokers, accountants, lawyers, and other similar parties) without Company's prior written consent.
9. **Termination.** Company may terminate this Agreement prior to the expiration date as set forth in Section 1 above upon the breach of this Agreement by Client. If this Agreement is terminated as provided pursuant to this Section 9, Company shall be paid for all Services through the effective date of termination.
10. **Indemnification.** Client acknowledges that Company's pricing of the Services, and Company's willingness to perform the Services in accordance with this Agreement, are based upon the risk allocation provisions set forth in this Agreement, including but not limited to the Indemnification provisions contained in this Section 10. Client shall indemnify, defend and hold Company harmless from all liability, claims for damages, loss, costs, expenses (including but not limited to the costs of defense or settlement of any such claim, including reasonable attorney's fees actually incurred) arising out of or in connection with (i) any breach of this Agreement by Client, (ii) any negligent or more culpable conduct by Client, (iii) any expenditures authorized pursuant to Section 6, and/or (iv) any Services performed by Company in accordance with this Agreement.
11. **Limitation of Liability.** Company shall not be liable to Client for any mistake of fact or error in judgment in the performance of the Services so long as Company has acted reasonably and in good faith. Company's total liability to Client hereunder, regardless of the nature of the claim made against Company, shall not exceed the total compensation actually paid to Company under this Agreement. As used in this Agreement, "Company" means only Relentless Project Management, LLC. No principal, manager, member, officer, director, employee, or partner of Company shall have any personal liability under any provision of this Agreement. If Company defaults in the performance of any of its obligations under this Agreement or otherwise, Client shall look solely to Company's assets, and not to the assets, interest, or rights of any principal, manager, member, officer, director, employee, or partner of Company for satisfaction of Client's remedies.
12. **Notices.** All notices, requests, demands, claims, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) at the time of delivery when physically delivered, (b) three (3) days after having been deposited in the United States Mail, as certified or registered mail (with return receipt requested and with first class postage pre-paid), or (c) one (1) business day after having been transmitted to a third party providing delivery services in the ordinary course of business which guarantees delivery on the next business day after such transmittal (e.g., via Federal Express), all of which notices or other communications shall be addressed to the recipient at the address set forth in the recitals above.
13. **Governing Law.** The Agreement will be governed by the laws of the State of North Carolina without regard to its conflict of laws principles. Any dispute, controversy or claim arising out of

or relating to this Agreement shall be settled by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. The arbitration shall be held in Charlotte, North Carolina unless the parties mutually agree on a different location.

14. **No Solicitation or Hire:** During the engagement with Company and for two (2) years following termination of such engagement, Client agrees not to directly recruit, solicit, or induce for employment, or hire for employment, any employee of Company with whom Client dealt or learned of through such engagement

15. **Miscellaneous.** If any provision, or any portion of any provision, contained in this Agreement is held unenforceable, then it shall, to that extent alone, be deemed omitted and this Agreement shall be construed as if such unenforceable provision had never been contained herein. Waiver by either party of any default by the other party shall not be deemed a waiver of any other default. No provision of this Agreement shall be deemed waived, amended, or modified by either party, unless it is in writing and signed by both parties. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. All prior agreements, representations, statements, negotiations, understandings, and undertakings are superseded by this Agreement. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall constitute one document. The terms, conditions, and warranties contained in this Agreement that are intended to survive the expiration or termination of this Agreement shall survive. Client shall not assign this Agreement without Company's prior written consent.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized representatives as of the Effective Date.

CLIENT:

COMPANY:

\_\_\_\_\_  
a \_\_\_\_\_

Relentless Project Management, LLC,  
A North Carolina limited liability company

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

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

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

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

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

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

**EXHIBIT A**  
**Description of Services**

**Real Estate and Construction Management Services**

- Company will navigate the Client through the phases of development including Onboarding, Real Estate, Design, Preconstruction, Construction and Closeout
- Company will provide the Client with a project management website, document templates, educational resources and final project records.
- Company will represent the Client in relationships with the Real Estate Broker, Architect, General Contractor and operating Landlord.
- Company will schedule and attend virtual meetings with the Client and will be available as needed to represent the Client's interest with project stakeholders.
- Company will coordinate contract administration between the architect/engineering firm, general contractor and the Client.
- Company will engage and assist in the contractor punch process and drive project closeout efforts.

**EXHIBIT B**  
**Services Pricing**

**Real Estate and Construction Management Services:**

Total fee is \$15,000.00 (the “Fee”) for Services. Full payment of the non-refundable Fee shall be paid to the Company within three (3) days from the execution of this Standard Form Agreement.

**In-Person Site Visits:** Included in the Fee are all expenses related to travel, lodging and meals for two (2) site visits by the Company. The included site visits will occur in the following order; the first site visit will follow the Client’s lease execution but before the commencement of construction and the final site visit will be during the construction punch list review. The Client shall reserve the right to request a Company site visit, in addition to the included site visits, where applicable. For additional site visits, the Client shall fully reimburse the Company for reasonable expenses related to travel, lodging and meals over the duration of the visit; plus an additional per diem administrative fee of \$500.00. Expense reimbursements will be billed in arrears based on the expenses incurred during the prior month. Amounts invoiced will be due within fifteen (15) days of Client’s receipt. Relentless Project Management, LLC will obtain approval prior to any travel from Client via signed Request for Service form.

**EXHIBIT C**

**Authorization to Act on Client's Behalf**

<CLIENT LETTER HEAD>

SENT VIA E- MAIL

DATE

LL LEGAL ENTITY

Attn: LL CONTACT

LL ADDRESS on behalf of Company

CITY, STATE/PROV ZIP

RE: Notification of Consulting Partnership with Relentless Project Management, LLC

TENANT ENTITY (PER LEASE ABSTRACT)

STORE #

STORE ADDRESS

Dear LL NAME:

Please be advised that \_\_\_\_\_ (“Company”) has engaged Relentless Project Management, LLC as its advisor to assist in certain real estate functions pertaining to the management of the above-referenced store. You may be contacted by a representative of Relentless Project Management, LLC, specifically pertaining to construction activities under the abovementioned lease. Company has authorized Relentless Project Management, LLC to enter negotiations on behalf of Company, but Relentless Project Management, LLC retains no execution authority.

Thank you in advance for your cooperation in this matter. We look forward to continuing our successful partnership.

Sincerely,

\_\_\_\_\_

**EXHIBIT D**

**Authorization to Purchase on Client's Behalf**

SENT VIA E- MAIL

DATE

FP LEGAL ENTITY

Attn: FP CONTACT

FP ADDRESS on behalf of Company

CITY, STATE/PROV ZIP

RE: Authorization to Release Client Funds for the Purchase of Owner Supplied Items

Dear FP Name:

Please confirm the use of Client credit cards for Relentless Project Management, LLC. The purchase of material should be communicated a minimum of 5 days in advance to the Client.

- DENIED - Franchise Partner will execute all vendor material purchases at the time of notice by Relentless Project Management.
  
- APPROVED - Franchise Partner permits Relentless Project Manager to execute the purchase order of vendor material, given a 5 day notice. All purchase orders should be executed using the credit card information below:

Name:

Card Number:

Expiration Date:

Security Code:

Thank you in advance for your cooperation in this matter.

Sincerely,

**EXHIBIT I**  
**To Franchise Disclosure Document**

**FINANCIAL STATEMENTS**

**UNAUDITED BALANCE SHEET DATED MARCH 31, ~~2024~~2025 AND UNAUDITED PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM JANUARY 1, ~~2024~~2025 TO MARCH 31, ~~2024~~2025.**

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

**ISI Franchise International, Inc.**  
**Profit and Loss**  
January - February, 2024

	Total
<b>Income</b>	
40000 Sales	
40100 Franchise License Sales	475,000.00
40110 Transfer Fee Income	30,000.00
40200 Royalty Fees	146,745.29
40300 Advertising Fund Fees	47,723.47
40400 Technology Fund Fees	92,550.00
40600 Training Fee Income	9,500.00
<b>Total 40000 Sales</b>	<b>\$ 801,518.76</b>
<b>Total Income</b>	<b>\$ 801,518.76</b>
<b>Cost of Goods Sold</b>	
50000 Cost of Goods Sold	
50450 Technology Fees - COS	19,255.01
50600 Royalty Fee Share	37,248.82
<b>Total 50000 Cost of Goods Sold</b>	<b>\$ 56,503.83</b>
<b>Total Cost of Goods Sold</b>	<b>\$ 56,503.83</b>
<b>Gross Profit</b>	<b>\$ 745,014.93</b>
<b>Expenses</b>	
60010 Advertising & Marketing	37,721.11
60011 Marketing Agency Services	62,761.48
60012 Job Recruitment Expense	2,037.50
60020 Auto Expenses	123.56
60040 Dues & subscriptions	1,327.08
60043 Meet The Team Day Expenses	
60044 Events	875.09
60045 Meals	937.29
60046 Lodging	802.16
<b>Total 60043 Meet The Team Day Expenses</b>	<b>\$ 2,614.54</b>
60047 FAC Expense	
60048 FAC - Travel Expense	698.97
<b>Total 60047 FAC Expense</b>	<b>\$ 698.97</b>
60050 IRON U Week	
60051 IRONU - Host	500.00
60053 IRON U - Meals	1,889.44
60054 Iron U Supplies	110.46
<b>Total 60050 IRON U Week</b>	<b>\$ 2,499.90</b>
60055 FBC Travel Expense	
60056 FBC Travel Meals	142.33
60057 FBC Travel Expense	1,343.50
<b>Total 60055 FBC Travel Expense</b>	<b>\$ 1,485.83</b>
60060 Insurance	927.86
60061 Insurance - Workers Comp	110.52
60063 Music Fees	97.90

60100 Professional and Consulting Fee		
60120 Sale Commissions		102,500.00
60155 Accounting Fees		3,075.00
Total 60100 Professional and Consulting Fee	\$	<b>105,575.00</b>
60125 Rent & Lease		5,795.16
60126 Copier Lease		425.20
60140 Telephones		42.46
60145 Legal & Professional Fees		9,643.29
60160 Bank Charges & Fees		131.00
60161 QuickBooks Payments Fees		30.00
60172 Iron Nation Expense		358.00
60180 Interest Expense		
60185 Interest Expense - Owners Loan		1,521.73
Total 60180 Interest Expense	\$	<b>1,521.73</b>
60200 Payroll Expenses		
60029 Payroll Processing Expenses		549.99
60085 Salaries and Wages		118,180.09
60090 Payroll Taxes		10,471.28
60202 Employee Benefit Expense		3,374.11
60203 Employee Morale		1,250.12
60204 Payroll Reimbursement		-1,500.00
Total 60200 Payroll Expenses	\$	<b>132,325.59</b>
60210 Travel		2,097.84
60215 Lodging		2,524.19
60217 Meals		1,275.07
60218 Transportation		4,743.20
Total 60210 Travel	\$	<b>10,640.90</b>
60225 Elite Club - Travel		38,617.07
60226 Elite Club - Supplies		4,572.11
60230 50% Meals and Entertainment		88.47
60235 100% Meals and Entertainment		703.91
60240 Software Fees		6,354.23
60285 Technology Fees - In House		9,131.34
60300 Supplies		921.72
60302 Small Equipment Expense		315.03
60310 Gifts		175.00
60330 Postage		396.80
60340 Computer & Internet		352.74
Total Expenses	\$	<b>440,523.00</b>
Net Operating Income	\$	<b>304,491.93</b>
Other Income		
70000 Other Income		
70100 Vendor Rebates		31,378.19
Total 70000 Other Income	\$	<b>31,378.19</b>
Total Other Income	\$	<b>31,378.19</b>
Net Other Income	\$	<b>31,378.19</b>
Net Income	\$	<b>335,870.12</b>



Divine  
Blalock  
Martin  
Sellari  
LLC  
Est. in 1932

# **ISI FRANCHISE INTERNATIONAL, INC**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2023 AND 2022**

**With Auditors' Report There on**

**ISI FRANCHISE INTERNATIONAL, INC**  
**TABLE OF CONTENTS**

---

	<u>Page</u>
Independent Auditor’s Report.....	1-2
<b>Financial Statements</b>	
Balance Sheets.....	3
Statements of Income.....	4
Statements of Stockholder’s Equity.....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7-12
<b>Supplementary</b>	
<del>General and Administrative Expenses.....</del>	<del>13</del>

GARY B. SELLARI, CPA\*/PFS, MSM  
SCOTT A. STERN, CPA\*\*  
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Blalock  
Martin  
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## INDEPENDENT AUDITOR'S REPORT

To the Stockholder's  
ISI Franchise International, Inc.  
Fort Mill, SC

### Opinion

We have audited the accompanying financial statements of ISI Franchise International, Inc (a South Carolina Corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial 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 ISI Franchise International, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant ~~accounting estimates made by management, as well as evaluate the overall presentation of the~~ financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ISI Franchise International, Inc's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Divine, Blalock, Martin & Sellari, LLC*

West Palm Beach, FL  
March 15, 2024

**ISI FRANCHISE INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2023 AND 2022**

ASSETS		
	2023	2022
<b>Current Assets</b>		
Cash and cash equivalents	\$ 995,058	\$ 271,382
Accounts receivable	27,610	59,592
Prepaid franchise expense (note 3)	791,448	621,603
<b>Total Current Assets</b>	1,814,116	952,577
Property and equipment, net	51,774	38,347
<b>Other Assets</b>		
Deferred tax asset	117,541	161,580
Deposits	8,471	8,471
<b>Total Other Assets</b>	126,012	170,051
<b>Total Assets</b>	\$ 1,991,902	\$ 1,160,975

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**LIABILITIES AND STOCKHOLDER'S EQUITY**

	<b>2023</b>	<b>2022</b>
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ -
Accrued expenses	1,848	7,335
Shareholder loan payable	19,043	52,916
Deferred franchise revenue - current portion	855,362	636,080
Line of credit/Note payable - current portion	46,584	150,000
Income tax liability	14,109	-
	<b>936,946</b>	<b>846,331</b>
<b>Long-Term Liabilities</b>		
Deferred franchise revenue - non current portion	852,750	398,883
Line of credit/Note payable - non current portion	76,730	-
<del>Economic Injury and Disaster Loan (EIDL)</del>	<del>6,100</del>	<del>6,100</del>
	<b>935,580</b>	<b>404,983</b>
<b>Total Liabilities</b>	<b>1,872,526</b>	<b>1,251,314</b>
<b>Stockholder's Equity/(Deficit)</b>		
Common stock issued, no par value; 1,000,000 shares authorized, 100 shares issued and outstanding	260,100	260,100
Additional paid in capital	306,005	306,005
Retained earnings/(accumulated deficit)	(446,729)	(656,444)
	<b>119,376</b>	<b>(90,339)</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 1,991,902</b>	<b>\$ 1,160,975</b>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>Revenue</b>		
Franchise fees	\$ 936,855	\$ 763,922
Royalty fees	759,665	388,667
Technology fees	409,298	283,614
Training fees	42,000	39,000
Transfer fee	20,000	-
Advertising fees	256,856	159,922
Annual Conference	154,535	100,249
<b>Total Revenues</b>	2,579,209	1,735,374
<b>Operating Expenses:</b>		
General and administrative	2,420,297	2,072,105
<b>Total Operating Expenses:</b>	2,420,297	2,072,105
Income (Loss) from operations	158,912	(336,731)
<b>Other Income (Expense):</b>		
Retail sales	-	311,539
Interest expense	(7,251)	(6,865)
(Loss) on disposal of fixed asset	(1,200)	-
Other Income	120,875	90,554
<b>Total Other Income</b>	112,424	395,228
<b>Income Before Income Taxes</b>	271,336	58,497
Income tax provision	(61,620)	(16,611)
<b>Net Income</b>	\$ 209,716	\$ 41,886

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Common Stock	Additional Paid in capital	Retained Earnings/ (Accumulated deficit)	Total Stockholder's Equity (Deficit)
<b>Balance, January 1, 2022</b>	\$ 260,100	\$ 256,005	\$ (698,330)	\$ (182,225)
Paid in capital	-	50,000	-	50,000
Net income	-	-	41,886	41,886
<b>Balance, December 31, 2022</b>	\$ 260,100	\$ 306,005	\$ (656,444)	\$ (90,339)
Paid in capital	-	-	-	-
Net income	-	-	209,716	209,716
<b>Balance, December 31, 2023</b>	<u>\$ 260,100</u>	<u>\$ 306,005</u>	<u>\$ (446,729)</u>	<u>\$ 119,376</u>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 209,716	\$ 41,886
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>		
Depreciation & amortization	11,148	5,750
PPP Loan Forgiveness	-	(2,000)
Deferred tax provision	44,039	15,978
Loss on disposal of fixed assets	1,200	-
<b><i>Decrease (Increase) in operating assets:</i></b>		
Accounts receivable	31,982	(58,566)
Prepaid expenses	-	3,104
Deferred franchise expenses	(169,845)	(161,113)
<b><i>Increase (Decrease) in operating liabilities:</i></b>		
Accounts payable	-	(13,441)
Accrued expenses	(5,487)	(2,194)
Deferred franchise revenue	673,149	205,074
Income tax payable	14,109	-
<b>Net cash used in operating activities</b>	<u>810,011</u>	<u>34,478</u>
<b>Cash flows from in investing activities:</b>		
Fixed assets purchase	(25,775)	(37,685)
<b>Net cash flows used in investing activities:</b>	<u>(25,775)</u>	<u>(37,685)</u>
<b>Cash flows used in provided by financing activities:</b>		
Proceeds from (Repayment of) line of credit, net	(26,686)	150,000
Paid in capital	-	50,000
Repayment of shareholder loan, net	(33,874)	(551)
<b>Net cash used in provided by financing activities</b>	<u>(60,560)</u>	<u>199,449</u>
Net increase in cash and cash equivalents	723,676	196,242
<b>Cash and cash equivalents at beginning of year</b>	<u>271,382</u>	<u>75,140</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 995,058</u>	<u>\$ 271,382</u>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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**NOTE 1 – BUSINESS ACTIVITY**

ISI Franchise International, Inc. was formed in the state of South Carolina on June 4, 2018; the Company is in the business of offering franchises to operate a fitness facility that offers proprietary athletic-based conditioning fitness programs in a group setting for men and women of all ages. Unless otherwise indicated, the terms “we,” “us,” “our,” and “Company” refer to ISI Franchise International, Inc.

**Affiliate**

ISI Corporate, LLC (“ICL”) is a South Carolina limited liability company formed in August 2011. ICL shares the same physical address as us and operates multiple System Facilities under the Proprietary Marks. ISI Franchise International, Inc and ICL are independent entities, and ICL does not offer franchises.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

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**Cash and Cash Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Accounts Receivable and Bad Debts**

Customer accounts receivable are stated at the amount management expects to collect on balances. The Company uses the allowance method. Accounts past due more than 90 days are individually analyzed for collectability. An allowance is provided for any receivables that management feels there is uncertainty about future collections. When all collection efforts have been exhausted, the account is written off against the related allowance. At December 31, 2023 and 2022, the allowance for doubtful accounts was \$0, respectively.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 5 to 15 years.

**Long-Lived Assets**

The Company reviews long-lived assets to be held and used by an entity for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As there are no owned assets for the Year ended December 31, 2023, no impairment of the carrying values of its long-lived assets existed at December 31, 2023. There can be no assurance, however, that demands for the Company’s products or market conditions will not change which could result in impairment losses in the future.

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Advertising Costs**

Advertising costs are expensed when incurred. Advertising expense amounted to \$167,241 and \$76,677 for the years ended December 31, 2023 and 2022, respectively.

**Income Taxes**

The company accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

The company follows the provisions of FASB ASC 740-10-25, which prescribes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns. FASB ASC 740-10-25 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions.

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The company records uncertain tax positions on the basis of a two-step process in which: (1) the company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position; and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authorities.

The company recognizes interest and penalties related to unrecognized tax positions as part of the income tax provision in the accompanying statements of income and retained earnings (deficit), and includes accrued interest and penalties in income taxes payable in the accompanying balance sheets.

Currently, the 2022, 2021 and 2020 tax years are open and subject to examination by the taxing authorities. However, the company is not currently under audit nor has the company been contacted by any of the taxing authorities.

**Concentrations of Credit Risk**

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

# ISI FRANCHISE INTERNATIONAL, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### Revenue Recognition

The Company's revenue recognition policies are in compliance with accounting standards ASC Topic 606, *Revenue from Contracts with Customers*. The new guidance includes the following five-step revenue recognition model:

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

In 2020, the Financial Accounting Standards Board (FAB) issued Accounting Standards Update (ASU), *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606) Practical Expedient*. This new practical expedient will allow franchisors that are not public business entities to account for pre-opening services provided to a franchise as a single performance obligation if the services are in line with the services listed within the guidance, and they meet certain other conditions.

The Company recognizes franchise royalties and system advertising on a monthly basis, ~~which are generally based upon a percentage of sales made by the Company's franchises,~~ when they are earned and deemed collectible.

The following services are provided by the Company prior to the opening of a franchised location:

- A website housed within our national website that includes scheduling functionality and access to our intranet system that houses our proprietary educational platform and provides ongoing announcements and templates for print and marketing materials to support the Business.
- Access to a self-study program and related materials to be completed prior to attending our initial training program.
- Copy of proprietary operations manual (and other materials).
- Comprehensive ten-day training program at our corporate headquarters and up to three days of assistance and guidance pre-opening or grand opening on site.

##### Fair Value of Financial Assets and Liabilities

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Fair Value of Financial Assets and Liabilities, continued**

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP”) 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company’s management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

**Recently Issued and Adopted Accounting Pronouncements**

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received, and the lessee’s initial direct costs (e.g., commissions). The new standard is effective for annual reporting periods beginning after December 15, 2021, including interim reporting periods within those annual reporting periods. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented. Effective January 1, 2023, the Company adopted the new lease standard. As of December 31, 2023, the Company sublease office space from its affiliate, ISI Corporate, LLC on a month-to-month basis (See Note 9). Management believes that the current lease pronouncement will not have any impact to its balance sheet due to the terms of the current lease agreement.

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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**NOTE 3 – PREPAID FRANCHISE EXPENSES**

Prepaid franchise expenses represent expenses paid to assist franchisee’s in getting their business open. This includes broker fees, commission, advertising fees, and technology costs. These costs are fully recognized when Franchisees open their doors. The amounts deferred amounted to \$791,448 and \$621,603 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31,

	<b>2023</b>	<b>2022</b>
Office and Computer Equipment	\$ 28,067	\$ 16,344
Website	43,626	31,322
Less: accumulated depreciation	(19,919)	(9,319)
Property and equipment, net	\$ 51,774	\$ 38,347

Total depreciation expenses for the years ended December 31, 2023 and 2022 amounted to \$11,148 and \$5,750, respectively.

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**NOTE 5 – DEFERRED FRANCHISE REVENUE**

Deferred franchise revenue represents initial franchise sales for which substantially all the services to be provided by the Company have not yet been performed. These revenues are fully recognized when Franchisees open their doors. The amounts deferred as of December 31, 2023 and 2022 were \$1,708,112 and \$1,034,963 respectively.

**NOTE 6 – ECONOMIC INJURY DISASTER LOAN (EIDL)**

On May 15, 2020 the Organization received an Economic Injury Disaster Loan (EIDL) through the SBA pursuant to the Coronavirus Air, Relief and Economic Security Act (“Cares Act”) of \$6,100. The note payable has interest of 3.75% with 360 monthly principal and interest payments beginning 30 months form the date of the note.

**NOTE 7 – LINE OF CREDIT/NOTE PAYABLE**

In January 2022 the Company obtained a \$150,000 line of credit from United Community Bank with interest at the bank’s prime rate (8% at December 31, 2023) plus 1%. In 2023, the line of credit was converted to an unsecured loan with an interest rate of 7.28% requires monthly principal and interest payment of \$4,655.50 and matures on May 8, 2026. As of December 31, 2023 and 2022, the outstanding balance on the note was \$123,314 and \$150,000, respectively.

**ISI FRANCHISE INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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**NOTE 7 – LINE OF CREDIT/NOTE PAYABLE (CONTINUED)**

Future minimum payments are as follows:

2024	\$	46,584
2025		46,584
2026		30,146
Total	\$	123,314

**NOTE 8 – INCOME TAXES**

The Corporation has \$433,250 of net operating loss carryforward for federal income tax purposes and \$531,179 of net operating loss carryforward for state income tax purposes, which will start to expire after the year ending December 31, 2041. As of December 31, 2023, the Company recognized \$61,620 in federal and state income tax expenses on the Statement of Income, a deferred tax asset balance of \$117,542 and a current income tax liability of \$14,109, both of which are reflected on the Company’s balance sheet.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The Company pays sales commissions to members of the Company on new franchises sold. During the years ended December 31, 2023 and 2022, the Company incurred \$175,180 and \$50,850, respectively, in commissions to members.

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The Company also conducts its operations from a facility under a month-to-month sublease agreement with ISI Corporate, LLC. ISI Corporate, LLC is wholly owned by Adam Rice, who is also a shareholder of ISI Franchise International, Inc. ISI Corporate, LLC has an operating lease agreement with a 3<sup>rd</sup> party commencing December 12, 2023 and expiring December 31, 2024. Under the terms of the lease the monthly payments are \$2,898, which is paid by ISI Franchise International, Inc under a sublease. When the lease term expires, ISI Corporate, LLC may provide notice to occupy on a month-to-month basis and either party may terminate the lease by giving thirty (30) days prior written notice. Rent paid for the years ended December 31, 2023 and 2022 was \$33,190 and \$36,993, respectively.

**NOTE 10 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 14, 2024, the date which the financial statements were available to be issued and nothing has occurred that would require disclosure.

## **SUPPLEMENTARY INFORMATION**

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**ISI FRANCHISE INTERNATIONAL, INC.**  
**SCHEDULES OF GENERAL & ADMINISTRATIVE EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Advertising	\$ 167,241	\$ 76,677
Bank & Wire Fees	2,901	1,036
Charitable Donations	7,000	3,000
Commission and referral fee	320,985	120,836
Conferences	139,300	99,106
Confirmation Day Expenses	7,590	1,699
Depreciation Expense	11,148	5,750
Discovery Day Expenses	14,720	5,674
Dues & Subscriptions	16,684	2,296
Employee Benefits	19,326	13,553
FBC Expenses	8,238	7,357
Franchise Fee Share	108,544	562,752
Insurance	49,164	31,537
Meals & Entertainment	5,300	6,110
Office Expense	8,392	8,180
<del>Orientation &amp; Opening Expenses</del>	<del>9,937</del>	<del>5,124</del>
Payroll Service Fees	1,853	542
Payroll Taxes	78,020	60,582
Postage & Delivery	1,458	2,147
Professional & Consulting Fees	87,884	66,055
Rent	33,190	36,993
Repairs & Maintenance	4,331	2,832
Royalty Fee Share	175,180	137,057
Salaries & Wages	1,017,890	746,646
Software Fees	38,609	25,132
Supplies	6,408	4,828
Travel Expense	78,857	38,000
Utilities	-	248
Vehicle Expense	147	356
	<u>\$ 2,420,297</u>	<u>\$ 2,072,105</u>

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

**ISI FRANCHISE INTERNATIONAL, INC.**

**Financial Statements**

**For the Years Ended December 31, 2022 and 2021**

*with*

**Independent Auditor's Report Thereon**

**ISI FRANCHISE INTERNATIONAL, INC.  
TABLE OF CONTENTS**

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Independent Auditor’s Report .....	1
<b>Financial Statements:</b>	
Balance Sheets.....	3
Statements of Income.....	5
Statements of Changes in Stockholder’s Equity.....	6
Statements of Cash Flows .....	7
Notes to Financial Statements.....	8-12
<b>Supplementary Information:</b>	
Schedules of General and Administrative Expenses.....	13

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## INDEPENDENT AUDITOR'S REPORT

To the Stockholder's  
ISI Franchise International, Inc.  
Fort Mill, SC

### Opinion

We have audited the accompanying financial statements of ISI Franchise International, Inc (a South Carolina Corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial 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 ISI Franchise International, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ISI Franchise International, Inc's ability to continue as a going concern for a reasonable period of time.

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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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Divine, Blalock, Martin & Sellari, LLC***

**West Palm Beach, FL**

**March 15, 2023**

**ISI FRANCHISE INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2022 AND 2021**

ASSETS		
	2022	2021
<b>Current Assets</b>		
Cash and cash equivalents	\$ 271,382	\$ 75,140
Accounts receivable	59,592	1,026
Prepaid expenses	-	3,104
Prepaid franchise expense (note 3)	621,603	460,490
<b>Total Current Assets</b>	952,577	539,760
Property and equipment, net	38,347	6,412
<b>Other Assets</b>		
Deferred tax asset	161,580	177,558
Deposits	8,471	8,471
<b>Total Other Assets</b>	170,051	186,029
<b>Total Assets</b>	\$ 1,160,975	\$ 732,201

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2022 AND 2021**

**LIABILITIES AND STOCKHOLDER'S EQUITY**

	<b>2022</b>	<b>2021</b>
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 13,441
Accrued expenses	7,335	9,529
Shareholder loan payable	52,916	53,467
Line of credit	150,000	-
Deferred revenue	636,080	829,889
<b>Total Current Liabilities</b>	846,331	906,326
<b>Long-Term Liabilities</b>		
Deferred revenue	398,883	-
Long-term-debt	6,100	8,100
<b>Total Liabilities</b>	1,251,314	914,426
<b>Stockholder's Equity</b>		
Common stock issued, no par value; 1,000,000 shares authorized, 100 shares issued and outstanding	260,100	260,100
Additional paid in capital	306,005	256,005
Retained deficit	(656,444)	(698,330)
<b>Total Stockholder's Deficit</b>	(90,339)	(182,225)
<b>Total Liabilities and Stockholder's Equity</b>	\$ 1,160,975	\$ 732,201

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Revenue</b>		
Franchise license fees	\$ 763,922	\$ 1,454,600
Royalty fees	388,667	179,433
Technology fees	283,614	134,973
Training fees	39,000	18,000
Advertising fees	159,922	71,402
Annual Conference	100,249	-
	<b>1,735,374</b>	<b>1,858,408</b>
<b>Operating Expenses:</b>		
General and administrative	2,072,105	1,726,160
<b>Total Operating Expenses:</b>	<b>2,072,105</b>	<b>1,726,160</b>
Income (Loss) from operations	<b>(336,731)</b>	<b>132,248</b>
<b>Other Income (Expense):</b>		
Retail sales	311,539	39,151
Interest expense	(6,865)	(53)
Other Income	90,554	57,074
	<b>395,228</b>	<b>96,172</b>
<b>Total Other Income</b>	<b>395,228</b>	<b>96,172</b>
<b>Income (Loss) Before Income Taxes</b>	<b>58,497</b>	<b>228,420</b>
Income tax (provision) benefit	(16,611)	(43,894)
<b>Net Income (loss)</b>	<b>\$ 41,886</b>	<b>\$ 184,526</b>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Common Stock	Additional Paid in capital	Retained deficit	Total Stockholder's Equity (Deficit)
<b>Balance, January 1, 2021</b>	\$ 260,100	\$ 156,005	\$ (882,856)	\$ (466,751)
Paid in capital	-	100,000	-	100,000
Net income	-	-	184,526	184,526
<b>Balance, December 31, 2021</b>	\$ 260,100	\$ 256,005	\$ (698,330)	\$ (182,225)
Paid in capital	-	50,000	-	50,000
Net income	-	-	41,886	41,886
<b>Balance, December 31, 2022</b>	<u>\$ 260,100</u>	<u>\$ 306,005</u>	<u>\$ (656,444)</u>	<u>\$ (90,339)</u>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**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 (loss)	\$ 41,886	\$ 184,526
<b><i>Adjustments to reconcile net income to net cash used in operating activities:</i></b>		
Depreciation & amortization	5,750	1,864
PPP Loan Forgiveness	(2,000)	(33,400)
Deferred provision (benefit)	15,978	42,583
<b><i>Decrease (Increase) in operating assets:</i></b>		
Accounts receivable	(58,566)	3,974
Prepaid expenses	3,104	(85,610)
Prepaid developer expense	(161,113)	(367,568)
<b><i>Increase (Decrease) in operating liabilities:</i></b>		
Accounts payable	(13,441)	13,441
Accrued expenses	(2,194)	(790)
Deferred revenue	205,074	206,317
<b>Net cash used in operating activities</b>	<u>34,478</u>	<u>(34,663)</u>
<b>Cash flows from in investing activities:</b>		
Fixed assets purchase	(37,685)	(1,456)
<b>Net cash flows used in investing activities:</b>	<u>(37,685)</u>	<u>(1,456)</u>
<b>Cash flows uses in from financing activities:</b>		
Proceeds from line of credit	150,000	-
Paid in capital	50,000	100,000
<b>Net cash provided by financing activities</b>	<u>199,449</u>	<u>100,000</u>
Net increase (decrease) in cash and cash equivalents	196,242	63,881
<b>Cash and cash equivalents at beginning of year</b>	<u>75,140</u>	<u>11,259</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 271,382</u>	<u>\$ 75,140</u>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 1 – BUSINESS ACTIVITY**

ISI Franchise International, Inc. was formed in the state of South Carolina on June 4, 2018; the Company is in the business of offering franchises to operate a fitness facility that offers proprietary athletic-based conditioning fitness programs in a group setting for men and women of all ages. Unless otherwise indicated, the terms “we,” “us,” “our,” and “Company” refer to ISI Franchise International, Inc.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Accounts Receivable and Bad Debts**

Customer accounts receivable are stated at the amount management expects to collect on balances. The Company uses the allowance method. Accounts past due more than 90 days are individually analyzed for collectability. An allowance is provided for any receivables that managements feels there is uncertainty about future collections. When all collection efforts have been exhausted, the account is written off against the related allowance. At December 31, 2022 and 2021, the allowance for doubtful accounts was \$0, respectively.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 3 to 10 years.

**Long-Lived Assets**

The Company reviews long-lived assets to be held and used by an entity for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As there are no owned assets for the Year ended December 31, 2022, no impairment of the carrying values of its long-lived assets existed at December 31, 2022. There can be no assurance, however, that demands for the Company’s products or market conditions will not change which could result in impairment losses in the future.

**Compensated Absences**

Employees compensated absences are not accrued as of December 31, 2022 and 2021, because no reasonable estimate of this amount can be made.

**Advertising Costs**

Advertising costs are expensed when incurred. Advertising expense amounted to \$76,677 and \$103,201 for the years ended December 31, 2022 and 2021, respectively.

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

**Income Taxes**

The company accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to reserves for bad debts and inventories, depreciation of property and equipment, prepaid expenses, and duty tax for imported inventory. Deferred tax assets and liabilities represents the future tax consequences for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. A valuation allowance, when necessary, is established to reduce deferred tax assets to the amount expected to be realized.

The company follows the provisions of FASB ASC 740-10-25, which prescribes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns. FASB ASC 740-10-25 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions.

The company records uncertain tax positions on the basis of a two-step process in which: (1) the company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position; and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authorities.

The company recognizes interest and penalties related to unrecognized tax positions as part of the income tax provision in the accompanying statements of income and retained earnings (deficit), and includes accrued interest and penalties in income taxes payable in the accompanying balance sheets.

Currently, the 2021, 2020 and 2019 tax years are open and subject to examination by the taxing authorities. However, the company is not currently under audit nor has the company been contacted by any of the taxing authorities.

**Concentrations of Credit Risk**

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Revenue Recognition**

The Company's revenue recognition policies are in compliance with accounting standards ASC Topic 606, *Revenue from Contracts with Customers*. The new guidance includes the following five-step revenue recognition model:

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Revenue Recognition (continued)**

In 2020, the Financial Accounting Standards Board (FAB) issued Accounting Standards Update (ASU), *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606) Practical Expedient*. This new practical expedient will allow franchisors that are not public business entities to account for pre-opening services provided to a franchise as a single performance obligation if the services are in line with the services listed within the guidance, and they meet certain other conditions.

The Company recognizes franchise royalties and system advertising on a monthly basis, which are generally based upon a percentage of sales made by the Company's franchises, when they are earned and deemed collectible.

The following services are provided by the Company prior to the opening of a franchised location:

- A website housed within our national website that includes scheduling functionality and access to our intranet system that houses our proprietary educational platform and provides ongoing announcements and templates for print and marketing materials to support the Business.
- Access to a self-study program and related materials to be completed prior to attending our initial training program.
- Copy of proprietary operations manual (and other materials).
- Comprehensive ten-day training program at our corporate headquarters and up to three days of assistance and guidance pre-opening or grand opening on site.

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**Fair Value of Financial Assets and Liabilities**

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP<sup>®</sup>) 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company’s management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

**Recently Issued and Adopted Accounting Pronouncements**

The Company’s management has evaluated recently issued accounting pronouncements through the date of this report and concluded that they will not have a material effect on the financial statements as of December 31, 2022.

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee’s initial direct costs (e.g., commissions). The new standard is effective for annual reporting periods beginning after December 15, 2021, including interim reporting periods within those annual reporting periods. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented. Effective January 1, 2022, the Company adopted the new lease standard. At December 31, 2022 the Company had no lease agreements in place. The Company does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

**NOTE 3 – PREPAID FRANCHISE EXPENSES**

Deferred expenses represent expenses paid to assist franchisee’s in getting their business open. This includes broker fees, advertising fees, and technology costs. These costs are fully recognized when Franchisees open their doors. The amounts deferred amounted to \$621,603 and \$460,490 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2022 and 2021:

	2022	2021
Office and Computer Equipment	\$ 16,344	\$ 3,281
Website	31,322	6,700
Less: accumulated depreciation	(9,319)	(3,569)
Property and equipment, net	\$ 38,347	\$ 6,412

Total depreciation expenses for the years ended December 31, 2022 and 2021 amounted to \$5,750 and \$1,864, respectively.

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 5 – DEFERRED REVENUE**

Deferred revenue represents initial franchise sales for which substantially all the services to be provided by the Company have not yet been performed. These revenues are fully recognized when Franchisees open their doors. The amounts deferred as of December 31, 2022 and 2021 were \$1,034,963 and \$829,889 respectively.

**NOTE 6 – LONG-TERM DEBT**

On April 9, 2020, the Company received a loan of \$33,400 from a financial institution under the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (“SBA”) pursuant to the Coronavirus Air, Relief and Economic Security Act (“Cares Act”). The note payable had an interest rate of 1% with monthly principal and interest payments in December 2020 and maturing on May 1, 2022. In April 2021, the loan was forgiven.

In addition, on May 15, 2020 the Organization received an Economic Injury Disaster Loan (EIDL) through the SBA pursuant to the Coronavirus Air, Relief and Economic Security Act (“Cares Act”) of \$6,100. The note payable has interest of 3.75% with 360 monthly principal and interest payments beginning 30 months from the date of the note.

**NOTE 7 – LINE OF CREDIT**

In January 2022 the Company obtained a \$150,000 line of credit with interest at the bank’s prime rate (3.25% at December 31, 2022) plus 1%. The Line of Credit matures on January 19, 2023. The Company requested and received an extension on the maturity until April 19, 2023. As of December 31, 2022 and 2021, the outstanding balance on the Line of Credit was \$150,000 and \$0, respectively.

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**NOTE 8 – RECLASSIFICATIONS**

Certain balances from the 2021 financial statements have been reclassified to conform to the 2022 financial statement presentation. Such reclassifications had no effect on the previously reported net income for the year ended December 31, 2021.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The Company pays sales commissions to members of the Company on new franchises sold. During the years ended December 31, 2022 and 2021, the Company incurred \$50,850 and \$526,358, respectively, in commissions to members.

The Company also conducts its operations from a facility under a month-to-month sub-lease agreement with ISI Corporate, LLC. ISI Corporate, LLC is wholly owned by Adam Rice, who is also a shareholder of ISI Franchise International, Inc. ISI Corporate, LLC has an operating lease agreement with a 3<sup>rd</sup> party commencing December 12, 2022 and expiring December 31, 2023. Under the terms of the lease the monthly payments are \$2,898, which is paid by ISI Franchise International, Inc under a sublease . When the lease term expires, ISI Corporate, LLC may provide notice to occupy on a month-to-month basis and either party may terminate the lease by giving thirty (30) days prior written notice. Rent paid for the years ended December 31, 2022 and 2021 was \$36,993 and \$36,542, respectively.

**NOTE 10 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 15, 2023, the date which the financial statements were available to be issued and nothing has occurred that would require disclosure.

# Supplementary Information

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**ISI FRANCHISE INTERNATIONAL, INC.**  
**SCHEDULES OF GENERAL & ADMINISTRATIVE EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Advertising	\$ 76,677	\$ 103,201
Bank & Wire Fees	1,036	819
Charitable Donations	3,000	-
Conferences	99,106	15,700
Confirmation Day Expenses	1,699	-
Depreciation Expense	5,750	1,864
Developer Fees	-	37,336
Discovery Day Expenses	5,674	1,246
Dues & Subscriptions	2,296	20,509
Employee Benefits	13,553	286
FBC Expenses	7,357	-
Franchise Fee Share	562,752	113,661
Insurance	31,537	23,475
License & Permits	-	110
Meals & Entertainment	6,110	11,972
Office Expense	8,180	20,741
Orientation & Opening Expenses	5,124	-
Payroll Service Fees	542	735
Payroll Taxes	60,582	95,622
Postage & Delivery	2,147	3,515
Professional & Consulting Fees	186,891	719,055
Rent	36,993	36,542
Repairs & Maintenance	-	157
Royalty Fee Share	137,057	-
Salaries & Wages	746,646	432,855
Small Equipment Expense	2,832	-
Software Fees	25,132	29,234
Sponsorship Expense	-	-
Supplies	4,828	19,280
Travel Expense	38,000	36,078
Utilities	248	700
Vehicle Expense	356	1,467
	<u>\$ 2,072,105</u>	<u>\$ 1,726,160</u>

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

# ISI Franchise International, Inc.

## Balance Sheet As of March 31, 2025

	TOTAL
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
10010 UCB OPX & Royalty Acc#1264	35,150.93
ISI Franchise Brand Fund *4413	41,441.58
ISI Franchise Development *4447	72,171.86
ISI Franchise Money Market *4538	493,705.60
ISI Franchise OPEX *4330	85,959.28
ISI Franchise Tech Fee *4363	42,324.83
Petty Cash	2,550.00
<b>Total Bank Accounts</b>	<b>\$773,304.08</b>
<b>Accounts Receivable</b>	
11000 Accounts Receivable	31,080.00
<b>Total Accounts Receivable</b>	<b>\$31,080.00</b>
<b>Other Current Assets</b>	
12000 Undeposited Funds	2,304.51
12100 Prepaid Expenses	791,448.00
12110 Prof Liability Insurance	0.00
<b>Total 12100 Prepaid Expenses</b>	<b>791,448.00</b>
Due From Apex	0.00
Due from Fort Mill	0.00
Due from Human Nutrition	2,664.89
Due from RICE 5	0.00
Due to due from Iron Nation S&R, LLC	10,665.06
Due to Due From Plunge House	29,602.67
Due to Due From Plunge House Franchising	0.00
Due to Due From Relentless Brands Inc	22,102.34
Due to Due from Relentless Project Management LLC	666.93
Due to Due from Tattle Marketing LLC	35,434.15
Employee Advance	0.00
<b>Total Other Current Assets</b>	<b>\$894,888.55</b>
<b>Total Current Assets</b>	<b>\$1,699,272.63</b>
<b>Fixed Assets</b>	
13000 Property and Equipment	-5,216.00
13200 Computers & Equipment	11,410.00
13205 Computer	22,714.70
13209 Video & Photography Equipment	2,750.91
<b>Total 13200 Computers &amp; Equipment</b>	<b>36,875.61</b>
13300 Furniture & Fixtures	9,049.64
13305 Office Furniture	15,790.91

	TOTAL
Total 13300 Furniture & Fixtures	24,840.55
14000 Buildings	
14150 New Office Space	132,052.76
Total 14000 Buildings	132,052.76
15000 Accumulated Depreciation	-343.49
16000 Intangible Assets	
16700 Software App	4,314.00
16800 Website	56,225.75
16805 Website - Accumulated Depreciation	-14,360.00
Total 16000 Intangible Assets	46,179.75
Total 13000 Property and Equipment	234,389.18
Total Fixed Assets	\$234,389.18
Other Assets	
19000 Other Assets	
19200 Rent Deposit	15,486.28
19300 Deferred Commissions	0.00
19400 Deferred Developer Services	0.00
19500 Deferred Tax Asset	117,541.00
Total 19000 Other Assets	133,027.28
Total Other Assets	\$133,027.28
<b>TOTAL ASSETS</b>	<b>\$2,066,689.09</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 Current Liabilities	0.00
20100 Accounts Payable	0.00
20200 Insurance Payable	0.00
Total 20000 Current Liabilities	0.00
Total Accounts Payable	\$0.00
Credit Cards	
21000 Credit Cards Payable	
21200 Amex Platinum card	0.00
21201 Rice - 61003	11,617.87
Total 21200 Amex Platinum card	11,617.87
Total 21000 Credit Cards Payable	11,617.87
Total Credit Cards	\$11,617.87
Other Current Liabilities	
22500 Corporate Tax Payable	-235.00
24000 Payroll Liabilities	
24010 Health Insurance Payroll Liabilities	898.35
Total 24000 Payroll Liabilities	898.35
Line of Credit - 6105	62,313.39
Total Other Current Liabilities	\$62,976.74
Total Current Liabilities	\$74,594.61

	TOTAL
<b>Long-Term Liabilities</b>	
23000 Long Term Liabilities	
23100 Shareholder Loan	18,961.07
23200 Deferred Franchise Fees	1,708,111.56
23300 SBA PPP Loan	0.00
23400 SBA EIDL Loan	0.00
Total 23000 Long Term Liabilities	1,727,072.63
Total Long-Term Liabilities	\$1,727,072.63
Total Liabilities	\$1,801,667.24
<b>Equity</b>	
30000 Opening Balance Equity	0.00
30100 Capital Stock	
30110 JRRRC LLC	140,000.00
30120 Adam Rice	120,100.00
30125 Additional Paid in Capital - AR	306,004.75
Total 30100 Capital Stock	566,104.75
31400 Shareholder Distributions	0.00
31420 Adam Rice	0.00
Total 31400 Shareholder Distributions	0.00
32000 Retained Earnings	-302,208.80
Net Income	1,125.90
Total Equity	\$265,021.85
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$2,066,689.09</b>

# ISI Franchise International, Inc.

## Profit and Loss January - March, 2025

	TOTAL
Income	
40000 Sales	
40110 Transfer Fee Income	20,000.00
40200 Royalty Fees	282,184.36
40300 Advertising Fund Fees	83,000.77
40400 Technology Fund Fees	142,500.00
40555 Retail Income	0.00
40600 Training Fee Income	23,500.00
<b>Total 40000 Sales</b>	<b>551,185.13</b>
40700 Chargeback Income	13,874.00
<b>Total Income</b>	<b>\$565,059.13</b>
Cost of Goods Sold	
50000 Cost of Goods Sold	
50450 Technology Fees - COS	94,244.65
50600 Royalty Fee Share	70,605.65
<b>Total 50000 Cost of Goods Sold</b>	<b>164,850.30</b>
<b>Total Cost of Goods Sold</b>	<b>\$164,850.30</b>
<b>GROSS PROFIT</b>	<b>\$400,208.83</b>
Expenses	
60010 Advertising & Marketing	34,685.68
60011 Marketing Agency Services	91,586.44
60012 Job Recruitment Expense	810.00
60040 Dues & subscriptions	288.12
60050 IRON U Week	203.58
60051 IRONU - Host	500.00
60052 IRONU - Lodging	1,968.60
60053 IRON U - Meals	1,267.72
<b>Total 60050 IRON U Week</b>	<b>3,939.90</b>
60060 Insurance	6,553.45
60061 Insurance - Workers Comp	117.93
60063 Music Fees	146.85
60100 Professional and Consulting Fee	
60135 Contract Labor	360.00
60155 Accounting Fees	12,000.00
<b>Total 60100 Professional and Consulting Fee</b>	<b>12,360.00</b>
60125 Rent & Lease	19,826.34
60126 Copier Lease	637.80
60140 Telephones	188.27
60145 Legal & Professional Fees	18,700.95
60160 Bank Charges & Fees	335.47
60161 QuickBooks Payments Fees	224.05

	TOTAL
60170 Conference/Expo Vendor	6,500.00
60172 Iron Nation Expense	355.71
60180 Interest Expense	585.00
60185 Interest Expense - Owners Loan	1,304.20
<b>Total 60180 Interest Expense</b>	<b>1,889.20</b>
60200 Payroll Expenses	
60029 Payroll Processing Expenses	146.40
60085 Salaries and Wages	163,921.01
60090 Payroll Taxes	13,891.36
60202 Employee Benefit Expense	695.16
60204 Payroll Reimbursement	-12,000.00
<b>Total 60200 Payroll Expenses</b>	<b>166,653.93</b>
60210 Travel	0.00
60215 Lodging	3,121.09
60217 Meals	828.47
60218 Transportation	4,802.71
<b>Total 60210 Travel</b>	<b>8,752.27</b>
60220 Orientation/Opening Training	
60222 Lodging	2,489.19
60223 Meals	311.23
60224 Travel Expense - Gas, Tolls, Parking	2,211.59
<b>Total 60220 Orientation/Opening Training</b>	<b>5,012.01</b>
60227 Elite Club - Travel	5,155.35
60228 Elite Club - Supplies	223.76
60230 50% Meals and Entertainment	484.61
60240 Software Fees	32,891.03
60280 Training and Education	398.00
60285 Technology Fees - In House	13,520.98
60300 Supplies	1,907.74
60310 Gifts	1,768.82
60330 Postage	29.20
60340 Computer & Internet	1,275.36
<b>Total Expenses</b>	<b>\$437,219.22</b>
<b>NET OPERATING INCOME</b>	<b>\$ -37,010.39</b>
Other Income	
70000 Other Income	
70100 Vendor Rebates	33,492.35
<b>Total 70000 Other Income</b>	<b>33,492.35</b>
Interest Earned	4,643.94
<b>Total Other Income</b>	<b>\$38,136.29</b>
<b>NET OTHER INCOME</b>	<b>\$38,136.29</b>
<b>NET INCOME</b>	<b>\$1,125.90</b>



Divine  
Blalock  
Martin  
Sellari  
LLC  
Est. in 1932

**ISI FRANCHISE INTERNATIONAL, INC**  
**FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2024 AND 2023 AND**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2024, 2023 AND 2022**

**With Auditors' Report Thereon**

**ISI FRANCHISE INTERNATIONAL, INC**  
**TABLE OF CONTENTS**

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	<u>Page</u>
Independent Auditor’s Report.....	1-2
<b>Financial Statements</b>	
Balance Sheets.....	3-4
Statements of Income.....	5
Statements of Changes in Stockholder’s Equity.....	6
Statements of Cash Flows.....	7
Notes to the Financial Statements.....	8-14
<b>Supplementary</b>	
General and Administrative Expenses.....	15

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## INDEPENDENT AUDITOR'S REPORT

To the Stockholder's  
ISI Franchise International, Inc.  
Fort Mill, SC

### Opinion

We have audited the accompanying financial statements of ISI Franchise International, Inc (a South Carolina Corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in stockholder's equity, and cash flows for the years ended December 31, 2024, 2023 and 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ISI Franchise International, Inc as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial 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 ISI Franchise International, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ISI Franchise International, Inc's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Divine, Blalock, Martin & Sellari, LLC***

West Palm Beach, FL  
April 23, 2025

**ISI FRANCHISE INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2024 AND 2023**

ASSETS		
	2024	2023
<b>Current Assets</b>		
Cash and cash equivalents	\$ 815,816	\$ 995,058
Accounts receivable	9,080	22,500
Due from related party	93,656	5,110
Prepaid corporate taxes	8,659	-
Prepaid rent expense	9,913	-
Prepaid franchise expense (note 3)	658,248	791,448
<b>Total Current Assets</b>	<b>1,595,372</b>	<b>1,814,116</b>
Property and equipment, net	199,361	51,774
<b>Other Assets</b>		
Right of use asset	320,730	-
Deferred tax asset	94,801	117,541
Deposits	15,486	8,471
<b>Total Other Assets</b>	<b>431,017</b>	<b>126,012</b>
<b>Total Assets</b>	<b>\$ 2,225,750</b>	<b>\$ 1,991,902</b>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2024 AND 2023**

**LIABILITIES AND STOCKHOLDER'S EQUITY**

	<b>2024</b>	<b>2023</b>
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ -
Accrued expenses	11,184	1,848
Shareholder loan payable	18,961	19,043
Deferred franchise revenue - current portion	904,525	855,362
Line of credit/Note payable - current portion	52,088	46,584
Lease liability - current portion	118,592	-
Income tax liability	-	14,109
	<b>1,105,350</b>	<b>936,946</b>
<b>Long-Term Liabilities</b>		
Deferred franchise revenue - non current portion	693,604	852,750
Line of credit/Note payable - non current portion	22,888	76,730
Lease liability - non current portion	204,692	-
Economic Injury and Disaster Loan (EIDL)	-	6,100
	<b>921,184</b>	<b>935,580</b>
<b>Total Liabilities</b>	<b>2,026,534</b>	<b>1,872,526</b>
<b>Stockholder's Equity/(Deficit)</b>		
Common stock issued, no par value; 1,000,000 shares authorized, 100 shares issued and outstanding	260,100	260,100
Additional paid in capital	306,005	306,005
Accumulated deficit	(366,889)	(446,729)
	<b>199,216</b>	<b>119,376</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 2,225,750</b>	<b>\$ 1,991,902</b>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Revenue</b>			
Franchise fees	\$ 934,983	\$ 936,855	\$ 763,922
Royalty fees	1,059,759	759,665	388,667
Technology fees	526,781	409,298	283,614
Training fees	78,850	42,000	39,000
Transfer fee	55,000	20,000	-
Advertising fees	319,442	256,856	159,922
Annual Conference	51,500	154,535	100,249
<b>Total Revenues</b>	<u>3,026,315</u>	<u>2,579,209</u>	<u>1,735,374</u>
<b>Operating Expenses:</b>			
General and administrative	<u>3,068,966</u>	<u>2,420,297</u>	<u>2,072,105</u>
<b>Total Operating Expenses:</b>	<u>3,068,966</u>	<u>2,420,297</u>	<u>2,072,105</u>
(Loss) Income from operations	(42,651)	158,912	(336,731)
<b>Other Income (Expense)</b>			
Retail sales	-	-	311,539
Interest income	21,862	-	-
Interest expense	(10,178)	(7,251)	(6,865)
(Loss) on disposal of fixed asset	-	(1,200)	-
Other Income	<u>140,292</u>	<u>120,875</u>	<u>90,554</u>
<b>Total Other Income</b>	<u>151,976</u>	<u>112,424</u>	<u>395,228</u>
<b>Income Before Income Taxes</b>	<u>109,325</u>	<u>271,336</u>	<u>58,497</u>
Income tax provision	<u>(29,485)</u>	<u>(61,620)</u>	<u>(16,611)</u>
<b>Net Income</b>	<u>\$ 79,840</u>	<u>\$ 209,716</u>	<u>\$ 41,886</u>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	<u>Common Stock</u>	<u>Additional Paid in capital</u>	<u>Accumulated deficit</u>	<u>Total Stockholder's Equity (Deficit)</u>
<b>Balance, January 1, 2022</b>	\$ 260,100	\$ 256,005	\$ (698,330)	\$ (182,225)
Paid in capital	-	50,000	-	50,000
Net income	-	-	41,886	41,886
<b>Balance, December 31, 2022</b>	\$ 260,100	\$ 306,005	\$ (656,444)	\$ (90,339)
Paid in capital	-	-	-	-
Net income	-	-	209,716	209,716
<b>Balance, December 31, 2023</b>	\$ 260,100	\$ 306,005	\$ (446,729)	\$ 119,376
Paid in capital	-	-	-	-
Net income	-	-	79,840	79,840
<b>Balance, December 31, 2024</b>	<u>\$ 260,100</u>	<u>\$ 306,005</u>	<u>\$ (366,889)</u>	<u>\$ 199,216</u>

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

**ISI FRANCHISE INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>			
Net income	\$ 79,840	\$ 209,716	\$ 41,886
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>			
Depreciation & amortization	20,505	11,148	5,750
Lease amortization expenses	2,554	-	-
PPP Loan Forgiveness	-	-	(2,000)
Deferred tax provision	22,740	44,039	15,978
Loss on disposal of fixed assets	-	1,200	-
<b>Decrease (Increase) in operating assets:</b>			
Accounts receivable	13,420	37,092	(58,566)
Prepaid expenses	(18,572)	-	3,104
Prepaid franchise expenses	133,200	(169,845)	(161,113)
Deposits	(7,015)	-	-
<b>Increase (Decrease) in operating liabilities:</b>			
Accounts payable	-	-	(13,441)
Accrued expenses	9,336	(5,487)	(2,194)
Deferred franchise revenue	(109,983)	673,149	205,074
Income tax payable	(14,109)	14,109	-
<b>Net cash used in operating activities</b>	<u>131,916</u>	<u>815,121</u>	<u>34,478</u>
<b>Cash flows from in investing activities:</b>			
Fixed assets purchase	(168,092)	(25,775)	(37,685)
(Increase) in due to related party	(88,546)	(5,110)	-
<b>Net cash flows used in investing activities:</b>	<u>(256,638)</u>	<u>(30,885)</u>	<u>(37,685)</u>
<b>Cash flows used in provided by financing activities:</b>			
Proceeds from (Repayment of) line of credit, net	(48,338)	(26,686)	150,000
Paid in capital	-	-	50,000
Repayment of EIDL loan	(6,100)	-	-
Repayment of shareholder loan, net	(82)	(33,874)	(551)
<b>Net cash used in provided by financing activities</b>	<u>(54,520)</u>	<u>(60,560)</u>	<u>199,449</u>
Net (decrease) increase in cash and cash equivalents	(179,242)	723,676	196,242
<b>Cash and cash equivalents at beginning of year</b>	<u>995,058</u>	<u>271,382</u>	<u>75,140</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 815,816</u>	<u>\$ 995,058</u>	<u>\$ 271,382</u>

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

**ISI FRANCHISE INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2024 AND 2023 AND  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

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**NOTE 1 – BUSINESS ACTIVITY**

ISI Franchise International, Inc. was formed in the state of South Carolina on June 4, 2018; the Company is in the business of offering franchises to operate a fitness facility that offers proprietary athletic-based conditioning fitness programs in a group setting for men and women of all ages. Unless otherwise indicated, the terms “we,” “us,” “our,” and “Company” refer to ISI Franchise International, Inc.

**Affiliate**

ISI Corporate, LLC (“ICL”) is a South Carolina limited liability company formed in August 2011. ICL shares the same physical address as us and operates multiple System Facilities under the Proprietary Marks. ISI Franchise International, Inc and ICL are independent entities, and ICL does not offer franchises.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Accounts Receivable and Allowance for Credit Losses**

Customer accounts receivable are stated at the amount management expects to collect on balances. Management evaluates the collectability of receivables at each reporting date, considering factors such as historical collection patterns, the aging of accounts, and known economic or operational risks. For the years ended December 31, 2024 and 2023, no allowance for credit losses were recorded

**Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 5 to 40 years.

**Long-Lived Assets**

The Company reviews long-lived assets to be held and used by an entity for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment of the carrying values of its long-lived assets existed at December 31, 2024 and 2023. There can be no assurance, however, that demands for the Company’s products or market conditions will not change which could result in impairment losses in the future.

**ISI FRANCHISE INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2024 AND 2023 AND  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Advertising Costs**

Advertising costs are expensed when incurred. Advertising expense amounted to \$291,657, \$167,241 and \$76,677 for the years ended December 31, 2024, 2023 and 2022, respectively.

**Income Taxes**

The company accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

The company follows the provisions of FASB ASC 740-10-25, which prescribes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns. FASB ASC 740-10-25 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions.

The company records uncertain tax positions on the basis of a two-step process in which: (1) the company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position; and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authorities.

The company recognizes interest and penalties related to unrecognized tax positions as part of the income tax provision in the accompanying statements of income and retained earnings (deficit), and includes accrued interest and penalties in income taxes payable in the accompanying balance sheets.

Currently, the 2023, 2022 and 2021 tax years are open and subject to examination by the taxing authorities. However, the company is not currently under audit nor has the company been contacted by any of the taxing authorities.

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2024 AND 2023 AND**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Concentrations of Credit Risk**

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Revenue Recognition**

The Company's revenue recognition policies are in compliance with accounting standards ASC Topic 606, *Revenue from Contracts with Customers*. The new guidance includes the following five-step revenue recognition model:

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

In 2020, the Financial Accounting Standards Board (FAB) issued Accounting Standards Update (ASU), *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606) Practical Expedient*. This new practical expedient will allow franchisors that are not public business entities to account for pre-opening services provided to a franchise as a single performance obligation if the services are in line with the services listed within the guidance, and they meet certain other conditions.

The Company recognizes franchise royalties and system advertising on a monthly basis, which are generally based upon a percentage of sales made by the Company's franchises, when they are earned and deemed collectible.

The following services are provided by the Company prior to the opening of a franchised location:

- A website housed within our national website that includes scheduling functionality and access to our intranet system that houses our proprietary educational platform and provides ongoing announcements and templates for print and marketing materials to support the Business.
- Access to a self-study program and related materials to be completed prior to attending our initial training program.
- Copy of proprietary operations manual (and other materials).
- Comprehensive ten-day training program at our corporate headquarters and up to three days of assistance and guidance pre-opening or grand opening on site.

**ISI FRANCHISE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2024 AND 2023 AND**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP”) 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company’s management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

**Fair Value of Financial Assets and Liabilities**

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

**ISI FRANCHISE INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2024 AND 2023 AND  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Recently Issued and Adopted Accounting Pronouncements**

In June 2016, the FASS issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model.

Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASS ASC 326 were trade accounts receivable. The Company adopted the standard effective December 15, 2022. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures.

The Company's management has evaluated recently issued accounting pronouncements through the date of this report and concluded that they will not have a material effect on the financial statements as of December 31, 2024 and 2023.

**NOTE 3 – PREPAID FRANCHISE EXPENSES**

Prepaid franchise expenses represent expenses paid to assist franchisee's in getting their business open. This includes broker fees, commission, advertising fees, and technology costs. These costs are fully recognized when Franchisees open their doors. The amounts deferred amounted to \$658,248 and \$791,448 for the years ended December 31, 2024 and 2023, respectively.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31,

	<b>2024</b>	<b>2023</b>
Office and Computer Equipment	\$ 59,792	\$ 28,067
Leasehold improvement	\$ 132,053	
Website	47,940	43,626
Less: accumulated depreciation	(40,424)	(19,919)
Property and equipment, net	<b>\$ 199,361</b>	<b>\$ 51,774</b>

Total depreciation expenses for the years ended December 31, 2024, 2023 and 2022 amounted to \$20,505, \$11,148 and \$5,750, respectively.

**ISI FRANCHISE INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2024 AND 2023 AND  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

**NOTE 5 – DEFERRED FRANCHISE REVENUE**

Deferred franchise revenue represents initial franchise sales for which substantially all the services to be provided by the Company have not yet been performed. These revenues are fully recognized when Franchisees open their doors. The amounts deferred as of December 31, 2024 and 2023 were \$1,598,129 and \$1,708,112 respectively.

**NOTE 6 – OPERATING LEASE COMMITMENTS**

The Organization’s affiliate, ISI Corporate, LLC, signed a 39-month lease agreement with a third party for the use of office space and a training center. Under the terms of the lease, the initial minimum monthly base rental payments are \$9,913, effective July 1, 2024, with an annual increase of 3%. Although the agreement was executed by ISI Corporate, LLC, ISI Franchise International, Inc. is responsible for all rental payments and maintenance of the office space.

As of December 31, 2024, the Company’s right-of-use (ROU) asset was recorded at \$320,730, and the lease liability totaled \$323,284. At that date, the weighted-average discount rate was 4%, and the remaining weighted-average lease term was 2.75 years.

**Future Lease Payments**

The following table reconciles the undiscounted cash flows expected to be paid in each of the next three years and thereafter to the lease liability recorded on the statement of financial position for operating leases as of December 31, 2024.

Future minimum payments are as follows:		
2025	\$	120,744
2026		124,368
2027		95,598
Total	\$	340,710
Less present value discount		(19,980)
Total lease obligations	\$	320,730

**NOTE 7 – LINE OF CREDIT/NOTE PAYABLE**

In January 2022 the Company obtained a \$150,000 line of credit from United Community Bank with interest at the bank’s prime rate (8% at December 31, 2023) plus 1%. In 2023, the line of credit was converted to an unsecured loan with an interest rate of 7.28% requires monthly principal and interest payment of \$4,655 and matures on May 8, 2026. As of December 31, 2024 and 2023, the outstanding balances on the note were \$74,976 and \$123,314, respectively.

**ISI FRANCHISE INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2024 AND 2023 AND  
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

**NOTE 7 – LINE OF CREDIT/NOTE PAYABLE (CONTINUED)**

Future minimum payments are as follows:

2025	\$	52,088
2026		22,888
2027		-
		-
Total	\$	74,976

**NOTE 8 – INCOME TAXES**

The Corporation has \$345,790 of net operating loss carryforward for federal income tax purposes and \$443,325 of net operating loss carryforward for state income tax purposes, which will start to expire after the year ending December 31, 2041. As of December 31, 2024 and 2023, the Company recognized \$29,485 and \$61,620, respectively, in federal and state income tax expenses on the Statement of Income. As of December 31, 2024 and 2023 deferred tax asset balances were \$94,801 and \$117,542 and a current income tax liabilities were \$5,685 and \$14,109, respectively, both of which are reflected on the Company’s balance sheet.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

- The Company pays sales commissions to members of the Company on new franchises sold. During the years ended December 31, 2024, 2024, and 2022, the Company incurred \$249, 589, \$175,180 and \$50,850, respectively, in commissions to members.
- The Company also conducts its operations from a facility leased by its affiliate, ISI Corporate, LLC. ISI Corporate, LLC is wholly owned by Adam Rice, who is also a shareholder of ISI Franchise International, Inc. On January 29, 2024, ISI Corporate, LLC renewed the operating lease agreement with an effective date commencing two months after tenant improvements were made. On May 29, 2024 tenant improvement costing \$132,053 were completed and the effective commencement date was July 1, 2024 and the lease ends September 30, 2027 (39 months). Under the terms of the lease agreement, the monthly base rent is \$9,913 with an annual increase of 3%, which is paid by ISI Franchise International, Inc. Rent paid for the years ended December 31, 2024, 2023 and 2022 were \$76,521, \$33,190 and \$36,993, respectively.
- As of December 31, 2024 and 2023 the Company had related party receivables of \$93,656 and \$5,110, respectively. The related parties are entities owned by one of the Company’s members. The amounts are non-interest bearing, due on demand and have no formal repayment terms.

**NOTE 10 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through April 23, 2025, the date which the financial statements were available to be issued and nothing has occurred that would require disclosure.

## **SUPPLEMENTARY INFORMATION**

**ISI FRANCHISE INTERNATIONAL, INC.**  
**SCHEDULES OF GENERAL & ADMINISTRATIVE EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Advertising	\$ 291,657	\$ 167,241	\$ 76,677
Bank & Wire Fees	585	2,901	1,036
Charitable Donations	7,000	7,000	3,000
Commission and referral fee	601,972	320,985	214,836
Conferences	83,863	139,300	99,106
Confirmation Day Expenses	-	7,590	1,699
Depreciation Expense	20,505	11,148	5,750
Discovery Day Expenses	16,533	14,720	5,674
Dues & Subscriptions	9,717	16,684	2,296
Employee Benefits	11,185	19,326	13,553
FBC Expenses	1,520	8,238	7,357
Franchise Fee Share	369,177	108,544	468,752
Insurance	28,510	49,164	31,537
Meals & Entertainment	9,733	5,300	6,110
Office Expense	20,296	8,392	8,180
Orientation & Opening Expenses	14,567	9,937	5,124
Payroll Service Fees	1,776	1,853	542
Payroll Taxes	66,552	78,020	60,582
Postage & Delivery	2,237	1,458	2,147
Professional & Consulting Fees	134,550	87,884	66,055
Rent	76,521	33,190	36,993
Repairs & Maintenance	13,552	4,331	2,832
Royalty Fee Share	249,589	175,180	137,057
Salaries & Wages	823,971	1,017,890	746,646
Software Fees	59,096	38,609	25,132
Supplies	15,340	6,408	4,828
Travel Expense	138,570	78,857	38,000
Utilities	255	-	248
Vehicle Expense	137	147	356
	<u>\$ 3,068,966</u>	<u>\$ 2,420,297</u>	<u>\$ 2,072,105</u>

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

**EXHIBIT J**  
**To Franchise Disclosure Document**

## 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 if an effective date is noted below for the state:

STATE	EFFECTIVE DATE
CALIFORNIA	August 28, 2024
HAWAII	Pending
ILLINOIS	August 1, 2024
INDIANA	July 13, 2024
MARYLAND	Pending
MICHIGAN	December 20, 2024
MINNESOTA	October 7, 2024
NEW YORK	Pending
NORTH DAKOTA	August 9, 2024
RHODE ISLAND	May 25, 2024
SOUTH DAKOTA	July 15, 2024
VIRGINIA	August 13, 2024
WASHINGTON	Pending
WISCONSIN	July 13, 2024

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

**EXHIBIT K**  
**To Franchise Disclosure Document**  
**RECEIPTS**

RECEIPT

This disclosure document summarizes provisions of the Franchise Agreement and/or Development Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If ISI FRANCHISE INTERNATIONAL INC. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If ISI FRANCHISE INTERNATIONAL INC. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and in the state agency listed on Exhibit "G."

The Franchisor is ISI FRANCHISE INTERNATIONAL INC., located at 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217, with a telephone number at (704) 910-1017.

Issuance Date: May 30, 2024, 2025

ISI FRANCHISE INTERNATIONAL INC. authorizes the respective state agencies identified on Exhibit "C" to receive service of process for it in the particular state.

I received a disclosure document dated May 30, 2024, 2025 that included the following Exhibits:

- A - Franchise Agreement and Exhibits
B - Development Agreement and Exhibits
C - List of State Agencies and Agents for Service of Process
D - State Addenda
E - Table of Contents of Manual
F - List of Current Franchisees; Former Franchisees
G - Sample Release Agreement
H - Relentless PM Agreement
I - Financial Statements
J - State Effective Dates
K - Receipts

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

Redacted area with horizontal lines.

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

Table with 3 columns: Name, Address, and Phone Number. Includes entries for Adam Rice, Amanda Hall, Lance Freeman, Emily Bridges, Amy Lipps, Brittney Lincoln, Justin LaCava, Alexi Ingrassia Kellgren, and Kristie Iavasile.

Individual, Corporation or Limited Liability Company Information:

By: \_\_\_\_\_ Name of Entity: \_\_\_\_\_

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

Address: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Date: \_\_\_\_\_

**KEEP THIS COPY FOR YOUR RECORDS.**

**RECEIPT**

This disclosure document summarizes provisions of the Franchise Agreement and/or Development Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If ISI FRANCHISE INTERNATIONAL INC. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

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- |  |   |
|--|---|
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| C – List of State Agencies and Agents for Service of Process | H – <u>Relentless PM Agreement</u>                  |
| D – State Addenda  | I – Financial Statements                            |
| E – Table of Contents of Manual                              | J – State Effective Dates                           |
|  | K – Receipts  |

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

<u>Adam Rice</u>	<u>5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217</u>	<u>(704) 910-1017</u>
<u>Amanda Hall</u>	<u>5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217</u>	<u>(704) 910-1017</u>
<u>Lance Freeman</u>	<u>1776 N Scottsdale Rd, Box 904, Scottsdale, AZ 85252</u>	<u>(949) 370-7093</u>
<u>Emily Bridges</u>	<u>1776 N Scottsdale Rd, Box 904, Scottsdale, AZ 85252</u>	<u>(513) 225-0418</u>
<u>Amy Lipps</u>	<u>1776 N Scottsdale Rd, Box 904, Scottsdale, AZ 85252</u>	<u>(605) 645-0902</u>
<u>Brittney Lincoln</u>	<u>1776 N Scottsdale Rd, Box 904, Scottsdale, AZ 85252</u>	<u>(303) 378-6785</u>
<u>Justin LaCava</u>	<u>1776 N Scottsdale Rd, Box 904, Scottsdale, AZ 85252</u>	<u>(513) 578-3859</u>
<u>Alexi Ingraffia Kellgren</u>	<u>1776 N Scottsdale Rd, Box 904, Scottsdale, AZ 85252</u>	<u>(985) 662-4900</u>
<u>Kristie Iavasile</u>	<u>1776 N Scottsdale Rd, Box 904, Scottsdale, AZ 85252</u>	<u>(248) 939-7972</u>

~~A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:~~

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

Individual, Corporation or Limited Liability Company Information:

By: \_\_\_\_\_ Name of Entity: \_\_\_\_\_

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

Address: \_\_\_\_\_  
Telephone Number: \_\_\_\_\_  
Date: \_\_\_\_\_

**PLEASE RETURN THIS COPY TO US:** By mail to ISI FRANCHISE INTERNATIONAL INC. at 5601 77 Center Drive, Suite 215, Charlotte, North Carolina 28217, Attn: Adam Rice.