

FRANCHISE DISCLOSURE DOCUMENT



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

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

~~The~~If you finance the purchase of the Fitness Equipment Package or lease the equipment within the Fitness Equipment Package, then the total investment necessary to begin operation of a Madabolic franchise ranges from ~~\$327,700~~297,540 to ~~\$615,850~~504,106. This includes ~~\$156,450 to \$173,350~~67,000 that must be paid to us and our affiliates.

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

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

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

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

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

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

Issuance Date: April ~~20, 2023~~19, 2024 (amended ~~November 16, 2023~~April 30, 2024)

How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or EXHIBIT "E".
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or EXHIBIT "F" includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Madabolic business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Madabolic franchisee?	Item 20 or EXHIBIT "E" lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in North Carolina. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in North Carolina than in your own state.
- ~~1.~~2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
- ~~2.~~3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
- ~~3.~~4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
- ~~4.~~5. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

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

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

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

- (a) ~~(a)~~ A prohibition on the right of a franchisee to join an association of franchisees.
- (b) ~~(b)~~ A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) ~~(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) ~~(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) ~~(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) ~~(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) ~~(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) ~~(i)~~ The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) ~~(ii)~~ The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) ~~(iii)~~ The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) ~~(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) ~~(h)~~ A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the

franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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

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

Any questions regarding this notice should be directed to:

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

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ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

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

Corporate Information

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

Business History

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

We have ~~not~~never directly owned and operated a ~~business similar to the Madabolic business being offered under this franchise~~Madabolic Business. However, our founders Brandon Cullen (currently our Chief Concept Officer) and Kirk DeWaele (currently our Chief Training Officer) have operated Madabolic ~~b~~B businesses since 2011 through affiliated entities. ~~However, until October 2013, these~~These businesses ~~were~~ operated under the name ~~“Fight Gone Mad.”~~FIGHT GONE MAD until October 2013 when they rebranded to MADABOLIC®.

Predecessors, Parents, and Affiliates and Predecessors

~~From~~Our predecessor, Madabolic, Inc., offered Madabolic franchises from February ~~of~~ 2012 until July ~~of~~ 2019; ~~Madabolic franchises were offered and sold by our predecessor, Madabolic, Inc.~~ During that time, Madabolic, Inc. sold ~~a total of 11 franchises for~~ franchises ~~Businesses~~. Madabolic, Inc. has never: (a) offered franchises in any other line of business. ~~Madabolic, Inc. has never;~~ or (b) operated a Madabolic ~~b~~B business. Madabolic, Inc.’s shares our principal business address is ~~2610 South Blvd., Charlotte, North Carolina 28209.~~

Our direct parent company is Madabolic Holdings, LLC ~~and our~~Our indirect parent company is ZGrowth Acquisitions 5, LLC. ~~Madabolic Holdings, LLC and ZGrowth Acquisitions 5, LLC have never offered franchises in any other line of business. Madabolic Holdings, LLC and ZGrowth Acquisitions 5, LLC have never operated a Madabolic business. Madabolic Holdings, LLC and ZGrowth Acquisitions 5, LLC each have a principal business address of~~The principal business address for both of our parent companies is 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038.

~~Our affiliate Madabolic Distributing, LLC, (“MD”) is the exclusive supplier of Madabolic branded gear and apparel; exercise equipment and supplies; and fixtures, furnishings and décor. MD has never operated a Madabolic franchise. MD’s~~We do not have any affiliates the provide goods or services to franchisees. We have 2 affiliates that offer franchises in other lines of business, including Jabz Franchising, LLC (“Jabz”) and Daily Jam Franchise System, LLC (“DJFS”). We have no other affiliates that offer franchises in this or any other line of business.

Since June 2013, Jabz has offered franchises for a boxing studio that operates under the name JABZ BOXING®. Jabz has sold a total of 41 franchises as of December 31, 2023. Jabz has never operated a Madabolic Business. Jabz’ principal business address is 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038. Except as disclosed below, we do not have any affiliates that offer franchises in this or any other line of business.

~~Our affiliate, Jabz Franchising, LLC (“Jabz”), currently offers franchises for the operation of a boxing studio. These franchises operate under the names “Jabz Fitness”. Jabz Since May 2020, DJFS has offered franchises since June 2013 for a fast-casual restaurant that operates under the name DAILY JAM®. During this period of time, it has DJFS sold a total of 33 development rights to 1 franchisee for the development of 10 Daily Jam franchises. Jabz DJFS has never operated, or offered franchises for, a Madabolic businesses. Jabz has never offered franchises in any other line of business. Jabz has a Business. DJFS’ principal business address of is 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038.~~

~~Our affiliate, Daily Jam Franchise System, LLC (“DJFS”), currently offers franchises for fast casual restaurants that operate under the name “Daily Jam™”. DJFS has offered these franchises since May 2020. During this period of time, DJFS has sold a total of 0 Daily Jam franchises. DJFS has never operated, or offered franchises for, Madabolic businesses. DJFS has never offered franchises in any other line of business. DJFS has a principal business address of 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038.~~

Description of Franchised Business

~~Under your Madabolic franchise (referred to in The franchised business offered under this Disclosure Document as your “is for a Madabolic Business”), you will establish and operate an athletic conditioning facility that provides, which is a strength training fitness business featuring workouts commonly used by professional athletes that have been modified for everyday people to improve their overall health and wellness. Certified Madabolic workout facilities offer trainers (referred to as “Trainers”) lead small fast-paced group fitness classes utilizing approved equipment, membership options, beverages, supplements and fitness related apparel, products, and merchandise, all of which must be approved by us. You will offer an athletic conditioning program that is built around a large variety of proprietary workouts to create a balanced and comprehensive fitness program. All workouts are in a group setting focused positive and encouraging environment. Exercises are performed using approved fitness equipment. Fitness classes focus on athletic movement patterns that are complemented with by specific exercise equipment combining strength and metabolic conditioning exercises combined with intense interval training to achieve positive optimal results.~~

~~Each Our athletic conditioning program is built around a wide variety of proprietary workouts that provide a balanced and comprehensive fitness program. Madabolic location Businesses also offer and sell approved beverages, supplements and fitness-related merchandise, apparel and supplies.~~

~~Madabolic Businesses operate under a membership model. Madabolic offers affordable membership options and provides its members with small fast paced classes taught by trainers who nurture an encouraging environment to enhance their workout experience. Our membership model provides for, including a monthly, membership that allows members to attend an unlimited visit membership number of fitness classes.~~

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

Market and Competition

The target market for Madabolic members includes members of the general public, typically between the ages of 20 and 55.

The fitness industry is well developed and highly competitive. ~~A Madabolic franchisee competes primarily with personal trainers, local and national fitness centers and health clubs and to some extent athletic and recreational programs. Some fitness centers operate through a franchise model while others are independent operators or national or regional chains.~~ Demand for fitness classes remains relatively stable over the course of the year, with a temporary surge at the beginning of the year (i.e., New Year's resolutions).

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

Laws and Regulations

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

A Madabolic Business may also be subject to various federal-law. These, state and local laws may disproportionately affect franchises. regulating the health and fitness industry, including:

- ~~In certain states, laws governing "health clubs" are subject to special laws and regulations and some of (these laws may apply to your Business. Among other things, these laws and regulations may impose requirements relating to the regulate the content and form of consumer contracts that your signed by members will sign. These laws may also and require that you obtain the posting of a bond and may require that you escrow/or escrowing of membership fees until the facility opens for business. The federal Truth in Lending Act may require you to provide certain disclosures in your consumer contracts to the extent that you offer financing. Some states require that fitness facilities have collected prior to opening)~~
- laws requiring that fitness facilities have: (a) a staff person available during all hours of operation that member onsite who is certified in basic cardiopulmonary resuscitation or other specialized medical training. Some state or local laws may also require that fitness facilities have; and/or (b) an automated external defibrillator and/or other first aid equipment on the premises. Certain laws may require postings onsite
- laws requiring that fitness facilities post certain information regarding steroids and other drug use ~~and limit~~
- laws regulating the types of supplements that a workout facility may sell. be sold
- laws requiring prescribed disclosures of information in consumer contracts that offer financing (including the federal Truth In Lending Act)

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

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

ITEM 2 BUSINESS EXPERIENCE

Rick Del Sontro: Chief Executive Officer

Rick Del Sontro has served ~~in the role of as~~ our Chief Executive Officer since November 2023. ~~He served in~~ During the prior 5 years, he has also held the ~~role of our interim Chief Executive Officer from July 2019 until October 2023. He has served as Chief Executive Officer for ZGrowth Partners, LLC in Miami, Florida since June 2018.~~ following positions:

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

Brandon Cullen: Founder ~~and~~ Chief Concept Officer

Brandon Cullen is one of our Founders and has served as our Chief Concept Officer since July 2019. ~~From October 2012 until July 2019 he served as the President and CEO of our predecessor, Madabolic, Inc., in Charlotte, North Carolina~~ During the prior 5 years, he has also held the following positions: ~~From June 2009 to present, Mr. Cullen has served as President for S3 Endurance, LLC, which operates the Madabolic facility in Charlotte, North Carolina.~~

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

Kirk DeWaele: Founder ~~and~~ Chief Training Officer

Kirk DeWaele is one of our Founders and has served as our Chief Training Officer since July 2019. ~~From October 2012 until July 2019 he served as the Vice President and Director of Training for our predecessor, Madabolic, Inc., in Charlotte, North Carolina. From June 2009 to present, Mr. DeWaele has served as Chief Operating Officer for S3 Endurance, LLC, which operates the Madabolic facility in Charlotte, North Carolina.~~ During the prior 5 years, he has also held the following positions:

David Schmidt—Director of

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

Kristi Wass: Director of Franchise Openings & Corporate Events

~~David Schmidt has served as our Director of Openings since July 2020. From November 2017 to present, he has been self-employed as a Consultant by Bing Group in Chapel Hill, North Carolina. He has served as Founding Partner for the following companies in Chapel Hill, North Carolina: (i) Green Beagle Lodge (June 2012 to present); (ii) GBL Property (June 2012 to present); and (iii) GBL Property II (June 2019 to present). From January 2012 to present, he has also served as President and Secretary of Grace Family Partners in Chapel Hill, North Carolina. From May 2019 to June 2019, he served as VP Customer Service for Field2Base in Morrisville, North Carolina. From November 2017 to August 2018, he served as President of CLTC in Durham, North Carolina.~~

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

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

Finley Funsten—: Director of Communications

~~Finley Funsten has served as our Director of Communications since June of 2022. Prior to that she served as our Director of Culture and Experience since March 2021. She previously 2022. During the prior 5 years, she has also held the following 2 positions with S3 Endurance, LLC, which owns the Madabolic facility in Charlotte, North Carolina: (i) General Manager (May 2017 to March 2021); and (ii) Trainer (October 2014 to May 2017).~~positions:

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

Beth Berkey—: Business Development Manager

~~Beth Berkey has served as our Business Development Manager since June 2022. From October 2016 to present she has been a trainer at MAD Charlotte in Charlotte, North Carolina. From August 2012 to June 2022, she worked for Charlotte-Mecklenburg Schools as a teacher in Charlotte, North Carolina.~~During the prior 5 years, she has also held the following positions:

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

Albert Mendoza—: Chief Development Officer

~~Albert Mendoza has served in the role of as our Chief Development Officer since November 2023. He During the prior 5 years, he has served as an Executive Vice President for ZGrowth Partners, LLC in Miami, Florida since February 2016. From June 2009 to also held the present, Mr. Mendoza has been President of APAC Franchise Services, Inc. in Escondido, California.~~following positions:

Danielle Scott

~~Danielle Scott has served as Vice President of Operations and Development for ZGrowth Partners, LLC in Miami, Florida since October 2018. From February 2017 to April 2018, Ms. Scott was the Vice President of Operations and Development for Zippy Shell, Inc. in Washington, D.C. From December 2013 to the present, Ms. Scott has been a Partner for HES Holdings, Inc. in Crofton, Maryland.~~

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

ITEM 3 LITIGATION

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

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

Current status: On February 19, 2018, the parties entered into a Consent Decree and Order of Settlement (the "Settlement Agreement"). Under the terms of the Settlement Agreement, Rainy Day was required to pay the United States \$116,000 and Mr. Del Sontro was required to pay the United States \$150,000. The Settlement Agreement prohibits Mr. Del Sontro from (1) directly or indirectly participating in any program concerning federally-related or federally-insured loans, including but not limited to programs concerning those loans defined in the Real Estate Settlement Procedures Act, 12 U.S.C. § 2602(1); and (2) directly or indirectly participating in any activity having to do with the provision of monies to any borrower whose loan is involved in any federally-related program or is federally-insured. In exchange, the defendants were released from the all statutory and common law claims listed above or arising out of the conduct described in the Complaint, while reserving the right to pursue other claims that had not been asserted.

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

On March 5, 2020, 3 different Zippy Shell franchisees (John Pearson and his entity Tensaw Investment Group, LLC; Luigi Del Basso and his entity Tampa Bay Storage and Moving, LLC; and Brian Poggi), filed separate demands for arbitration with the American Arbitration Association in Washington, DC, naming the following parties as defendants: Zippy Shell incorporated; Virgo Investment Group, LLC; 1-800-Pack-Rat, LLC; Mark Kuhns; Rick Del Sontro; Gareth Taylor; Danielle Scott; and Jay Young. On or about June 1, 2020, one additional Zippy Shell franchisee (Sean Avery, Erin Avery and their entity Avery Row Portable Moving & Storage LP) filed a demand for arbitration with the American Arbitration Association in Washington, DC, naming the following parties as defendants: Zippy Shell incorporated; 1-800-Pack-Rat, LLC; Mark Kuhns; Rick Del Sontro; Gareth Taylor; Danielle Scott; C. Patterson Cardwell IV and Kevin Barbour. On June 1, 2022, 4 additional Zippy Shell franchisees (David Thurston, Rosemarie Thurston and their entity Tilden Greater Atlanta, LLC n/k/a Tilden Storage and Moving LLC; Scott Sheffield and his entity Bryma, Inc.; Stephen Feil and his entity Maroon Spider, LLC; and Thomas Elrod, Maureen Elrod and their entity Sunrise Ventures TBAE, LLC)

filed separate demands for arbitration with the American Arbitration Association in Washington, DC, naming the following parties as defendants: Zippy Shell incorporated; 1-800-Pack-Rat, LLC; Mark Kuhns; Rick Del Sontro; Gareth Taylor; Danielle Scott; C. Patterson Cardwell IV and Kevin Barbour. Rick Del Sontro is [our Chief Executive Officer \(and the Chief Executive Officer of ZGrowth Partners, LLC, and Danielle Scott is the Vice President of Operations and Development for ZGrowth Partners, LLC.\)](#). The plaintiff in each matter is a Zippy Shell franchisee. These actions arise out of a series of events relating to the 2018 acquisition of 1-800-Pack-Rat (a competitive system) by the franchisor (Zippy Shell Incorporated) and its majority owner, Virgo Investment Group, LLC (the “Acquisition”).

The complaints are virtually identical (prepared by the same attorney) and allege that the defendants: (i) breached the franchise agreement by allowing a competing business (i.e., 1-800-Pack-Rat) to operate within each franchisee’s exclusive territory following the Acquisition and misrepresented the nature of each plaintiff’s territory as being “exclusive” in the FDD; (ii) breached the covenant of good faith and fair dealing by acquiring 1-800-Pack-Rat utilizing the “acquisition” exception to exclusivity with the intention of undermining the Zippy Shell franchise system; (iii) tortiously interfered with plaintiff’s Zippy Shell franchise agreement by engaging in the Acquisition despite knowing that the Acquisition would result in a breach of each plaintiff’s franchise agreement; (iv) tortiously interfered with plaintiff’s prospective business advantage by modifying the “ZipMove program” in a manner that would make it unavailable to franchisees; (v) fraudulently induced each plaintiff to enter into a Zippy Shell franchise agreement by misrepresenting business forecasts of future growth and making unauthorized financial performance representations; (vi) violated state “Little FTC Acts” by defrauding the plaintiffs into purchasing Zippy Shell franchises and intentionally misrepresenting the prospects or chances for success of these franchises; and (vii) violated 18 U.S.C. s. 1962(c) and 1962(d) by engaging in a fraudulent scheme to fraudulently induce prospective franchisees to become franchisees and take actions adverse to their interests. Mr. Del Sontro had left Zippy Shell prior to the Acquisition and Ms. Scott left Zippy Shell 1 month after the Acquisition. Each plaintiff sought damages (\$8,500,000 by Pearson, \$16,700,000 by Del Basso and \$7,100,000 by Poggi, \$6,800,000 by Avery, \$9,700,000 by Thurston, \$11,500,000 by Sheffield, \$9,700,000 by Feil, and \$9,700,000 by Elrod) including actual damages, treble damages under RICO, exemplary, statutory and punitive damages plus attorneys’ fees and costs. The defendants vehemently denied all wrongdoing.

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

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

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

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

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

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

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

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

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

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

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Initial Franchise Fee

You pay us a nonrefundable \$4550,000 initial franchise fee at the time you sign the Franchise Agreement. ~~If you purchase additional franchises from us at the same time, we discount your initial franchise fee for your 2nd Madabolic business by \$5,000 and discount your initial franchise fee for your 3rd and subsequent Madabolic businesses by \$7,500. The entire~~The initial franchise fee is payable in full at the time you sign the Franchise Agreement. ~~All initial franchise fees are uniform and fully earned.~~ uniformly imposed except for the Multi-Unit Discount described below:

Startup Packages

Prior to opening, you must purchase the following packages from us or our affiliate:

<u>Package Discount Program</u>	<u>Items Included Discount</u>	<u>Cost (Including Tax & Shipping) Qualifications for Discount</u>
<u>Inventory Multi-Unit Discount</u>	Trade Show Kit, Lobby Launch, cleaning supplies, SFH and t shirts <u>Business 1 – No discount</u> <u>Business 2 – \$5,000 discount</u> <u>Business 3 and up – \$7,500 discount</u>	\$7,000 to \$11,500 <u>You must: (a) purchase 2 or more franchises from us at the same time; (b) sign Franchise Agreements for all of the franchises at the same time; and (c) pay the full initial franchise fee for all of the franchises at the same time.</u>
<u>Fitness Equipment</u>	Gym clock, cardio equipment, gymnastic equipment, plyometric equipment, Rogue resin plyo box, Rogue storage equipment, strength training equipment and other training equipment.	\$87,450 to \$99,850
<u>Total</u>		\$94,450 to \$111,350

Fitness Equipment Package

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

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

The purchase price for the Fitness Equipment Package, including tax, shipping and installation, is estimated to

range from \$119,000 to \$133,000. The specific items ~~within each package~~ included in the Fitness Equipment Package, and the associated costs, may vary depending on the size, ~~and~~ layout ~~and needs~~ of your Facility, the size of your classes and the distance the items must be shipped. The purchase price is nonrefundable and uniformly imposed. ~~The purchase price is due 10 days after invoicing. (except as otherwise provided in the preceding sentence).~~ At any time, we reserve the right to require that you purchase some or all of the items included within ~~these packages~~ the Fitness Equipment Package directly from ~~the~~ third-party suppliers that we designate.

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

Grand Opening Marketing Fee

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

ITEM 6 OTHER FEES

TYPE OF FEE ¹	AMOUNT AMOUNT ^{2,3}	DUE DATE	REMARKS
Royalty Fee	Greater of (i) 6% of monthly Gross Revenues ² Sales or (ii) minimum monthly royalty b \$1,500 per month	10 th day of each month for prior month's operations	You must provide us with monthly reports of Gross Revenues unless you are using a system that allows us to independently generate reports of your Gross Revenues. Your The 6% royalty fee commences immediately upon begins on the earlier to occur of (i) a) the date you collect your collection of any first membership fee or (ii) the date your Business opens to the public. In addition, the b) your opening date. The \$1,500 minimum monthly royalty fee is \$1,500 per month and begins the 13th month 13 months after you sign the franchise agreement, regardless of whether your Business is open Franchise Agreement, even if you have not opened. You must send us monthly Gross Sales reports unless we independently generate Gross Sales reports from your POS system.

TYPE OF FEE ¹	AMOUNT AMOUNT ^{2,3}	DUE DATE	REMARKS
Brand and System Development Fund Fee	1.5% of Gross Revenues ² Sales (we may increase up to 3% of Gross Revenues %)	10th day of month for prior month's operations Same as royalty fee	See Note 3. Your brand and system development fund fee commences immediately upon the earlier to occur of (i) your collection of any membership fee or (ii) the date your Business opens to the public. You must contribute this amount to the Brand Fund. You have no voting rights pertaining to the administration of the Brand Fund, the creation or placement of advertising, or the amount of the brand fund fee. You begin paying brand fund fees when you begin paying the 6% royalty fee. We may increase the brand fund fee to 3% of Gross Sales on 90 days' notice.
Cooperative Advertising Fee Local Marketing Commitment	Up to \$1 [if less than 200 members] \$2,000 per month	10 th day of month for prior month's operations Monthly, as incurred (commencing with your opening date)	See Note 4. This is the minimum amount you must spend on advertising and marketing in your local market to promote your Business (the "Local Marketing Commitment"). This expenditure is in addition to the grand opening marketing fee and brand fund fee. The higher amount applies any month your Business has less than 200 paying members as of the beginning of the month. We measure your compliance on a rolling 6-month basis.
	[if 200 or more members] \$1,000 per month		
Cooperative Advertising Fee	Varies (will not exceed \$1,000 per month unless approved by majority of coop members)	Same as royalty fee	See Note 4.
Training Fees	[Onsite Training] \$500 per trainer per day plus Travel Expenses	10 days after invoice	Payable for any onsite training or assistance we provide at your Facility after opening.
	[Train-The-Trainer] \$500 per Lead Trainer	10 days after invoice	Payable for each Lead Trainer that attends our "train-the-trainer" training program to become certified to train new Trainers that you hire.
	[LMS Access Fee] Up to \$500 per Trainer	10 days after invoice	Payable for each Trainer that your Lead Trainer trains after we certify your Facility as a certified Madabolic Training Facility. The fee is paid for access to our Learning Management System (LMS) which is an integral part of the training.
Training Fee	Up to \$300 per person per day plus reimbursement of expenses for onsite training (typically \$3,000 to \$5,000 total for onsite training) [Other Ongoing Training] \$300 per trainee per day	10 days after invoice	See Note 5. Payable for each person who attends (a) initial training after you open, (b) supplemental or refresher training, (c) repeat training (if trainee fails prior attempt), (d) remedial training or (e) additional training you request (onsite training requires the \$500 fee listed above)

TYPE OF FEE ⁴¹	AMOUNT AMOUNT ^{2,3}	DUE DATE	REMARKS
Conference Registration Fee	Up to \$1,500 per conference for up to 2 people (same fee applies even if you send 1 person)	10 days after invoice	See Note 6. We may hold conferences to discuss matters affecting franchisees. You must attend at least 1 annual conference every 2 years unless (a) we designate attendance as optional or (b) we waive your obligation to attend based on showing of good cause. If you fail to attend a required conference without a waiver, you must pay us the conference registration fee despite your non-attendance (we will provide you with a copy of written materials distributed at the conference).
Technology Fee	Varies (currently \$795 per month)	10 days after invoice	See Note 7.
Annual Music License Technology Fee	\$1,800 Currently \$805 per year/month (subject to change on 30 days' notice based upon changes to Technology Systems or prices charged by third-party licensors)	10 days after invoice <u>or as we otherwise specify</u>	We pay this annual fee to BMI and ASCAP on your behalf for special music licenses, and then you must reimburse us for the amount we spend. This fee includes all amounts you pay us and our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers. It may also include a reasonable administrative fee for managing the technology platform and negotiating / managing relationships with third-party licensors. It does not include amounts you pay directly to third-party suppliers. The software, technology and services we provide in exchange for the current fee are discussed in Item 11 (Computer System).
Music License Fee	\$1,800 per year	10 days after invoice	We acquire music licenses for your Business from BMI and ASCAP. You must reimburse us.
Mystery Shopper / Quality Assurance System Program Expense Fees	Varies (we estimate it will not exceed \$1,000 per year) (currently charged)	10 days after invoice <u>or as we otherwise specify</u>	See Note 8. You must participate in any customer loyalty, membership or gift card program we establish and pay all associated program contributions and fees we require to implement and administer the program. These amounts are paid to us or a third party we designate.
Marketing Materials and Inventory Product Purchases	Varies depending on item purchased	10 days after invoice	We or our affiliate may serve as a System supplier for products or services you must purchase. We will provide you with our current a price list at the time you sign the Franchise Agreement. upon request.
Product / Supplier Testing Fee	\$150 per test for equipment \$50 per test for all other products/services/suppliers	10 days after invoice	This covers the costs of testing new equipment, products, services or suppliers you propose.
Relocation Fee	\$500	At time we approve request to relocate	Imposed if we approve your request to relocate your Facility.
Renewal Fee	25% of our then-current, non-discounted, initial franchise fee	At time you sign Renewal Agreement	Imposed if you renew your franchise rights by signing a renewal Franchise Agreement.

TYPE OF FEE ⁴¹	AMOUNT AMOUNT ^{2,3}	DUE DATE	REMARKS
<u>Franchise Resale Service Fee</u>	<u>10% of Sales Proceeds</u>	<u>At time of franchise sale</u>	<u>We offer an optional service to help franchisees sell their business. To use this service, you must sign a Franchise Resale Agreement (attached as EXHIBIT "G"-3) and pay the franchise resale service fee.</u>
<u>Transfer Fee</u>	<u>\$10,000</u>	<u>Before Transfer</u>	<u>We do not charge a transfer fee for Permitted Transfers. You pay the transfer fee for all other Transfers. If you sign a Franchise Resale Agreement, you pay us both a transfer fee and a franchise resale service fee. If buyer is referred by our broker, you must also reimburse us for all commissions we pay the broker.</u>
<u>Reimbursement of Quality Assurance Program Costs</u>	<u>Actual cost paid to company we hire</u>	<u>10 days after invoice</u>	<u>If we hire a person or company to inspect your Madabolic Business, you must reimburse us for all amounts we pay them for the inspection.</u>
<u>Reimbursement of Reinspection Costs</u>	<u>All Travel Expenses and other costs we incur to inspect your Madabolic Business</u>	<u>10 days after invoice</u>	<u>Imposed if we inspect your Madabolic Business to determine if you remedied a (a) health or safety issue identified by a government agency or (b) breach of system standards we brought to your attention as a result of a prior inspection.</u>
<u>Audit Fee</u>	<u>Actual cost of audit (including travel and lodging expenses <u>Travel Expenses</u> for audit team) (estimated to range from \$2,500 to \$5,000 <u>per audit</u>)</u>	<u>10 days after invoice</u>	<u>Payable only <u>Imposed</u> if the <u>an</u> audit (i) reveals that you have understated any amount that you owe us by at least 3% or (ii) <u>a</u> is necessary because you fail to furnish <u>send us</u> required information or reports to us in a timely manner or (b) reveals you understated Gross Sales by 3% or more.</u>
<u>Late Fee</u>	<u>\$25 plus default interest at lesser of (a) 18% per annum (prorated on daily basis) or (b) highest rate allowed by applicable law</u>	<u>10 days after invoice</u>	<u>If we debit your account but there are insufficient funds, or a check you issue is returned due to insufficient funds, then we may charge (in addition to the late fee) an NSF fee of \$50 per incident. In California, default interest is limited to 10% per annum.</u>
<u>Fines Noncompliance fee</u>	<u>Up to \$500 per incident</u>	<u>Upon demand</u>	<u>Payable <u>Imposed</u> if you fail to comply with a mandatory standard or operating procedure and you (including timely submission of required reports) and do not cure the non-compliance within the time period we require. <u>We may impose an additional \$500 fee every 48 hours the noncompliance issue remains uncured after we impose the initial fee.</u> We will deposit all fines <u>these fees</u> into the brand and system development fund. <u>Brand Fund.</u></u>
<u>Renewal Fee</u>	<u>25% of then current initial franchise fee</u>	<u>At time you sign Renewal Agreement</u>	<u>None.</u>

TYPE OF FEE ⁴¹	AMOUNT ^{2,3}	DUE DATE	REMARKS
Transfer Fee <u>Default Reimbursements</u>	\$10,000 <u>All costs we incur to cure your default</u>	Before transfer <u>10 days after invoice</u>	Subject to state law. Payable when you transfer or sell your franchise. No charge if franchise transferred to an entity that you control or for certain transfers of ownership interests between existing owners. If you sell to a lead that came from our database, you may also be required to pay our then current referral fee plus any costs associated with applicable broker fees. If you fail to cure a breach of the Franchise Agreement or our brand standards in the time period we require, we may take steps to cure on your behalf and you must reimburse us for our costs (examples include failure to pay suppliers, maintain insurance or meet quality standards).
Late Fee	\$25 plus lesser of 18% of amount past due or highest rate allowed by applicable law	10 days after invoice	None.
Management Fee	Commercially reasonable rate (not Up to exceed \$200 per day plus reimbursement expenses) <u>Travel Expenses</u>	10 days after invoice	If you <u>fail to cure a material default under the Franchise Agreement in a timely manner</u> , we can designate a <u>temporary manager person</u> to manage your Business until <u>you cure the default is cured</u> .
Indemnification	Will vary with circumstances <u>Amount of our damages, losses or expenses</u>	10 days after invoice	You must indemnify and reimburse us for <u>any all</u> damages, losses or expenses we incur <u>as a result of due to</u> the operation of your <u>Madabolic</u> Business or your breach of the Franchise Agreement.
Attorneys' Fees and Costs	Will vary with circumstances <u>Amount of attorneys' fees and costs we incur</u>	Upon demand	If we are the substantially prevailing party in an action <u>You must reimburse us for all attorneys' fees and costs we incur</u> relating to your breach of <u>any term of</u> the Franchise Agreement or any <u>other related</u> agreement <u>with us or our affiliates</u> ; <u>you must reimburse us for all attorneys' fees and other costs we incur.</u>
New Product or Supplier Testing	\$50 evaluation fee per product or vendor proposed; \$150 evaluation fee for any equipment proposed	10 days after invoice	This covers the costs of testing new products or inspecting new suppliers you propose.
<u>Insurance Liquidated Damages</u>	Actual cost of premiums, plus our costs and expenses <u>Varies (See Note 5)</u>	10 <u>30</u> days after invoice	If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us. <u>Imposed if we terminate due to your default or you terminate in any manner not permitted by the Franchise Agreement.</u>

Notes:

1. Nature and Manner of Payment: All fees are imposed by and are payable to us except ~~that we collect~~: (a) you pay the cooperative advertising fee and transfer these funds to the applicable directly to your advertising cooperative. (we may instead require you to pay this fee to us, in which case we will remit the fee to the

cooperative on your behalf); and (b) you spend the Local Marketing Commitment directly with third-party suppliers. All fees are ~~non-refundable~~ nonrefundable and uniformly imposed ~~on franchisees~~. You ~~will be required to~~ must sign an ACH Authorization Form (attached to the Franchise Agreement as ATTACHMENT "E") ~~);~~ permitting us to electronically debit your designated bank account for ~~payment of all fees payable to us (other than the initial franchise fee) as well as any all~~ amounts ~~that you owe~~ owed to us ~~or~~ and our affiliates ~~for the purchase of goods or services;~~ (other than fees due less than 15 days after signing the Franchise Agreement). You must deposit all Gross ~~Revenues~~ Sales into the bank account and ensure ~~that there are~~ sufficient funds are available for withdrawal before each due date. You ~~must pay us~~ are responsible for all taxes ~~that are~~ imposed ~~upon us or that we are required to collect and pay by reason of the furnishing of on you or us based on~~ products, intangible property (including trademarks) or services we provide to you.

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

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

“Gross Revenues” is defined as the gross amount, in money or other forms of consideration, that you earn or receive. “Sales” means total revenue generated from any source related to, or in connection with, the operation of your Business or with this franchise, whether on or including: (a) revenue from the sale of fitness classes, merchandise, retail items or any other goods or services, including sales made from your Facility and sales made from or relating to off your premises. This includes site events; (b) all membership-related fees (such as e.g., initiation fees, enrollment fees, processing fees, paid-in-full dues, renewal fees, monthly dues and all revenues generated and derived during any, and revenue from the “presale” of memberships) regardless of the amount of monthly membership fees you actually collect. Gross Revenue also includes prior to your opening date); (c) the fair market value for of any good or services received in a barter transaction; and (d) any other sums you collect that in any service or product you receive in barter or exchange for your services or products and all way relate to your Business (e.g., advertising revenue, sponsorship fees and business interruption 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). Gross Sales includes amounts invoiced or otherwise earned but not collected. Gross Sales excludes: (a) sales or use taxes; (b) amounts you collect but refund to the customer during the same Gross Sales reporting period (refunds issued in a subsequent reporting period are deducted from Gross Sales for the reporting period in which the refund is issued); (c) revenue from the sale of furniture, fixtures and equipment in the ordinary course of business; (d) discounts you allow, gratuities paid by customers to employees of the Business, sales tax receipts and comps that you must by law collect or pay and any customer refunds of previous payments you actually make. From time to time, we may establish offer; and (e) tips paid to and retained by trainers or other staff members as a gratuity. The Manual may include policies governing the manner in which the membership fees and proceeds from the sale of gift cards are treated for purposes of calculating Gross Revenues. Similarly, if we Sales.

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

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

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

monitoring, security or improvement of these systems.

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

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

1.3. CPI Adjustments: All fees (and minimum fees) expressed as a fixed dollar amount are subject to adjustment based on changes to the Consumer Price Index in the United States (CPI). We may periodically review and increase these fees based on changes to CPI, but only if the increase to CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustment); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We may implement ~~a membership model that allows customers to redeem goods or services associated with the membership from multiple Madabolic facilities, we may establish policies governing the manner in which the monthly membership dues are allocated between the facility that sold the membership and the facilities where the goods or services are redeemed.~~ no more than 1 fee adjustment during any 5-year period.

~~1. We have established and maintain a brand and system development fund to promote public awareness of our brand and improve our System. We may increase the required contribution to the brand and system development fund from 1.5% of Gross Revenues up to a maximum of 3% of Gross Revenues. We will provide you with at least 90 days’ prior written notice of any increase to your required contribution. You will have no voting rights pertaining to the administration of the fund, the creation and placement of the marketing materials or the amount of the required contribution.~~

~~In addition to your contributions to the brand and system development fund, you must pay us a \$17,000 grand opening marketing fee, which we will apply to your grand opening marketing activities during the 60 to 90 day period preceding your opening date and 30 days following your opening date. After opening, you must spend a minimum of \$2,000 per month (your “Local Marketing Commitment”) on approved local advertising and marketing until you have a minimum of 200 paying members, at which point the Local Marketing Commitment is reduced to a minimum \$1,000 per month. However, the higher \$2,000 per month Local Marketing Commitment will be immediately and automatically reinstated at any time that the number of paying members at your facility drops below 200.~~

2.4. Cooperative Advertising Fee: We may establish regional advertising cooperatives for purposes of pooling advertising funds to be used in discrete regions. We ~~will~~ may either: (a) collect ~~the~~ cooperative advertising fees and remit ~~these fees~~ them to the applicable ~~advertising~~ cooperative ~~(unless we administer the advertising~~ ; or (b) require you to pay these fees directly to the cooperative ~~ourselves).~~ The amount of Cooperative advertising fees are uniformly imposed on all Madabolic Businesses in the cooperative, including company-owned Madabolic Businesses. We may set the minimum cooperative advertising fee ~~may be adjusted (or temporarily suspended) upon the~~, which will not exceed \$1,000 per month unless a higher amount is approved by majority vote of all ~~franchisees within~~ members of the ~~advertising~~ cooperative. ~~Any~~ Each member is entitled to 1 vote for each ~~Madabolic facility~~ Business that ~~we operate~~ is owned by the member and located in the cooperative. We and our affiliates will be members of the cooperative (and have the same voting ~~power~~ rights as ~~third party franchisees. If we own~~ franchisees) with respect to company-owned Madabolic Businesses located in the cooperative. However, if the majority of Madabolic facilities within an advertising Businesses in the cooperative are company-owned Madabolic Businesses, we will not increase the cooperative advertising fee ~~beyond unless~~ \$1,000 per month without the consent of a majority of all ~~third party franchisees within the advertising cooperative. All cooperative advertising fees will be uniformly imposed on all franchisees within the advertising cooperative, including any Madabolic facility that we~~

~~operate. franchisee members vote in favor of the increase.~~ All cooperative advertising fees ~~that~~ you pay ~~will be~~ credited towards your Local Marketing Commitment. ~~There were no advertising cooperatives in effect as of December 31, 2023.~~

- ~~2. We will provide the initial franchise management training program at no additional charge. You must pay us a training fee of up to \$300 per person per day for: (i) each person that attends our initial training program after you open your Business (such as new Managing Owners, general managers or fitness instructors); (ii) any person who must retake training after failing to successfully complete training on a prior attempt; (iii) any remedial training that we require based on your operational deficiencies; (iv) each person to whom we provide additional training that you request; and (v) each person who attends or is required to attend any system wide refresher or additional training program that we conduct. If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this reimbursement obligation does not apply to any onsite training that is part of our initial training program). You are responsible for all expenses and costs that your trainees incur for training, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee our then current initial training fee for each of the transferee's owners and employees that attends our initial training program.~~
- ~~3. We may hold periodic national or regional conferences to discuss business and operational issues affecting Madabolic franchisees. You must attend at least one national or regional conference every 2 years. You are also responsible for all expenses and costs that the conference attendees incur, including wages, travel and living expenses.~~
- ~~4. You must acquire and utilize all information and communication technology systems that we specify from time to time (the "Technology Systems"). Our required Technology Systems may include computer systems, webcam systems, telecommunications systems, security systems, music systems, and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps and third party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems. Certain components of the Technology Systems must be purchased or licensed from third party suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs, you agree to pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. We also reserve the right to enter into master agreements with third party suppliers relating to any components of the Technology Systems and then charge you for all amounts that we must pay to these suppliers based upon your use of the software, technology, equipment, or services provided by the suppliers. The "technology fee" includes all amounts that you must pay us or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts that we collect from you and remit to third party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based upon changes to the Technology Systems or the prices charged by third party suppliers with whom we enter into master agreements. We will provide you with at least 90 days' prior notice of any increase to the technology fee. The technology fee does not include any amounts that you directly pay to third party suppliers for any component of the Technology Systems.~~

~~As of the issuance date of this Disclosure Document, we charge a technology fee of \$795 per month, which covers: (i) our costs associated with managing and maintaining our intranet, providing you with email accounts and website support, and conducting ongoing technology research and development (\$100 per month); (ii) monthly licensing fees paid to the licensor of the business management software you will use (\$250 per month); and (iii) monthly licensing fees paid to the licensor of the scheduling and payment processing software you will use (\$455 per month). We collect the fees for the software and pay them to third party licensors. The technology fee does not include licensing fees that you pay directly to third parties, such as the \$250 monthly licensing fee paid to the licensor of the email/text marketing software you will use. In the event that our costs are increased by outside vendors, we maintain the right to pass these increases along to you.~~

- ~~5. We reserve the right to engage the services of one or more "mystery shoppers" or quality assurance inspection firms for purposes of inspecting Madabolic facilities for quality control purposes. These inspections may address a variety of issues, including customer service, utilization of approved training programs, workouts and exercises,~~

safety, sanitation and cleanliness, inventory rotation, etc. If we implement such a program, we intend to utilize the program for all Madabolic facilities, including facilities owned by us and our affiliates. Franchisees may be invoiced directly by the mystery shopper or quality assurance firm for the services rendered. Alternatively, we may be invoiced by the mystery shopper or quality assurance firm, in which case all franchisees must pay their proportional share of the total fee based on the number of open facilities owned by the franchisee as compared to the total number of all open Madabolic facilities at the time of the program (including company and affiliate owned facilities). We agree to pay our proportionate share of these costs with respect to each Madabolic facility that is owned by us or our affiliates. We do not mark up these fees or retain any portion of the amounts that you pay to us for our mystery shopper / quality assurance program.

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

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT ²	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$ 45 <u>50</u> ,000	Lump sum	At time you sign Franchise Agreement	Us
Food, Lodging & Travel (5 to 7 people while training) <u>Initial Training Expenses</u> ²	\$5,200 to \$7,200	As incurred	During training	Hotels, restaurants and airlines
Lease Deposit & 3 Months' Rent ²³	\$ 28 <u>20</u> ,000 to \$ 72 <u>70</u> ,000	Lump sum	Monthly (with security deposit paid before opening)	Landlord
Build Out & Improvements <u>Construction</u> ⁴	\$ 20 <u>45</u> ,000 to \$ 15 <u>20</u> ,000	As incurred	Before opening	Architects, contractors, <u>Contractor & suppliers</u>
Signage ⁴ <u>Project Management Fee</u> ⁵	\$ 17,500 <u>10,000</u> to \$ 28,500 <u>20,000</u>	As incurred <u>Lump sum</u>	Before opening	Project Manager <u>Suppliers</u>
Flooring and Tiling ⁵ <u>Signage Package</u> ⁶	\$ 16,000 <u>20,500</u> to \$ 18 <u>25</u> ,500	Lump sum <u>As incurred</u>	Before opening	Suppliers
Lighting and Fan ⁵ <u>Flooring & Tiling</u> ⁷	13 <u>16</u> ,000 to 18,500 <u>18,500</u>	As incurred	Before opening	Suppliers
Furniture & Fixtures <u>Lighting & Fan</u> ⁸	\$ 14,800 <u>15,000</u> to \$ 24 <u>18</u> ,000	As incurred	Before opening	Suppliers
Fitness Equipment Package ⁶⁹ <u>(includes taxes, shipping and installation)</u>	\$ 87,450 <u>[Financed or Leased]</u> \$ 21,640 <u>34,606</u>	Financed or leased <u>Lump sum</u>	<u>Down payment plus monthly payments</u> Before opening	Us Lender or our affiliate leasing company

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Computer and POS system ⁷	\$3,500 to \$5,400 <u>[Purchased]</u> \$119,000 to \$133,000	Lump sum <u>As incurred</u>	Before opening	Suppliers <u>Us</u>
Security, sound and telephone system ⁸ Technology Systems ¹⁰	\$2,000 <u>6,500</u> to \$4,000 <u>9,400</u>	As incurred <u>Lump sum</u>	Before opening	Suppliers
Inventory and Other Furniture and Fixtures ⁹ & Other Equipment ¹¹	\$717,000 to \$11,500 <u>19,000</u>	As incurred	Before opening	Suppliers <u>Us or our affiliate</u>
First Aid Equipment Delivery & Set-Up & Supplies ¹²	\$11,000 <u>1,500</u> to \$152,000	As incurred <u>Lump sum</u>	Before opening	Suppliers
Other Equipment Inventory & Operating Supplies ¹³	\$8,400 <u>6,100</u> to \$11,000 <u>6,400</u>	As incurred	Before opening	Suppliers
Grand Opening Advertising ¹⁰ Marketing ¹⁴	\$1719,100 to \$20,000	As incurred <u>Lump sum</u>	Before opening <u>Upon signing lease and as incurred</u>	Us and S suppliers
Utility Deposits	\$1,250 to \$12,000	As incurred	Before opening	Utility companies
Business Licenses	\$1,000 to \$2,000	As incurred <u>Lump sum</u>	Before opening	Government agencies
Professional Fees ¹⁵	\$1020,000 to \$25,000	Lump sum	Before opening	Lawyers and Architect, <u>lawyers & accountants</u>
Insurance (3 months' premium) ¹⁶	\$600 <u>1,750</u> to \$900 <u>2,500</u>	Lump sum	Before opening	Insurance companies
Staffing Prior to Opening Pre-opening Payroll ¹⁷	\$515,000 to \$1820,000	As incurred	Before opening	Employees
Additional Funds ¹⁸ (3 month period after opening) (3 months)	\$15,000 to \$42,000	As incurred	As incurred	Suppliers, and <u>employees and us</u>
Total Estimated Initial Investment¹⁹	\$327,700 to \$615,850 <u>\$394,900 to \$602,500 (if Fitness Equipment Package purchased)</u> <u>\$297,540 to \$504,106 (if Fitness Equipment Package financed or leased)</u>			

Notes:

- Financing and Refunds: We do not offer direct or indirect financing ~~for any of these items. None of.~~ However, some franchisee finance the fees payable to Fitness Equipment Package or lease the equipment from an unaffiliated lender or equipment leasing company, respectively. We do not have a written agreement or formal relationship with any potential lenders or leasing companies. We refund any portion of the grand opening marketing fee that is not spent during your grand opening period. No other amounts paid to us are refundable. We are unaware not aware of any fees payable amounts paid to third-party suppliers that are refundable, although some landlords your landlord may refund your security deposits at the end of the lease if the tenant does you do not damage the property or default.
- ~~These figures presume that you will be leasing your premises. The expense of leasing will~~ Initial Training Expenses: This estimates your expenses to send 5 to 7 people to Charlotte, North Carolina for 2 days for Fitness Instructor Training. Your actual training expenses may vary depending upon on: (a) the number of

people you send to training; (b) the distance they must travel; and (c) the level and quality of accommodations, travel and dining selected.

2.3. Real Estate: This estimate assumes you lease your premises. Rent varies depending on the size of the premises, its location, landlord contributions, and the requirements of individual landlords. We anticipate ~~that most Madabolic Business facilities will range in size from 2,500 to 43,000 square feet. We estimate the with rent will range ranging from approximately \$7\$5,000 to \$20,00017,500 per month, although your actual rent may vary significantly above or below this range depending on your area and the local market conditions.~~ Landlords typically require security deposits equal to 1- or 2- months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The ~~total estimated initial investment amount~~ shown in the ~~chart~~table above includes 1 months' s security plus 3 month-s' rent. Some franchisees may ~~prefer to own their facility. The costs of purchasing a facility vary~~choose to purchase the real estate. The cost to purchase real estate varies so widely that we cannot reasonably estimate the cost.

4. Construction: The cost of construction and leasehold improvements and build-out varywidely based ~~upon several~~on a number of factors, including:

- the size and condition of the premises, leased space
- whether or not there are the premises is first or second generation retail space
- the extent and nature of any existing leasehold improvements ~~and~~
- whether the landlord will contribute to the costs of the leasehold improvements; (a "TI Allowance") and the amount of any TI Allowance you are able to negotiate
- The local demolition costs
- local construction costs and prevailing wage rates in your local market

Some landlords provide a TI Allowance but increase monthly rent to recapture the TI Allowance and amortize it over the lease term (or part of the lease term). A significant factor in determining whether a landlord will provide a TI Allowance, and if so, the amount, is whether the building is first generation or second generation space. The estimates in the table above assume you do not receive any TI Allowance.

5. Project Management Fee: We recommend, but do not require, that you hire a project management company to oversee the development process and coordinate with the various members of your development team (architects, engineers, general contractor, etc.) in an effort to manage the overall development process and allow you to open as quickly as possible. We estimate the project manager's fee could be up to \$10,000.

3.6. Signage Package: You must purchase and install the signage we specify. However, you may need to modify our standard signage to conform to local zoning laws, property use restrictions and/or lease terms. In some instances, exterior signage may be prohibited due to applicable zoning or use restrictions. This item estimates the cost of yourfor our designated signage package, which includes your exterior sign, window vinyl, 1 interior sign and location, window vinyl, site-specific logo/watermark, and studio window display artwork. The estimateIt also includes the estimated cost to pay a local artist for the interior and exterior wall graffiti that(which is part of our required trade dress. The type and size of the signage you install will be based upon the zoning, property use requirements and any landlord imposed restrictions. There could be an occasion where signage is not permitted because of zoning or use restrictions.)

7. Flooring & Tiling: This includes the estimated cost to purchase specialty flooring and tiling that we require.

4.8. Lighting & Fan: This includes the estimated cost for theto purchase specialty flooring, tiling, and lighting that we require for Madabolic facilities. The total cost varies based on the size of your facilityand an oversized fan.

~~1. You must purchase this package from us or our affiliate. The specific items included in the package are described in Item 5.~~

~~2. You must purchase the computer and point of sale (POS) system that we designate. Your system will consist of 2 Apple computers (1 desktop and 1 laptop); 1 printer/copy machine; 1 iPad; 1 iPhone; cloud-based scheduling and payment processing software; cloud-based business management software; and email/text marketing software. The estimate above does not include the monthly fees associated with the software. However, those fees are included in the Additional Funds estimate.~~

~~3. This estimates your initial cost to purchase your security, sound and telephone system.~~

~~4. You must purchase, use and sell only the inventory items that we designate or approve, such as boxing/bag gloves, public goods, bathroom and shower products, supplements, beverages, t-shirts, tank tops, stickers, magnets and other retail/merchandise items. You must also purchase certain cleaning and bathroom supplies on an as-needed basis, such as gym wipes, cleaning buckets, floor cleaner and bathroom supplies. The estimate in the table above includes the cost for an initial supply of these items. You must also hire a professional cleaning service that will clean your facility daily.~~

~~Other furniture and fixtures include a graffiti wall, a refrigerator and shelving. Other fitness equipment includes your glove holders, glove dryers, defibrillator and bag hanging system. The high estimate assumes you choose to purchase more expensive models of glove holders and dryers.~~

~~5. Before opening, you must pay us the \$17,000 grand opening marketing fee, which we will use to promote the opening of your Business during the 60 to 90 day period preceding your anticipated opening date and 30 days following your opening. Franchisor will work with the franchisee to determine how funds can be used locally to promote the brand and any unused funds will be returned or credited back to the franchisee.~~

~~You will be required to purchase 2 pre-opening kits from our preferred vendor during your pre-opening process. Kit #1 consists of marketing/promotional items such as a tent, banners, tablecloth, stickers, magnets, pop sockets, business cards, post cards, tier cards, A frame sign holder, community boards, and other items to be used during your community building, grassroots marketing events. Kit #2 consists of an opening supply of t-shirts, most or all with your location's watermark, which will be used during your pre-opening promotional events and initial retail inventory.~~

~~After opening, you must spend a minimum of \$2,000 per month on local marketing until you have 200 paying members. At any time that you have 200 or more paying members, the minimum monthly marketing expenditure will be reduced to \$1,000 per month. For purposes of the estimate above, we have assumed that franchisees will not have 200 paying members within the first 3 months after opening.~~

9. Fitness Equipment Package: You must purchase our designated Fitness Equipment Package from us. The items included in the package are listed in Item 5. If you choose to purchase the Fitness Equipment Package, the total cost is estimated to range from \$119,000 to \$133,000. Some franchisees choose to finance the purchase or lease the equipment through an unaffiliated lender or leasing company. If you choose to finance or lease the equipment, we estimate your down payment will range from \$5,860 to \$9,100 and your monthly payment will range from \$2,630 to \$4,251 (without tax). The low estimate assumes a \$119,000 purchase price and a 60-month term while the high estimate assumes a \$133,000 purchase price and a 36-month term. The down payment includes a documentation fee, the 1st monthly payment and a security deposit equal to 1 monthly payment. We estimate you will commence making monthly payments 3 months prior to opening. This estimate includes the down payment (\$5,860 to \$9,100) together with 6 monthly payments (\$15,780 to \$25,506) including 3 monthly payments made prior to opening and 3 monthly payments made after opening.

10. Technology Systems: This includes your initial cost to purchase and set up your Technology Systems, including your: (a) computer and point of sale system; (b) music/sound system; (c) security and surveillance system; and (d) telephone system.

11. Furniture, Fixtures & Other Equipment: This includes the estimated cost to purchase shelving, refrigerator, glove dryers, desk, display cabinet, wall racking systems and lockers. It excludes the costs to purchase specialty lighting fixtures and the oversized fan (these costs are separately disclosed in the table above).

12. First Aid Equipment & Supplies: This includes the estimated cost to purchase your AED Machine and First Aid Kit.

13. Inventory & Operating Supplies: This estimates the cost to purchase your initial supply of inventory (including SFH Protein, T-Shirts, FitAid Drinks, Defiance Fuel Water, nutritional bars and other retail items) and operating supplies (including cleaning/bathroom supplies and products).

14. Grand Opening Marketing: This estimate includes: (a) the \$17,000 grand opening marketing fee you pay to us when you sign the lease for your Facility; and (b) the cost to purchase your Trade Show Kit (estimated to cost \$2,100 to \$3,000), which is our designated pre-opening marketing kit that includes various promotional items such as apparel, tent, tablecloth, posters/banners, a-frame signage, postcards, laminated tote bags, etc. We use the grand opening marketing fee to implement your grand opening marketing campaign. Any portion of the grand opening marketing fee that is not spent will be refunded to you.

15. Professional Fees: This estimate includes architect fees (estimated to range from \$10,000 to \$17,000) and legal fees for a real estate attorney to review and negotiate your lease. It also includes fees for other professionals you may choose to hire in order to:

- assist you in reviewing this Disclosure Document and negotiating your Franchise Agreement
- advise you regarding local laws and regulations applicable to your Madabolic Business
- form a business entity
- set up your books, records and accounts
- develop a business plan and budget for the development and operation of your Madabolic Business

These services are optional but highly recommended.

16. Insurance: This estimate includes 3 months of insurance premium for the insurance policies we require. If you choose to purchase additional insurance, your premium may be higher. Item 8 includes a description of the insurance policies you must purchase and maintain.

17. Pre-opening Payroll: You must hire certain staff prior to opening to ensure they complete our required training programs. This item estimates your pre-opening payroll.

~~5-~~18. Additional Funds: This estimates your expenses during the first 3 months of operation, including payroll costs (excluding any wage or salary paid to you), ~~utilities, software fees, music license fees~~ marketing and advertising expenses (\$2,000 per month on the assumption you will not have 200 members within the first 3 months), technology fees (\$805 per month), third-party software licensing fees, inventory replenishment costs, utilities and other miscellaneous expenses and required working capital. Your initial 3 months of rent and ~~local marketing expenses~~ insurance premium are separately stated in the table above. These figures are estimates based on: (a) the ~~past~~ past-experience of our ~~principals~~ principals management team in ~~establishing~~ developing, opening and operating a ~~company-owned~~ company-owned Madabolic ~~business as well as~~ Businesses; and (b) the experience of our franchisees. ~~For purposes of this estimate, we have assumed that you will not generate significant revenues during the initial 3 months of operation even though you are required to presell 100 memberships or 300 free week offers prior to opening. These figures are estimates based on the past experience of our principals in establishing and operating a Madabolic business as well as the experience of our franchisees in developing, opening and operating franchised Madabolic Businesses.~~

~~6- You may have additional expenses starting your Business. We strongly recommend that you have independent estimates on your anticipated cost to develop, open and operate your Business.~~

19. Budget and Initial Investment Report: We strongly recommend you hire an accountant, business advisor or other professional to assist you in developing a budget for the construction, opening and operation of your Madabolic Business. Within 60 days after your opening date, you must send us a report, in the form we designate, listing the expenses you incur to develop and open your Madabolic Business. We may use this data to update the initial investment estimate in future versions of our Franchise Disclosure Document.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source-Restricted Purchases and Leases - Generally

~~We require that you~~You must purchase or lease certain “source-restricted” goods and services for the development and ~~ongoing~~ operation of your Madabolic Business. By “source-restricted,” we mean ~~that~~ the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). ~~Our~~The Manual includes our specifications and supplier list of approved and designated suppliers are contained in the Manual. We will notify you ~~within 30 days of any of~~ changes to our specifications ~~or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, verbal or telephonic notification, amendments or~~and suppliers by email, updates to the Manual, ~~bulletins,~~ or other means of communication.

Supplier Criteria

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

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

Current Source-Restricted Items

~~As described below in more detail, we currently require that you purchase or lease the following source restricted goods Purchases and services: the lease for your facility; construction of your facility; exercise equipment and supplies; computer and POS system; security and sound system; signage; fixtures, furnishings and décor; operating supplies; uniforms; inventory; gym flooring; marketing materials and services; cleaning products and services; accounting services; and insurance policies. Leases~~

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

Lease

~~We do not review the terms of your lease. However, if~~ you ~~will~~ lease the premises for your facilityMadabolic Business, you must use ~~your~~ best efforts to ensure your landlord signs the Lease Addendum ~~that is~~ attached to the Franchise Agreement as ATTACHMENT "C". ~~If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may require that you find a new site for your Business facility. The terms of the Lease Addendum are designed to protect our interests. For example, the landlord must notify us of your defaults, offer us the opportunity to cure your defaults, allow us to take an assignment of your lease in certain situations, permit us to enter the premises to remove items bearing our Marks if you refuse to do so and give us a right of first refusal to lease the premises upon the expiration or termination of your lease.~~

~~You are required to~~You must hire a real estate attorney to review and negotiate the terms of your lease. You may use our recommended real estate attorney who will provide this service for a flat fee of \$23,500 or you may hire a real estate attorney of your choosing.

Design and Construction of Facility

~~We will provide you with our standards and specifications for your Business facility. You will be required to~~You must hire an architect ~~in order to~~ prepare the initial design plans for your facility that meet our standards and specifications and comply with all local ordinances, building codes, permits requirements, and lease requirements and restrictions applicable to the premises. You must submit the final plans to us for approval. Your architect and contractor must be appropriately licensed and bonded (if required by applicable law). ~~You~~ detailed construction plans for the construction of your Madabolic Business. We must approve all plans before constructions begins. Once approved, you must construct and equip your Madabolic Business ~~premises~~ according to the approved plans as well as~~and~~ the standards and specifications contained in the Manual. You must purchase and install the specific flooring ~~that~~ we designate. You must purchase ~~your~~ flooring, tiling and lighting exclusively from suppliers ~~that~~ we designate or approve.

~~While not required, we recommend that you hire a "Project Management Company" to assist you in your architectural drawings, permits and the construction bidding process. Our preferred vendor for this is provided in the Manual.~~

— Exercise Equipment and Supplies

All of your exercise equipment and supplies must meet our standards and specifications. You must purchase all of your exercise equipment exclusively from us or our affiliate.

— Computer Equipment and POS System

~~Your computer system and POS system must meet our standards and specifications. You may purchase your computer (desktop and laptop) from any supplier of your choosing. You must purchase your POS system, related equipment and business management and marketing software only from suppliers that we designate. Your architect and general contractor must be appropriately licensed and bonded to the extent required by applicable law. ~~To ensure proper integration with your POS system, you must also purchase gift cards from suppliers that we designate.~~~~

Security and Sound System

~~Your security system and sound system must meet our standards and specifications. You must purchase these systems from suppliers that we designate or approve.~~

Signage

All ~~of your~~ exterior ~~and interior~~ signage must meet our standards and specifications and ~~must~~ be purchased from ~~a designated~~ suppliers we designate or ~~approved supplier~~ approve.

Fixtures, Furnishings and Décor

~~Fixtures, Furnishings and Décor~~

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

Exercise Equipment & Supplies

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

Technology Systems

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

Inventory

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

Uniforms

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

Operating Supplies

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

~~Uniforms~~

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

Madabolic Branded Gear and Apparel

~~You must purchase Madabolic branded gear and apparel exclusively from us or our affiliate.~~

~~— Inventory~~

~~All supplements, merchandise, and retail items that you sell must meet our standards and specifications. You must purchase these items only from approved or designated suppliers. You may not offer any merchandise or other inventory items that we have not approved. You must maintain a reasonable inventory at your facility at all times and participate in the quarterly minimum order levels at the levels we specify.~~

~~— Gym Flooring~~

~~You must purchase your gym flooring from one of our approved or designated suppliers. We have negotiated preferred pricing based upon a commitment of business to our flooring partners.~~

~~— Marketing Materials~~

~~All marketing materials must comply with our standards and requirements. We must approve all of your marketing materials before you use them. You must purchase all branded marketing materials (including pictures and other décor) only from us or other suppliers that we designate or approve. All of your social media marketing must be done in compliance with any social media policy that we develop. We may require that you utilize our designated supplier for social media marketing services.~~

Cleaning Products and Services

~~You~~ Maintaining a clean and sanitary environment is essential to our brand standards. Your Facility must hire a be cleaned on a daily basis by a professional cleaning service company that meets our minimum standards and criteria. We may require you to clean your facility on contract with a daily basis cleaning company we designate or approve. You must ~~maintain an inventory of~~ purchase cleaning supplies that meet our standards and specifications. ~~Additionally, you must contract with our approved or designated suppliers for~~ You must also purchase your monthly bathroom cleaning supplies and floor mats from a supplier we designate.

Accounting Services

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

Marketing Materials and Services

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

Insurance—Policies

You must obtain the insurance coverage ~~that we require from time to time~~ (whether in the Franchise Agreement or in the Manual). ~~You must purchase these policies from a carrier with an A.M. Best's rating of) from licensed insurance carriers rated~~ A or better. ~~The required coverage currently includes: “all risk” property insurance; business interruption insurance for 6 months; comprehensive general liability insurance in by Alfred M. Best & Company, Inc., including the minimum amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; professional liability insurance in the minimum amount of \$1,000,000; worker’s compensation insurance; tenant’s liability insurance; and any other limits and coverage that we periodically require. We following:~~

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

~~We also recommend, but do not currently require, that you obtain: products liability insurance coverage of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate; automobile liability insurance in the minimum amount of \$500,000 combined single limit; employment practices liability insurance coverage; and crime insurance for employee dishonesty in the minimum amount of \$10,000 combined single limit. purchase the following additional policies:~~

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

The required coverage and policies are subject to change. All insurance policies must be endorsed to: (i)a name us (and our members, officers, directors, and employees) as additional insureds; (ii)b contain a waiver by the insurance carrier of all subrogation rights against us; and (iii)c provide ~~that we receive 10~~us with at least 30 days' prior written notice of the termination, expiration, cancellation or modification of the policy.

Purchase Agreements

~~We will try to negotiate relationships with suppliers to enable our affiliates and franchisees to purchase certain items at discounted prices. If we succeed, you will be able to purchase these items at the discounted prices that we negotiate (less any rebates or other consideration paid to us). Alternatively, we reserve the right to purchase the items in bulk and resell them to you at our cost plus a reasonable markup. At this time, weWe have negotiated purchase agreements (with certain suppliers, including favorable pricing terms), for the following purchases: exercise equipment, nutritional items and Madabolic-branded gear and apparel.~~

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

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

Franchisor and Affiliate Revenues Revenue from Source- Restricted Purchases

We ~~and our affiliate~~ are ~~currently~~ the exclusive suppliers for ~~the all~~ items included ~~within in the Fitness Equipment Package. You must also purchase your fitness equipment package and furniture and fixtures package. We and our affiliate generate revenues from these purchases. ongoing supply of Boxing/Bag Gloves~~

exclusively from us. You must acquire certain licenses through us, including your annual music license and licenses to the software and email accounts we provide in exchange for the technology fee (although we are not the licensor of these items). We may designate ourselves or ~~an our~~ affiliate ~~of ours~~ as an approved or designated supplier for other items in the future. ~~We are also the exclusive supplier of the grand opening marketing services (we collect the grand opening marketing fee from you and pay third party suppliers for marketing materials and services). Our affiliate, MD~~ We and our affiliates may generate a profit from these purchases. No person affiliated with us is currently an approved (or the exclusive only approved) supplier of Madabolic branded gear and apparel; exercise equipment and supplies; and fixtures, furnishings and décor. None. There are no approved or designated suppliers in which any of our officers own an interest ~~in an approved or designated supplier.~~

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

~~During~~ Our total revenue during the fiscal year ended December 31, ~~2022, our total revenues were \$996,993.~~ 2023 was \$1,436,173. During that year, we ~~received \$583,972~~ generated \$795,537 in revenues ~~from required revenue as a result of franchisee purchase and purchases or leases of products and goods or services from designated or approved suppliers,~~ which represents ~~59.55%~~ 59.55% of our total revenues for the ~~at~~ year. During the fiscal year ended December 31, 2022, our affiliates received \$171,304 in revenues from required franchisee purchase and leases of products and services.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the ~~franchise~~[Franchise Agreement](#) and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.

OBLIGATION	SECTIONS IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Section 7.1 & 7.2	Item 7 & Item 11 Item 7 & Item 11
b. Pre-opening purchases/leases	Section 6.2, 7.3, 11.9 & 15.1	Item 5, Item 7, Item 8 & Item 11 Item 5, Item 7, Item 8 & Item 11
c. Site development and other pre-opening requirements	Section 7.3 & 7.4	Item 6, Item 7 & Item 11 Item 6, Item 7 & Item 11
d. Initial and ongoing training	Section 55	Item 6 & Item 11 Item 6 & Item 11
e. Opening	Section 7.4	Item 11 Item 11
f. Fees	Section 4.2, 5.8, 6.6, 11.1, 11.4, 12.9, 12.11, 12.16, 14, 17.2 & 20.2, 5.6, 5.7, 6.7, 7.5, 8.5, 10, 11.9, 11.10, 11.13, 11.19, 13, 15.1, 16, 19.2 & 21.3 See also §8 of Franchise Resale Agreement	Item 5 & Item 6 Item 5 & Item 6
g. Compliance with standards and policies/Operating Manuals	Section 6.1, 7.1, 7.3, 10.3, 11 & 17.1	Item 11 Item 11
h. Trademarks and proprietary information	Section 17	Item 13 & Item 14 Item 13 & Item 14
i. Restrictions on products/services offered	Section 11.3	Item 16 Item 16
j. Warranty and client service requirements	Section 12.14, 11.17	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Item 12 Item 12
l. Ongoing product/service purchases	Section 11.9	Item 8 Item 8
m. Maintenance, appearance and remodeling requirements	Section 11.13 & 11.11 & 11.12	Item 11 Item 11
n. Insurance	Section 15.1	Item 6 & Item 7 & Item 8 Item 6, Item 7 & Item 8
o. Advertising	Section 10	Item 6, Item 7 & Item 11 Item 6, Item 7 & Item 11
p. Indemnification	Section 18	Item 6 Item 6
q. Owner's participation/-management/staffing	Section 8	Item 11 & Item 15 Item 11 & Item 15
r. Records/reports	Section 15.2 & 15.3	Item 6 Item 6
s. Inspections/audits	Section 16	Item 6 & Item 11 Item 6 & Item 11
t. Transfer	Section 19	Item 17 Item 17
u. Renewal	Section 4	Item 17 Item 17
v. Post termination obligations	Section 21	Item 17 Item 17
w. Non-competition covenants	Section 14	Item 17 Item 17

OBLIGATION	SECTIONS IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
x. Dispute resolution	Section 22	Item 17 <u>Item 17</u>
y. Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	<u>9 & ATTACHMENT "D"</u>	Item 15

ITEM 10 FINANCING

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

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

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

Before you open your Madabolic Business, we will:

- ~~1. License you the Marks necessary to begin operating your Business. (Section 2)~~
- ~~2. Approve the location, build out and design of your Business facility. See Section below entitled "Site Development" for additional information. (Sections 7.1, 7.3 & 7.4)~~
 1. Provide ~~you with~~ access to our Manual, which will help you establish and operate your Madabolic Business. ~~See Section, as discussed below entitled under "Manual" for additional information. (Section 6.1).~~ (§6.1)
 2. Review and approve or disapprove sites you propose for your Madabolic Business, as discussed below under "Site Selection". (§7.1)
 - ~~2.3. Provide you with our~~ written specifications for ~~the~~ goods and services you must purchase to ~~establish~~ develop, equip and operate your Madabolic Business, ~~as well as and~~ a ~~written~~ list of approved and/or designated suppliers ~~for purposes of acquiring these goods and services. (Section 12.2. (§11.2)~~
 4. Provide you with Well, and ~~caused~~ deliver to be delivered to your facility, you, all of the ~~various~~ items included within ~~the fitness equipment package and furniture and fixtures package, both of which are described in Item 5. Except for these items, we do not deliver any of the items that you are required to purchase. We do not install any of these items at your facility. (Section 6.2)~~ our designated Fitness Equipment Package and Inventory Package. The purchase price for the Fitness Equipment Package includes installation of the equipment at your Facility. We do not deliver or install any other items that you purchase. (§6.2)
 - ~~3.5. Provide access to approved advertising and marketing materials, as discussed below under "Advertising and Marketing". (§10.2)~~
 - ~~4.6. Provide you with our suggested marketing plan for your Business. See Section, as discussed below entitled "Local under "Advertising" for additional information. (Section 11.2 and Marketing". (§10.2)~~
 - ~~5.7. Implement~~ Assist you in developing a grand opening marketing plan ~~to promote the and implement your grand opening of your Business marketing campaign~~ utilizing the grand opening marketing fee ~~that~~ you pay to us. ~~(Section 11.3(b))~~ (§10.2 & 10.3(a))
 8. Review and approve or disapprove the design and buildout of your Madabolic Business, as discussed below under "Site Development". (§7.3 & 7.4)
- ~~3. Provide an initial training program. See Section, as discussed below entitled under "Training Program" for~~

~~additional information. (Section 5)~~

~~6.9. Send one or more of our representatives to your facility to provide up to 3 days of on-site training and assistance relating to the opening of your Business (this assistance is part of our initial training program) (Section 5.1". (§5.1)~~

During the operation of your Madabolic Business, we will:

1. Provide ~~ongoing~~our guidance and recommendations ~~on ways~~ to improve the ~~marketing and~~ operation of your Madabolic Business. (~~Section~~ (§6.3))
2. Provide periodic training programs. ~~See Section, as discussed below entitled under "Training Program" for additional information. (Section 5". (§5.2 & §5.3)~~
- ~~1. Maintain a corporate website that will include a list of all of the Madabolic franchisees that are in good standing with us. We will also provide you with a local webpage that will be linked to our website. Your local webpage will include the information about your Business that we require or otherwise approve, such as location, hours of operation, specials and pricing. We may modify the content of and/or discontinue the website (and/or your local webpage) at any time in our sole discretion. (Section 6.5 & 11.3(e))~~
- ~~3. Administer the brand and system development fund. See Section below entitled "Brand and System Development Fund" for additional information. (Section~~ Maintain a corporate website to promote our brand and a local webpage to promote your Madabolic Business, as discussed below under "Advertising and Marketing". (§6.6 & 10.3)
- ~~3.4. Establish and implement the Brand Fund, as discussed below under "Advertising and Marketing". (§10.1)~~
2. ~~Provide you with suggested pricing for the goods and services that you will sell. (Section 12.4)~~
5. Provide you with our suggested retail pricing, which may vary by market. To the extent permitted by applicable law we may: (a) set maximum or minimum prices on the goods and services you sell (including membership fees); and/or (b) establish membership pricing plans and initial offers you must implement (you may not deviate from these membership pricing plans or initial offers without approval). (§11.7)
6. As an optional service, assist you with the offer and sale of your Madabolic Business under the terms described in the Franchise Resale Agreement attached to this Disclosure Document as EXHIBIT "G"-3. You must pay the compensation described in the Franchise Resale Agreement for the services we provide.

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

- ~~1. Develop new merchandise and retail items for sale by Madabolic franchisees. (Section 6.7)~~
1. Conduct periodic field visits to provide onsite consultation, assistance and guidance pertaining to the operation and management of the Madabolic Business. (§6.4)
2. Develop new retail products, merchandise, fitness programs, exercises, exercise equipment or other goods or services that you may offer, utilize or sell. (§6.8)
- ~~1.3. Negotiate purchase agreements with suppliers to allow you to purchase certain goods or services at discounted prices. obtain favorable pricing. We may also purchase items in bulk ~~at discounted prices~~ and resell them to you at our cost plus shipping and a reasonable markup. (~~Section 6.6~~ (§6.7))~~
- ~~2.4. Holdst periodic ~~national or regional~~ conferences to discuss relevant business and operational issues ~~affecting Madabolic franchisees, including such as~~ industry changes, or new services ~~and/~~ products, technology or merchandise, marketing strategies ~~and the like. We may charge you a conference registration fee of up to \$1,500 that will cover 2 attendees (the same fee is charged even if you only send one person). (Section 5. (§5.7)~~~~

~~3.5. Create a franchise advisory council. See Section, as discussed below entitled under “Advisory Council” for additional information. (Section 13”. (§12)~~

~~6. Upon your request, provide Provide additional training or assistance (either at our headquarters or at your facility). See Section you request, as discussed below entitled under “Training Program””. (§5.3)~~

Manual (§6.1, 11.2 & 24.8)

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

- architectural plans and specifications for additional information. (Section 5) the design, dimensions, layout, equipping and trade dress for a prototype Madabolic Business facility
- a list of (a) goods and services (or specifications for goods and services) you must purchase to develop and operate your Madabolic Business and (b) designated and approved suppliers
- a description of the authorized goods and services you may offer and sell, including memberships, fitness classes, training programs, merchandise and supplements
- specifications, techniques, methods, operating procedures and quality standards
- policies and procedures pertaining to: (a) marketing and advertising; (b) reporting; (c) insurance; (d) data ownership, protection, sharing and use; and (e) gift card, loyalty and membership programs

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

Training Program (Section ~~(§5 & 21.2(i))~~)

~~Overview~~

)

Initial Training Programs

~~We will provide an initial training program for the Managing Owner (defined in Item 15) as well as and your initial general managers and fitness instructors. This training will be done both remotely via Microsoft Teams calls as well as through our online learning platform called the Getup manager and Trainers. Our initial training program is offered once a month and includes the following 4 components:~~

~~• Remote Training~~

General Manager Training and Fitness Instructor Training (each described below). Your Managing Owner must attend all of our initial training programs. Your other owners may attend initial training but it is not required. As further discussed below, certain staff members we designate must attend some (but not all) initial training programs. General Manager Training is offered 6 to 8 times per year. Our other initial training programs are offered on a monthly basis assuming sufficient demand.

~~• Fitness Instructor~~ 1. Remote Training

~~• Onsite Training~~

~~• Online Learning Platform Training~~

: Remote Training is a 16-week program that consists of remotely conducted training (i.e., remotely via

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telephone ~~call or calls~~, video ~~conference~~), conferences or similar means. Each week, ~~there is a~~ includes 1-hour of training session covering a variety of various operational issues. ~~There is~~ topics. Remote Training is an informal program with no pre-~~structured~~ set agenda ~~for or list of~~ topics to be covered. ~~The~~ Remote Training program begins approximately 16 weeks prior to your projected opening date. ~~Your~~ The Managing Owner ~~is required to~~ must successfully complete ~~the entire~~ Remote Training program to our satisfaction prior to opening.

~~Approximately 16 weeks prior to your projected opening date, your Managing Owner and initial general manager (if any) must attend our General Manager Training program. If your Managing Owner will also serve as your initial general manager, then only your Managing Owner will be required to attend. You may send your other owners to General Manager Training but it is not required. The 2. General Manager Training program lasts approximately 2 days and takes place at our corporate headquarters located in Charlotte, North Carolina (or at any other location we designate). Your Managing Owner and initial general manager(s) (if applicable) must successfully complete the General Manager Training program is our franchise management training program that includes online training (through LMS), 6 weekly training calls (each call is 1 hour) and 3 to 4 days of onsite training that begins the day before your Facility opens. Your Managing Owner and initial general manager must attend and successfully complete General Manager Training to our satisfaction prior to opening. We intend to offer the Only your Managing Owner must complete General Manager Training program 6 to 8 times per year assuming sufficient demand.~~

~~You must send up to 5 fitness instructors to our Fitness Instructor Training program prior to opening. If your Managing Owner and/or general manager(s) will not serve as fitness instructors, they must attend Fitness Instructor Training but need not complete the testing necessary for certification (i.e., for “successful” completion). The Fitness Instructor Training program lasts 2 days and takes place at our corporate headquarters in Charlotte, North Carolina (or at any other location we designate). Each fitness instructor must successfully complete the Fitness Instructor Training program to our satisfaction before teaching any classes at your facility. You must identify a lead fitness instructor no less than 6 weeks prior to opening. Your lead fitness instructor must receive our approval to serve in this capacity.~~

~~The Onsite Training program includes approximately 7 days of consultation, training and assistance that is provided at your Madabolic facility at the time you open your Business (approximately 2-3 days prior to opening and 4 days after opening). The on-site training is an informal training program where we provide on-site training for your fitness instructors, monitor your operations and assist you with the opening of your Business.~~

— Training Topics

~~The if he or she will also serve as your initial general manager.~~ General Manager Training ~~program consists of~~ currently covers the following topics:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
The Madabolic Philosophy	1	0	Corporate Headquarters (Charlotte, North Carolina) <u>Remote / Online</u>
Professionalism – Hiring Instructors, Employees & Staffing	1	0	Corporate Headquarters (Charlotte, North Carolina) <u>Remote / Online</u>
The Program & The System	2	0	Corporate Headquarters (Charlotte, North Carolina) <u>Remote / Online</u>

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Contracts, Waivers & Membership Programs	1	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
Administrative Bookkeeping Responsibilities & Approvals	0.5	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
Inventory, Ordering & Approved Vendors	0.5	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
Safety, Security, Health & Sanitation	0.5	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
Technology & Software Overview	0.5	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
Culture – Community Development & Marketing the Business	1	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
The Madabolic® History	1	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
The Brand	1	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
The Program & The System	2	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
Standards & Professionalism	1	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online
Culture – Social Media, Music	1	0	Corporate Headquarters (Charlotte, North Carolina) Remote / Online

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
The Close – Membership Sales & Pricing Options	2	0	Corporate Headquarters (Charlotte, North Carolina) Remote/Online
Exercise Equipment Description & Function	0	1	Corporate Headquarters (Charlotte, North Carolina) Onsite – Your Facility
Movement Standards, Facility Layout & Hands On Coaching	1	12	Corporate Headquarters (Charlotte, North Carolina) Onsite – Your Facility
Total	17	13	

Training Materials

~~For the classroom training, the 3.~~ Fitness Instructor Training: Fitness Instructor Training includes our Madabolic fitness instructor certification training program that includes 2 days of training at our corporate headquarters in Charlotte, North Carolina (or any other location we designate) and 3 days of training onsite at your Facility. Onsite training takes place during the week prior to opening. No person may teach classes at your Facility other than a certified Trainer. To become certified, the person must complete Fitness Instructor Training and pass our certification test. You must send up to 5 Trainers to Fitness Instructor Training, including your lead Trainer (you must appoint a person we approve to serve as your lead Trainer at least 6 weeks prior to opening). You need at least 4 Trainers to open the Business. Your Managing Owner and (if applicable) general manager must attend Fitness Instructor Training. However, they are not required to successfully complete training (i.e., by taking and passing certification testing) unless they intend to serve as Trainers and teach classes.

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

Third-Party Training Programs

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

Ongoing Training Programs

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

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

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

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

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

Instructors

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

Kirk DeWaele is one of our founders and currently serves as our Chief Training Officer. Kirk has been with Madabolic since 2011. Kirk is involved with ~~our~~ Fitness Instructor Training ~~program~~ and Onsite Training ~~program~~. He has ~~15~~16 years of experience in the fitness industry as a personal trainer and gym owner.

Brandon Cullen is one of our founders and currently serves as our Chief Concept Officer. He has been with Madabolic since 2011. Brandon is involved with all of our training programs and has ~~20~~21 years of experience in the fitness industry as a personal trainer and gym owner.

Finley Funston is our Director of Communications. She has been with Madabolic since 2021. Finley is a long-time member of the Madabolic facility in Charlotte, North Carolina. In October 2014, she began serving as a ~~fitness instructor~~Trainer at the Madabolic facility. In May 2017, she moved up to the role of General Manager. She continued in her role as General Manager until March 2021 when she joined us. Finley is involved with ~~our~~ General Manager Training ~~program~~ and Fitness Instructor Training ~~program~~. She has a total of ~~7~~8 years of experience in the fitness field and ~~4~~5 years of experience in franchise management/operations.

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

~~David Schmidt is our Director of Openings. He has been with Madabolic since 2020. David became a Zippy Shell franchisee in 2012 and ended up joining the franchisor from June 2015 until December 2016 as Director of Franchise Operations. David also started his own doggy daycare business in 2012, which operated under the name Green Beagle. David has prior experience in developing and opening franchised and independent businesses. He is involved with our General Manager Training program. He has a total of 10 years of experience in the field of franchise and business management/operations.~~

Robin Ashwood is one of our instructors involved with the General Manager Training ~~program~~. She has been with Madabolic since January 2021. Robin has also served as lead instructor for our affiliate, Jabz, since 2019. She has been a certified trainer for over 13 years. She has built curriculum and served as an instructor for both private sessions and public classes. She holds a number of certifications, including BASI and Balanced Body national certifications. ~~Robin also has 8 years of experience as a franchise opening manager and franchise operations manager with the Zippy Shell franchise system. She has a total of 13~~14 years of experience in the fitness industry and ~~12 years~~13 years of experience in the field of franchise and business management/operations.

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

~~Third Party Training~~

~~Before attending our initial training program, the Managing Owner and all your fitness instructors must successfully complete a nationally accredited personal trainer program and obtain certification in addition to obtaining CPR and First Aid certification in your home state. You must keep a copy of these certifications in the appropriate personnel files.~~

~~Ongoing Training~~

~~From time to time, we may require that your Managing Owner, general managers and fitness instructors attend mandatory system wide refresher or additional training courses. Your fitness instructors are only required to participate in certain ongoing training programs that we designate. Your Managing Owner and general managers may be required to participation in all ongoing training programs. These continuing education programs normally will not exceed 1 day in duration. We anticipate quarterly continuing education programs. The programs may address any number of relevant issues, such as new equipment, products and services, membership programs and promotions, updates or changes to our training programs, workouts and/or group fitness classes, vendor and supplier relationship updates, industry developments, merchandising, customer service standards, technology and software developments, sales and marketing and administrative matters.~~

~~If you appoint a new Managing Owner or general manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Business.~~

~~All of your fitness instructors must successfully complete our instructor training program before teaching any classes at your facility. Alternatively, you may request that we send a representative to your facility to train your new fitness instructors onsite (however you would need to reimburse us for our costs in addition to paying the training fee). In the future we may institute a program that allows a franchisee to have a certified trainer who provides initial training to new instructors. You must at all times maintain a lead fitness instructor that we approve.~~

~~If we conduct an inspection of your Business and determine you are not operating in compliance with the Franchise Agreement and/or the Manual, we may require that the Managing Owner, general managers and/or fitness instructors attend remedial training that addresses your operational deficiencies.~~

~~You may also request that we provide additional training (either at corporate headquarters or at your facility). We are not required to provide this additional training.~~

Training Fees and Costs

~~We will provide the initial training program at no additional charge. You must pay us a training fee of up to \$300 per person per day for: (i) each person that attends our initial training program after you open your Business (such as new Managing Owners, general managers or fitness instructors); (ii) any person who must retake training after failing to successfully complete training on a prior attempt; (iii) any remedial training that we require based on your operational deficiencies; (iv) each person to whom we provide additional training that you request; and (v) each person who attends or is required to attend any system wide refresher or additional training program that we conduct. If we agree~~

~~to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this reimbursement obligation does not apply to any onsite training that is part of our initial training program). You are responsible for all expenses and costs that your trainees incur for training, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee our then-current initial training fee for each of the transferee's owners and employees that attends our initial training program.~~

Manual (Section 6.1, 12.2 & 25.8)

~~We will lend you our Manual in text or electronic form for the term of your Franchise Agreement. The Manual may include, among other things, (i) a description of the authorized goods and services that you may offer at your Business, including memberships, fitness classes, training programs, merchandise, supplements and other goods and services you sell; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Madabolic franchisees; (iii) mandatory reporting and insurance requirements; (iv) mandatory and suggested specifications for your Business facility; (v) policies and procedures pertaining to any gift card, loyalty and/or membership program that we establish; and (vi) a written list of goods and services (or specifications for goods and services) you must purchase for the construction, development and operation of your Business and a list of any designated or approved suppliers for these goods or services. The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. We can modify the Manual at any time. All mandatory provisions contained in the Manual are binding on you. We do not charge you a training fee (or require reimbursement of our Travel Expenses) for our preopening initial training program.~~

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

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

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

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

Site Selection (§7.1 & 7.2)

~~A typical~~The Manual is confidential and remains our property. We may modify the Manual upon 30 days' prior notice, but the modification(s) will not alter your status or fundamental rights under the Franchise Agreement. The Manual contains a total of 136 pages. A copy of the Table of Contents to the Manual is attached to this Disclosure Document as EXHIBIT "D".

Site Development (Section 7.1, 7.2, 7.3, 7.5 & 12.10)

~~A Madabolic workout facility typically~~Business ranges in size from 2,500 to 43,000 square feet. We do not typically own select the site for your Madabolic Business and we do not purchase the premises and then lease it to the franchisee. you. You must ~~locate~~identify and obtain our approval of the ~~premises from which you will operate~~site for your Madabolic Business within 120 days after you sign signing the Franchise Agreement. ~~The premises~~We may terminate your Franchise Agreement if you fail to meet this deadline.

Your Madabolic Business must be located within the Site Selection Area identified in ATTACHMENT "B" Part B of ATTACHMENT "A" to the Franchise Agreement and ~~must~~ conform to our minimum site selection criteria. You must send us a complete site report ~~(containing the demographic, commercial and other~~that includes all information, ~~photographs, and video tapes that we may reasonably~~ we require) for about your proposed site. ~~We will use our best efforts~~

We try to approve or disapprove ~~a proposed site~~sites you propose within 30 days after we receive all of the

requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 30-day period. ~~In~~ We consider the following factors when reviewing a proposed ~~site, we will consider factors such as~~ sites:

- parking;
- safety
- visibility, size, ~~conf~~figuration and ~~layout~~characteristics of the ~~facility, building~~
- traffic counts and patterns;
- general location, ~~and character of neighborhood~~
- ~~zoning ordinances~~, existence and location of competitive businesses
- local demographic information
- ~~zoning ordinances, population density, general character of the neighborhood and~~
- various economic indicators. ~~We do not select~~

If we approve your site before signing the Franchise Agreement, we will list the site for your location, and we do not purchase address in Part C of ATTACHMENT "A" to the premises and lease it to you. If you fail to obtain our approval Franchise Agreement. Otherwise, we will list the address of your approved site in the required period of time, we may terminate a Site Approval Notice we will send to you within 30 days after we approve your Franchise Agreement site.

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

~~We will provide you with~~ Site Development (§7.3 & 11.11)

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

You must remodel and make all improvements and alterations to your facility Madabolic Business that we

reasonably require from time to time to reflect our then-current ~~image, appearance standards~~ and ~~facility specifications~~. ~~There is no limitation on the cost of these changes. However, we~~ We will not require that you ~~complete any significant remodeling of~~ remodel your Facility more than once during any 5-year period ~~(except as a condition to you renewing a Transfer or transferring renewal of your franchise) rights~~. You may not remodel or significantly alter your premises without our prior approval.

Opening Requirements (§7.4)

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

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

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

Advertising and Marketing (§10)

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

Grand Opening Marketing

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

Ongoing Local Marketing By You

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

Commitment, you are deemed in compliance even if your expenditure in any given month is less than your Local Marketing Commitment.

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

Local Marketing Assistance From Us

We provide reasonable marketing consulting, guidance and support throughout the franchise term on an “as-needed” basis. We assist you in developing your grand opening marketing plan. We also provide access to our recommended post-opening marketing plan, including “best practices” for local community business development activities. We strongly encourage you to follow the marketing plan and implement the suggested local community business development activities in conjunction with your paid local marketing and advertising activities. We may create and make available to you advertising and marketing materials for your purchase. Computer System (Section 12.7, 12.8, 12.9, 16.3 & 17.1)

Required Components

~~You must purchase and use all Technology Systems (as defined in Note 7 in Item 6) that~~ We may use the Brand Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may provide online access to these materials, in which case you must print the materials at your expense. We may also contract with third-party suppliers to create advertising or marketing materials that you may purchase.

Websites, Social Media and Digital Advertising

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

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

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

Gift Card and Loyalty Programs

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

Advertising Cooperatives

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

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

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

Brand and System Development Fund

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

- developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs
- conducting and administering promotions, contests or giveaways
- expanding public awareness of the Marks
- public and consumer relations and publicity
- brand development
- sponsorships
- charitable and nonprofit donations and events
- research and development of technology, products and services
- website development and search engine optimization
- development and maintenance of an ecommerce platform
- development and implementation of quality control programs, including the use of mystery shoppers or customer satisfaction surveys
- conducting market research
- changes and improvements to the System
- the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts
- collecting and accounting for contributions to the Brand Fund
- preparing and distributing financial accountings of the Brand Fund
- any other programs or activities we deem appropriate to promote or improve the System
- direct and indirect labor, administrative, overhead and other expenses incurred by us and/or our

affiliates in relation to any of these activities (including salary, benefits and other compensation of any of our, and any of our affiliate's, officers, directors, employees or independent contractors based upon time spent working on any Brand Fund matters described above)

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

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

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

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

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

Advisory Council (§12)

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

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

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

computer system.

Email Addresses

We ~~will~~ provide you with ~~the~~ Madabolic email addresses for use with your Business. ~~You and your staff~~ The cost of these email addresses is covered by the technology fee. You must exclusively use the email addresses ~~that~~ we provide for all communications with us, ~~customers~~ members, suppliers and other persons relating to your Madabolic Business. ~~Neither you nor any of your staff~~ You may not use any email address ~~that~~ we provide for any purpose unrelated to your Madabolic Business. We will own the email addresses and ~~the account~~ accounts but ~~will~~ allow you to use them during the term of your franchise. ~~The costs associated with hosting your email addresses are included as part of the technology fee paid to us.~~ Franchise Agreement.

How Computer System Is Used

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

Fees and Costs

We estimate the initial cost to acquire your computer system will range from \$3,~~500~~ to \$5,400. As further detailed in Item 6, you must pay us a technology fee for certain software, technology and related services that we provide. As of the issuance date of this Disclosure Document, we charge a technology fee of ~~\$795~~ \$805 per month (~~\$9,060~~ per year). The table below identifies the ongoing fees and costs you must pay for ~~your computer system and other~~ the software, technology, Apps, subscriptions and related services (including the software, technology and related services: covered by the technology fee):

COMPUTER SYSTEM – ONGOING FEES AND COSTS			
Item	Fee (Monthly)	Fee (Annual)	To Whom Paid?
Intranet, email accounts, website support and ongoing technology research and development (included in technology fee)	\$100	\$1,200	Us
Business management software (included in technology fee)	\$250	\$3,000	Us
Scheduling and payment processing software (included in technology fee)	\$450 <u>5</u>	\$4,860 <u>5,460</u>	Us
Email/text marketing software	\$250	\$2,880 <u>3,000</u>	Third-party licensor
Music Licensing	\$150	\$1,800	Third-party licensor
Performance Indicator Dashboard	\$45	\$540	Third-party licensor
Total	\$1,250 <u>0</u>	\$14,280 <u>15,000</u>	

Maintenance, Support, Updates and Upgrades

In exchange for the monthly fees noted above: (i) the licensor of the scheduling and payment processing software ~~will provide~~ provides ongoing maintenance, support, repairs, upgrades and updates for the software; (ii)

the licensor of the email/text marketing software ~~will provide~~provides ongoing maintenance, support, repairs, upgrades and updates for the software, although all such activities may be coordinated through us; and (iii) the licensor of the business management software ~~will provide~~provides ongoing maintenance, support, repairs, upgrades and updates for the software.

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

Collection and Sharing of Data

Your computer system will collect information about your members (including names, contact information, class attendance history, purchase history and credit card information), sales data and inventory data. We will have independent unlimited access to the data collected that is entered into your (a) scheduling and payment processing software ~~the date entered into your~~and (b) business management software, and there are no contractual ~~restrictions~~limits imposed on our ~~rights to access this data~~. We ~~do also have independent access to our email accounts, which we will own. We will~~ not have independent access to ~~other~~ data ~~entered into~~collected on your general-purpose laptop or desktop that is not entered into these software programs. However, we may inspect your ~~computer system~~general-purpose laptop or desktop and access ~~this~~ data ~~as part of~~during an inspection.

We ~~will~~ own all data ~~that you and/or we collect~~ relating to your ~~members. We will~~operations and customers. We grant you a license to use this data solely for purposes of operating your Madabolic Business. You must protect all customer data with a level of control proportionate to the sensitivity of data. You must comply with all applicable data protection laws ~~as well as~~and our data processing and data privacy policies ~~set forth~~ in the Manual ~~from time to time~~. You must also comply with the standards established by PCI-DSS to protect the security of credit card information.

Computer System Maintenance and Changes

You must maintain the computer system in good ~~working order~~condition at your cost. ~~During the term of your franchise, you~~ ~~We~~ may ~~be required to require that you~~ upgrade ~~or~~ update or otherwise change your computer ~~hardware~~system and/or ~~software~~other Technology Systems to conform to our then-current specifications. There ~~are~~is no contractual limitations on the frequency or cost of these updates ~~or~~ upgrades.

Brand and System Development Fund (Section 11.1)

~~We have established and administer a brand and system development fund to promote public awareness of our brand and to improve our System. We may use the fund to pay for any of the following in our discretion: (i) developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs; (ii) public awareness of any of the Marks; (iii) or public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development and search engine optimization; (vii) development and implementation of quality control programs; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) collecting and account for contributions to the fund; (xii) preparing and distributing financial accountings of the fund; (xiii) any other programs or activities that we deem necessary or appropriate to promote or improve the System; and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead or other expenses incurred in relation to any of these activities. The fund will not be used for pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as "franchises available" and one or more pages on our website may promote the franchise opportunity.~~

~~You must contribute to the fund the amount we specify from time to time (currently 1.5% of Gross Revenues, but not to exceed 3% of Gross Revenues). We will deposit into the fund all: (i) fund contributions paid by you and other~~

~~franchisees; and (ii) fines paid by you and other franchisees. Any company owned Madabolic facility will contribute to the fund on the same basis as our franchisees. However, if we modify the amount or timing of the contributions that must be made to the fund, any company owned Madabolic facility that is established or acquired after the modification may contribute to the fund utilizing the modified amount or timing. Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area.~~

~~All monies deposited into the fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year. Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit. During the fiscal year ended December 31, 2022, we spent 52% of the monies in the fund on production; 38% on media placement, 8% on administrative expenses, and 2% on “other” (“other” includes public relations).~~

~~We will direct and have complete control and discretion over all advertising programs paid for by the fund, including the creative concepts, materials, endorsements and media used for the programs, and the placement and allocation of the programs. The marketing and advertising paid for by the fund may be local, regional or national in scope. At this time, we anticipate most of the marketing will be local. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the fund. The fund will not be a trust and we will have no fiduciary obligations with respect to our administration of the fund. The fund will not be audited. An unaudited financial accounting of the operations of the fund will be prepared annually and made available to you upon written request. We have no obligation to conduct any advertising or marketing in your territory or elsewhere except for our obligation to administer the brand and system development fund as discussed above.~~

~~**Local Advertising** (Section 11.2 & 11.3)~~

~~You pay us a \$17,000 grand opening marketing fee at the time you sign the Franchise Agreement. We will use all of these funds during the 60 to 90 day period preceding your anticipated opening date and 30 days following, to implement a grand opening marketing program to promote the opening of your Business.~~

~~After opening, you must spend a minimum of \$2,000 per month (your “Local Marketing Commitment”) on approved local advertising and marketing until you have a minimum of 200 paying members. The Local Marketing Commitment will be reduced to \$1,000 per month at any time that you have a minimum of 200 paying members. However, the \$2,000 per month Local Marketing Commitment will be immediately and automatically reinstated at any time that the number of paying members at your facility drops below 200. We will measure your compliance with this requirement on a rolling 6 month basis, meaning that as long as your average monthly expenditure on local advertising over the 6-month period equals or exceeds your Local Marketing Commitment, you will be deemed in compliance even if your expenditure in any given month is less than the minimum Local Marketing Commitment.~~

~~You must participate at your own expense in all advertising, promotional and marketing programs that we require. We are not required to spend any of our funds on advertising in your territory. We have no obligation to conduct any advertising or marketing in your territory or elsewhere except for our obligation to administer the brand and system development fund.~~

~~We will provide you with a recommended marketing plan for your Business, including “best practices” for local community business development activities. We strongly encourage you to follow the marketing plan and implement the suggested local community business development activities in conjunction with your paid local marketing and advertising activities.~~

~~We may create and make available to you advertising and marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the franchise term on an as needed basis.~~

~~You will also have an opportunity to create advertising for your own use, provided we approve it in advance. You may not use any advertising materials that have not been approved by us. You must submit to us any advertising materials~~

that you prepare or modify and we will have 30 days to review and either approve or reject the materials. Our failure to approve any advertising materials within the 30-day period will constitute our disapproval of the materials.

You are encouraged to market your Business through approved social media channels in accordance with our social media policy. We may require that you utilize our designated supplier for social media marketing services. At all times you must comply with any social media policy that we develop.

We will provide you with a webpage that will be linked to our website. Your webpage will list certain information about your Business that we designate or approve. At this time, we do not allow our franchisees to maintain their own websites or market their businesses on the Internet (except through the webpage we provide and through approved social media channels). Therefore, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network. If we change our policy at a later date to allow franchisees to maintain their own websites or market on the Internet, you may do so only if you comply with all of the website and Internet requirements that we specify. In that case, we may require that you sign an amendment to the Franchise Agreement that will govern your ability to maintain a separate website and/or market on the Internet.

Advertising Cooperatives (Section 11.4)

We may, but need not, form one or more advertising cooperatives for the benefit of all Madabolic facilities located within a particular region. If your franchise is located within a region subject to an advertising cooperative, you will be required to pay a cooperative advertising fee (not to exceed \$1,000 per month) Any Madabolic facilities owned by us or our affiliates that are located within the cooperative would contribute on the same basis as other franchisees. All cooperative advertising fees that you pay will be credited against your Local Marketing Commitment. We have the right to determine the composition of all geographic territories and market areas for the implementation of each advertising cooperative. In most instances, the boundaries of an advertising cooperative will coincide with zip codes, designated marketing areas or municipal boundaries.

If we implement an advertising cooperative in a particular region, we have the right to establish an advertising council to self-administer the cooperative. You must participate in the council according to the council's rules and procedures and you agree to abide by the council's decisions. Alternatively, we may administer the cooperative ourselves. Advertising cooperatives are not required to operate from written governing documents or prepare annual or periodic financial statements. Any financial statements that are prepared will be made available to franchisees within the advertising cooperative upon request. ~~We reserve the right to form, change, merge or terminate advertising cooperatives at any time.~~

Advisory Council (Section 13)

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

Opening Requirements (Section 7.4)

You may not open your Business before: (i) successful completion of the initial training program; (ii) you purchase all required insurance; (iii) you obtain all required licenses, permits and other governmental approvals; (iv) we provide our written approval of the construction, build out and layout of your facility; (v) you sell a minimum of 100

~~memberships or 300 free week offers for your Business; (vi) you have a professional cleaning contract in place; (vii) you have ordered and received all inventory items for your gym which includes, apparel, drinks, supplements, and gloves and (viii) you have been given an approval by a Madabolic team member following their visit during your friends and family classes.~~

~~We anticipate that a typical Madabolic franchisee will open his or her Madabolic facility within 120 to 180 days after signing the Franchise Agreement. Some of the factors that may affect this time are identification of a suitable location; financing, the extent to which an existing location must be upgraded or remodeled, delayed installation of equipment and fixtures, completion of training, ability to sell 100 memberships/300 free week offers; obtaining insurance, and complying with local laws and regulations. Unless we agree to the contrary, your Business must be opened within 180 days after you sign the Franchise Agreement or a lease for the Madabolic facility, whichever is later. Your failure to open within the 180-day period constitutes an event of default under your Franchise Agreement. If you are deemed to be actively working toward your opening and complying with the steps above, but need more time, we may extend the opening time period in our reasonable discretion.~~

ITEM 12 TERRITORY

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

Location of Your Business

Each Franchise Agreement grants you the right to operate ~~your one~~ Madabolic ~~business~~ from a ~~single location that site we approve. You must be approved by us in advance. You will be required to~~ identify a ~~location site~~ for your Madabolic ~~facility~~ Business within the Site Selection Area described in ATTACHMENT "B" to your Franchise Agreement.

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

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

Description of Territory

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

~~You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, we do grant you certain territorial protections. Specifically, we will not operate or authorize a third party to operate a Madabolic~~

~~workout facility using our Marks that is physically located within your territory during the term of your Franchise Agreement except as otherwise permitted below with respect to~~ If we approve the site for your Madabolic Business before you sign the Franchise Agreement, we will identify your territory in Part D of ATTACHMENT "A" to your Franchise Agreement. Otherwise, we will identify your territory in the Site Approval Notice we send to you within 30 days after approving your site.

~~Alternative Channels of Distribution and Acquisitions (each defined below). We and other Madabolic franchisees may accept members who reside within your territory, as long as we and the other franchisees do not solicit the member using, or acquire the member as a result of, targeted marketing that was directed into your territory.~~

Off-Site Events and Activities

You may conduct business at off-site events within your territory (such as fitness expos, health fairs, promotional events, charity events, etc.) ~~to sell memberships and provide authorized products and services. At this time, you may also conduct business at off-site events and sell group memberships (a group is defined as 5 or more people) outside of your territory if: (i) the location is not within a territory operated by us, our affiliate or another franchisee; (ii) you notify us in writing prior to conducting such business or selling group memberships; (iii) you immediately cease conducting off-site events and selling group memberships in any area that is subsequently operated by us, our affiliate or another franchisee; and (iv) you follow all of our instructions to transition any group membership to us, our affiliate or another franchisee (as applicable) that subsequently operates the area~~ in order to promote your Business, sell memberships and provide authorized products and services.

~~If you are asked to conduct business at off-site events in an area operated by us, our affiliate or another franchisee, you must refer that request to us, our affiliate or the other franchisee (as applicable). Similarly, if you are asked to provide group membership programs to a group of persons whose headquarters are in an area operated by us, our affiliate or another franchisee, you must refer that request to us, our affiliate or the other franchisee (as applicable). If we, our affiliate or another franchisee is requested to conduct business at off-site events in your territory or provide group membership programs to a group of persons whose headquarters are in your territory, we, our affiliate, or the other franchisee (as applicable) must refer that request to you.~~

~~At any time, we may establish, modify or develop new policies for conducting business at off-site events outside your territory and selling group memberships and you must comply with all such policies. We may describe these policies in the Manual. Any new policies may result in changes to your ability to conduct business at off-site events outside your territory and/or sell group memberships.~~

Limitations on Your Rights

~~We reserve the right to sell or license others to sell competitive or identical goods or services (whether under the Marks or under different trademarks) through Alternative Channels of Distribution. An "Alternative Channel of Distribution" means any channel of distribution other than retail sales made to members from a Madabolic workout facility.~~ We may establish policies for conducting business at off-site events outside your territory. Under current policy, we allow you to conduct business and sell group memberships (a group is defined as 5 or more people) from sites located outside your territory if: (a) you notify us in writing (and provide all details we require) before conducting the business or engaging in the sales activity; and (b) the site is not located within a territory assigned to another Madabolic Business. If the site is located in an area that we later designate as a territory for another Madabolic Business, you must immediately cease conducting business and selling group memberships from the site and follow our instructions to transition any group membership to the Madabolic Business that owns the territory. If you receive a request to conduct business at an off-site event located in a territory assigned to another Madabolic Business, you must refer the request to the Madabolic Business that owns the territory.

Territorial Protections and Limitations

During the term of your Franchise Agreement we will not develop or operate, or license a third party to develop or

operate, a Madabolic Business using our Marks that is located within your territory except as otherwise permitted with respect to Acquisitions. ~~Examples of Alternative Channels of Distribution include: (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (ii) sales through retail stores that do not operate under the Marks, such as fitness stores, convenience stores or department stores; (iii) sales made at wholesale; and (iv) on-site sales to members, such as sales to employee groups at a business site. We may sell or license a third party to sell competitive or identical goods or services through Alternative Channels of Distribution (whether under the Marks or different trademarks) anywhere within your territory. You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution.~~

We reserve the right to acquire, or be acquired by, another business or chain that may sell competitive or identical goods or services, and those businesses may be converted into Madabolic ~~franchises~~Businesses operating under the Marks regardless of their location (an “Acquisition”). Any such acquired or converted businesses may be located within your territory, ~~and if this occurs, you will not be entitled to any compensation for sales made by the business.~~

Alternative Channels of Distribution

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

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

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

Restrictions on Your Sales and Marketing Activities

~~You must direct your marketing activities solely within~~can market and advertise outside of your territory. Without our prior written consent, which we may withhold as long as: (a) you comply with all policies and procedures in our sole discretion, you may not conduct anythe Manual governing extra-territorial marketing; and (b) you do not engage in targeted marketing that is* directed into any areaterritory assigned to us, our affiliate or another franchisee (unless the marketing is conducted as part of an advertising cooperative that includes the affected territory). You may accept members who reside outside your territory, but you may not solicit them via targeted marketing directed into the territory of another Madabolic Business. You may not market or sell using Alternative Channels of Distribution (such as the Internet, catalog sales, telemarketing or other direct marketing) either within or outside of your territory. Your marketing activities are also subject to the additional restrictions described in Item 11 under the Section entitled “Websites, Social Media and Digital Advertising”. You must comply with any minimum advertised pricing policy that we establish from time to time. There are no other restrictions on your right to solicit or accept members, whether from inside or outside of your territory.

* Marketing that is distributed, circulated or received both within your territory and within an area outside youranother territory is not deemed to be considered “targeted marketing” if: (i) you use reasonable efforts to limit the circulation or distribution of the advertising to areas within your territory; and (ii) the majority of the recipients of the advertising are located within your territory and there is only incidental circulation or distribution outside of your within a territory. assigned to us, our affiliate or another franchisee. The meaning of “targeted marketing” that is “directed into an area territory” may be further defined in the Manual, but examples include direct mail ~~that is~~ sent to addresses within a given areaterritory, digital advertising ~~that is~~

sent to devices with IP addresses ~~that are~~ registered within a given ~~area~~territory and ~~setting up~~conducting promotional events ~~that take place~~ within a given ~~area~~territory.

~~You may accept members from any location, including outside of your territory, as long as you do not solicit the member using, or acquire the member as a result of, targeted marketing that was directed outside of your territory. You are not permitted to market or sell through Alternative Channels of Distribution (such as the Internet, catalog sales, telemarketing or other direct marketing) either within or outside of your territory. Your marketing activities are also subject to the additional restrictions described above regarding group memberships headquartered outside your territory and in Item 11 under the Section entitled "Local Advertising." There are no other restrictions on your right to solicit members, whether from inside or outside of your territory.~~

Minimum Performance Requirements

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

Additional Franchises and Territories ~~or Franchises~~

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

Competitive ~~ng~~ Businesses Under Different Marks

As discussed in Item 1, our affiliate Jabz currently offers franchises for ~~the operation of~~ a boxing studio ~~for women. These franchises operate~~that operates under the name "~~Jabz Boxing Fitness for Women~~". JABZ BOXING®. Jabz' principal business address is ~~10226 East Karen Drive, Scottsdale, Arizona 85255~~42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038. Jabz studios offer workout programs that can be considered competitive with the services offered by Madabolic ~~workout facilities.~~Businesses. Jabz operates both corporate-owned and franchised studios. There are no restrictions on the ability of Jabz studios to solicit or accept customers from within territories operated by Madabolic ~~b~~Businesses. Similarly, there are no restrictions on your ability to solicit or accept members from within the territories operated by Jabz studios. We do not anticipate any conflicts between us and our franchisees, or between franchisees, regarding territory, customers and franchise support. Any such conflicts would be reviewed and resolved on a case-by-case basis.

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

ITEM 13 TRADEMARKS

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

~~On July 1, 2019, our~~Our affiliate, Madabolic IP, LLC, ~~was assigned ownership of~~owns the following ~~trademarks~~Marks that have been registered ~~with~~on the Principal Register of the United States Patent and Trademark Office ~~principal register~~:

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

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

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

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

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

~~We grant you the right to operate a franchise under the name "Madabolic" and logo shown on the cover page of this Disclosure Document. By trademark, we mean trade names, trademarks, service marks, and logotypes used to identify your Madabolic franchise or the products or services sold at your Business. We may change the trademarks you may use from time to time (including by discontinuing use of the Marks listed in this Item 13). If this happens, you must change to the new trademark at your expense.~~

You must follow our rules when using the Marks. You cannot use ~~our name or mark~~the Marks as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You ~~may not~~cannot use the ~~Madabolic name~~Marks relating to the sale of any product or service ~~that is~~we have not ~~previously authorized by us in writing.~~

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

~~Except as disclosed above, we are not required under the~~The Franchise Agreement ~~to:~~ ~~(i) does not require that we:~~ (a) protect your right to use the Marks ~~or;~~ (b) protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (c) participate in your defense or indemnify you for expenses or

damages you incur if you are a party to an administrative or judicial proceeding involving our ~~m~~ Marks or if the proceeding is resolved in a manner ~~that is~~ unfavorable to you.

~~Except as disclosed above, there~~ There are ~~no~~ currently no: (a) effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; ~~no~~ (b) pending infringements, oppositions or cancellations; ~~and no~~ (c) pending material litigation matters involving any of the Marks. ~~We do not know of any; or~~ (d) infringing uses we are aware of that could materially affect your use of the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

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

Copyrights

Although we have not filed an application for copyright registration for the Manual, our website or our marketing materials, we do claim a copyright to these items. ~~During the term of your Franchise Agreement, we will allow you to use our proprietary information relating to the development, marketing and operation of a Madabolic facility, including, methods, techniques, specifications, procedures, policies, marketing strategies, promotional programs, proprietary training programs, workouts and group fitness classes, membership programs, membership billing procedures, purchasing strategies, vendor and supplier relationships, cost and pricing strategies, merchandising methods and techniques, inventory management systems, forms, contracts, record keeping and reporting procedures, and information comprising the System and the Manual. All ideas, improvements, inventions, marketing materials, and other concepts you develop relating to the operation of your Business will be owned by us.~~

~~You are required to maintain~~ Proprietary Information

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

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

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

We provide access to our confidential information through the Manual, training programs and other periodic support and guidance. You may use this information solely for purposes of developing, marketing and operating

~~your Madabolic Business in strict accordance compliance with the terms of the Franchise Agreement and the Manual. You must~~ Franchise Agreement and Manual. You may not disclose our confidential information to anyone other than your employees, on a need-to-know basis, without our prior permission. We consider all information in the Manual to be confidential. All of your employees, agents and representatives (other than your general manager) must sign the Confidentiality Agreement attached to the Franchise Agreement as ATTACHMENT "G" before you give them access to our confidential information.

Infringements & IP Disputes

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

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

~~The Franchise Agreement requires that you~~ Owner Participation

~~You must~~ designate an owner ~~who will be primarily responsible~~with overall responsibility for the ~~daily on-~~premises management and ~~supervatision~~ of ~~the your~~ Madabolic Business (the "Managing Owner"). ~~We must approve the owner that you appoint to serve as the Managing Owner.~~ The Managing Owner must: ~~(a) be approved by us;~~ (b) successfully complete all training programs we require; and (c) dedicate ~~his or her~~ full-time efforts to ~~your the~~ Business unless you ~~delegate management functions to~~ hire a general manager. ~~The Managing Owner is not required to provide onsite management of your Business as long as a trained general manager is onsite.~~ Any new Managing Owner you appoint must successfully complete ~~the our then-current~~ initial training program before ~~becoming involved with~~ assuming responsibility for the supervision, management or operation of the Business. ~~The Managing Owner must also complete any mandatory refresher or advanced training courses that we require~~ Madabolic Business.

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

General Manager

~~You~~ may hire ~~1 or more general managers to assume responsibility for the daily on-site management and supervision of your Business, but only if:~~ (i) ~~the a~~ general manager successfully completes the initial ~~to assist the~~ Managing Owner with onsite management and supervision of the Business. Any person you hire as a manager must: (a) successfully complete all training program ~~(and you pay us the associated training fee);~~ (ii) the general manager signs a ~~programs we require;~~ and (b) sign the Brand Protection Agreement, ~~the form of which is attached to the Franchise Agreement as ATTACHMENT "F" (a "Brand Protection Agreement");~~ and (iii) the Managing Owner agrees to assume responsibility for the supervision and operation of your Business if the general manager is unable to perform his or her duties due to death, disability, termination of employment, ~~Either the Managing Owner or a trained general manager must be present at your Facility to provide onsite management and supervision during a reasonable period of time each week. The Managing Owner must monitor and supervise each manager to ensure the Madabolic Business is operated in accordance with the Franchise~~

Agreement and Manual. You may also hire assistant managers who would report to the Managing Owner or ~~for any other reason, until such time that you obtain a suitable replacement general manager.~~your manager. We do not require that the ~~general~~ manager own any equity interest in the franchise.

~~All of your employees and other agents or representatives who may have access to our confidential information must sign a Confidentiality Agreement, the current form of which is attached to the Franchise Agreement as ATTACHMENT "G". If you are an entity, each owner (i.e., each person holding an ownership interest in you), and in some states the spouse of each owner, must sign a Franchise Owner Agreement, the form of which is attached to the Franchise Agreement as ATTACHMENT "D". Any employee or independent contractor you hire must complete online education through our online learning management system called the Getup within 30 days of being hired.~~

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We must approve all goods and services ~~that~~ you sell, including class offerings, merchandise, equipment and other inventory items, memberships and consultations. You must offer all goods and services ~~that~~ we require. You may not sell any goods or services ~~that~~ we have disapproved. You may only offer the specific classes, training programs and exercises that we designate. You must only sell the memberships and/or packages that we authorize or designate. Your memberships must include all ~~of the~~ features and benefits, ~~(and only the features and benefits,~~ that) we prescribe. We ~~reserve the right to implement policies for transfers of memberships or to allow memberships to be utilized at multiple locations and you must comply with all such policies. At any time, we may change the goods and/or services that you are required to sell and you must comply with any such change.~~

~~To the extent permitted by applicable law, we may set maximum or minimum prices on the goods and services you offer. We will provide you with all membership pricing plans and initial offers which you must utilize in your business. You may not deviate from such membership pricing and offers without our written consent. We may also reserve the right to require that you comply with any minimum advertised pricing policy that we establish from time to time.~~

~~We may require that you you to participate in a gift card or other customer loyalty program (including utilization of a "membership" model) in accordance with our policies and procedures. At any time, we may change the goods and services you sell and you must comply with the change. ~~In order to participate, you may be required to purchase additional equipment, software and/or Apps and pay fees relating to the use of that equipment, software and/or Apps. If we establish a gift card or loyalty program, we have the right to determine how the proceeds from the sale of gift cards or membership fees will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards. You must follow all of our policies regarding any gift card or loyalty program that we establish.~~~~

~~All of your marketing activities must be primarily directed towards members within your territory. You may accept members from any location, including outside of your territory, as long as you do not solicit the member using, or acquire the member as a result of, targeted marketing that was directed outside of your territory.~~

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
a. - <u> </u> Length of the franchise term	Section <u>1 (Definition of "Term") & 4.1</u>	Term is equal to 10 years.
b. - <u> </u> Renewal or extension of the term	Section <u>4.1 & 4.2</u>	If you meet our conditions for renewal, you can enter into 2 consecutive successor franchise agreements. Each renewal term will be 5 years, for a total maximum term of 20 years. The parties may mutually agree to further renewal terms <u>renewals</u> but neither party is obligated to do so (subject to state law).
c. <u> </u> Requirements for you to renew or extend	Section <u>4.1 & 4.2</u>	You must: not be in default; give us timely notice; sign our then-current form of franchise agreement and related documents (e.g., Franchise Owner Agreement, Brand Protection Agreement, etc.); sign a general release (subject to state law); pay the renewal fee; remodel of <u>Facility and upgrade your facility furniture, fixtures and equipment to comply with our then-current standards and specifications;</u> and maintain possession of your facility under your <u>extend</u> lease. for duration of renewal term. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
d. - <u> </u> Termination by you	Section <u>20.1</u>	You can terminate for any reasons provided under the law <u>if we default and fail to timely cure.</u>
e. - <u> </u> Termination by us without cause	Section <u>20.3</u>	We can terminate without cause if you and we mutually agree to terminate.
f. - <u> </u> Termination by us with cause	Section <u>20.2 & 21.3</u>	We can terminate if you default.
g. - <u> </u> "Cause" defined - curable defaults	Section <u>20.2 & 21.3</u>	You have 10 days to cure any monetary default. You have 30 days to cure any other default (other than defaults described below under "non-curable defaults"); <u>;</u>
h. "Cause" defined - non-curable defaults	Section <u>20.2</u>	The following defaults cannot be cured: <u>insolvency, bankruptcy or seizure of assets;</u> failure to successfully complete training; failure to find approved site, secure lease or open in timely manner; insolvency, bankruptcy or seizure of assets; abandonment of franchise; failure to maintain required license or permit; conviction of certain types of crimes or subject of certain administrative actions; failure to comply with material law; commission of act that may adversely affect reputation of System or Marks; health or safety hazards; material misrepresentations; 2 nd underreporting of any amount due <u>Gross Sales by at least 3%; % or more;</u> unauthorized tr <u>ansfers;</u> unauthorized use of our intellectual property; violation of brand protection covenant; breach of Franchise Owner Agreement by owner or spouse; <u>breach of legal compliance representations;</u> termination of your lease due to your default; <u>3 or more default notices in a 12-month period;</u> or termination of any other agreement between you and us <u>(or anyour affiliate) and us (or our affiliate)</u> due to your default.

THE FRANCHISE RELATIONSHIP

PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
i. - Your obligations on termination/ non-renewal	Section -21.1	Obligations include: complete de identification <u>remove trade dress and alter premises to eliminate any resemblance to a Madabolic Business</u> ; cease use of intellectual property; return of Manual and all branded materials; assignment of <u>assign</u> telephone numbers, listings and domain names; assignment of <u>assign</u> customer information, <u>agreements</u> and accounts; cancellation of <u>cancel</u> fictitious names; and payment of <u>comply with data retention policies</u> ; and <u>pay</u> amounts due (also see “r”, below).
j. - Assignment of contract by us	Section -19.1	No restriction on our right to assign.
k. - <u>“Transfer”</u> by you – definition	Section 20.2 & Attachment A 1 (definition of “Transfer”) <u>& 19.2</u>	Includes <u>ownership change or</u> transfer of contract or assets; or ownership change .
l. - Our approval of transfer by you	Section 20.2, 20.3 & Attachment A 1 (definition of “Permitted Transfer”) <u>), 19.2 & 19.3</u>	If certain conditions are met, you <u>You</u> may transfer to a newly formed entity owned by you, or <u>engage</u> in certain instances, to an existing owner, <u>a Permitted Transfer (defined in Note 2 in Item 6)</u> without our approval. We have the right to <u>must</u> approve all other € <u>Transfers</u> but will not unreasonably withhold approval.
m. - Conditions for our approval of transfer	Section -19.2	Transferee must: meet our qualifications; successfully complete training (or commit <u>arrange</u> to do so); obtain all required licenses and permits; and agree in writing to assume your obligations under agreements relating to the Business; sign a new then-current form of franchise agreement for the remainder of the term (or, at our option, take assignment of existing franchise agreement). <u>assume your Franchise Agreement; and remodel Facility and upgrade furniture, fixtures and equipment to current standards within 12 months after Transfer or such shorter period of time we specify.</u> You must: be in compliance with Franchise Agreement; assign your lease; (if applicable; remodel the facility to current standards (or get a commitment from transferee to do so); pay us the transfer fee; <u>subordinate transferee’s ongoing payments owed to you (if any) to transferee’s financial obligations owed to us;</u> and sign a general release (subject to state law). We must notify you that we do <u>will</u> not intend to exercise our right of first refusal.
n. - <u>Our</u> right of first refusal to acquire your business	Section -19.5	We have the right to <u>can</u> match any bona fide, arms length offer for your business.
o. - <u>Our</u> option to purchase your business	Section 22.2 -21.2	We have the option to purchase your <u>Madabolic</u> Business at the expiration or termination of the Franchise Agreement.
p. - <u>Your</u> death or disability	Section -19.4	Within 180 days, <u>franchise interest</u> must be assigned by estate to an assignee in compliance with conditions for other € <u>Transfers</u> . We may designate manager to operate the <u>your Madabolic</u> Business prior to € <u>Transfer</u> .

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
q. - <u> </u> Non-competition covenants during the term of the franchise	Section 15.2 & 15.3 14.3	No involvement in competing business; comply with non-solicitation and non-disclosure covenants <u>conducted from any location.</u>
r. - <u> </u> Non-competition covenants after the franchise is terminated or expires	Section 15.2, 15.4 & 22.1 14.3 <u>& 21.1</u>	No involvement for 2 years in competing business at <u>conducted from your facility, Facility or anywhere</u> within 25 miles of your f Facility or within 25 miles of any other Madabolic facility; comply with non-solicitation and non-disclosure covenants; cease use of intellectual property; that is operating or under construction as of the date the franchise is terminated or expires.
s. - <u> </u> Modification of the agreement	Section 24.3 & 24.8	Requires writing signed by both parties (except for unilateral changes to we may unilaterally change Manual or unilateral reduction of <u>reduce</u> scope of restrictive covenants by us). Other modifications primarily to comply with various states <u>state</u> laws.
t. - <u>Integration/merger</u> clause	Section 24.8	Only the terms of the Franchise Agreement and <u>its</u> attachments to Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
u. - <u> </u> Dispute resolution by arbitration or mediation	Section 22	Subject to state law, all disputes must be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants.
v. - <u> </u> Choice of forum	Section 22	Subject to state law, all mediation and litigation must take place in county where we maintain our principal place of business <u>at time dispute arises</u> (currently, <u>Mecklenburg County, North Carolina</u>).
w. - <u> </u> Choice of law	Section 24.1	Subject to state law, North Carolina law governs.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in ~~Item 19~~ 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~~ Item 19, for example, by providing information about possible performance at a particular location or under

particular circumstances.

~~As of December 31, 2022, there were a total of 24 franchised and 0 affiliate owned Madabolic facilities open to the public. Of the 24 franchised facilities, 2 were formerly “affiliate owned” facilities that were owned and controlled by our founders. However, these outlets ceased to qualify as “affiliates” as of July 2019 when the founders of the franchise system (and owners of the outlets) sold their controlling interest in the franchise company. Of the 24 facilities open as of December 31, 2022: (i) 16 were open for the entire 2022 calendar year; and (ii) 9 opened during the 2022 calendar year, of which 6 were only open for part of the year, and 2 opened on January 1, 2022 (one facility opened and closed during the 2022 calendar year and has been excluded from this financial performance representation).~~

~~There are no material differences between the outlets whose data has been provided and the franchise being offered under this Disclosure Document in terms of method of operation, size of the facility or products and services offered. It should be noted that Madabolic facilities operate using either a 20 person class format or 25 person class format (depending on size and capacity of the facility). Table 1 below designates each outlet as operating using either a 20 person or 25 person class format (these same class format values apply to the corresponding facilities included in Tables 2 and 3).~~

Table 1—Gross Revenues

~~The financial performance representation in Table 1 includes: (i) 2022 annual Gross Revenues data from each of the 16 outlets that were open all of Defined Terms~~

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

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

~~“COGS” means variable costs that are directly associated with the provision and delivery of goods and services, including the 2022; and (ii) Gross Revenues data for the first 3 months of 2023 (January 1, 2023 through March 31, 2023) for all 16 outlets that were open during this period of time. Table 1 also includes: (i) 2022 annual Gross Revenues data from each of the 8 outlets that were opened during 2022; and (ii) Gross Revenues data for the first 3 months of 2023 (January 1, 2023 through March 31, 2023) for the 8 outlets that were open during this period of time.~~

Table 1

OPEN ALL OF 2022

Studio Number	City	Class Format	Year Opened	2022 Revenue Full Year	2023 Revenue Jan Thru March
1	Arlington	25	2016	\$ 783,425.16	\$ 196,355.61
2	Asheville	25	2015	\$ 292,337.98	\$ 91,139.72
3	Atlanta	25	2018	\$ 356,835.40	\$ 90,108.90
4	Austin	25	2017	\$ 534,685.38	\$ 171,864.65
5	Charlotte - S. End	25	2011	\$ 788,076.00	\$ 222,384.08
6	Charlotte - Elizabeth	20	2016	\$ 394,038.00	\$ 111,192.04
7	Greenville	20	2019	\$ 186,749.14	\$ 58,168.13
8	Raleigh	25	2019	\$ 441,747.60	\$ 144,315.23
9	Washington DC	25	2019	\$ 649,269.88	\$ 165,146.11
11	Pittsburgh	25	2020	\$ 434,127.16	\$ 117,953.28
13	Wichita	20	2021	\$ 244,225.76	\$ 70,435.40
14	Jupiter	25	2021	\$ 447,471.30	\$ 104,846.10
15	San Antonio/La Cantera	25	2021	\$ 145,183.31	\$ 44,287.10
16	Charlottesville	25	2021	\$ 295,670.84	\$ 105,043.10
17	Alexandria	25	2021	\$ 361,390.41	\$ 131,413.56
18	Washington DC Dupont	25	2021	\$ 419,211.58	\$ 129,317.84

OPENED IN 2022

Studio Number	City	Class Format	Month and Year Opened	2022 Revenue Full Year	2023 Revenue Jan Thru March
19	Stamford	25	Jan-22	\$ 128,311.30	\$ 44,942.61
20	Nashville	25	Jan-22	\$ 146,071.58	\$ 54,849.12
21	Southlake	25	Feb-22	\$ 173,862.58	\$ 77,793.56
22	Scotts Valley	20	Mar-22	\$ 255,652.28	\$ 111,732.10
23	McAllen	20	Sep-22	\$ 64,740.55	\$ 68,488.09
24	Brooklyn	25	Sep-22	\$ 56,047.50	\$ 71,938.12
25	Washington DC 14th Street	25	Sep-22	\$ 56,172.00	\$ 94,930.00
26	West Plano	25	Nov-22	\$ 18,835.00	\$ 43,869.88

Notes to Table 1:

- ~~1. For purposes of the table above, the term “Gross Revenues” is defined as the gross amount, in money or other forms of consideration, earned or received from any source related to, or in connection with, the operation of the business, 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 dues and all revenues generated and derived during any presale of memberships) regardless of the amount of monthly membership fees actually collected. Gross Revenues also include fair market value for any service or product the outlet receives in barter or exchange for services or products and all insurance proceeds received for the loss of the business due to a casualty to or similar event at the business. Gross Revenues exclude discounts allowed by the business, gratuities paid by customers to employees, sales tax receipts that the business must by law collect or pay and any customer refunds of previous payments that the business actually makes.~~
- ~~2. In making the above financial performance representation for franchised outlets, we have relied upon information taken from each outlet’s POS system. However, 2 of our North Carolina outlets (listed in the table above as Studio 5 and Studio 6) that are owned by the same franchisee use the same POS system for both locations, so we are only able to generate reports of total revenues for both locations and we cannot separate revenues by location. We have estimated that 2/3 of the revenues are attributable to one outlet and the remaining 1/3 of the revenues are attributable to the other outlet. Therefore, we have allocated the total 2022 Gross Revenues for both locations (\$1,182,114) and the January 1, 2023 through March 31, 2023 Gross Revenues for both locations (\$333,576.12) to the 2 outlets on the assumption that 2/3 of the revenues were generated by the larger facility with the 25 person class format (Studio 5) and the remaining 1/3 was generated by the smaller facility with the 20 person class format (Studio 6). Neither we nor any independent certified public accountant has independently audited or verified the information.~~

~~3. The financial performance representation does not include any expense information. As a franchisee, you will incur expenses, such as payroll, rent, marketing, inventory replenishment and utilities, as well as the initial and ongoing fees imposed under the Franchise Agreement.~~

~~1. The revenue figures are based on the historical results from the outlets described above.~~

Table 2 and Table 3— Total Income, Cost of Goods Sold and Selected Expenses

~~The financial performance representation in Table 2 and Table 3 include 2022 annual Total Income, Cost of Goods Sold and Selected Expenses for Madabolic facilities that have operated for a given period of time under the same ownership. Table 2 includes the 5 Madabolic facilities that have operated for 3 or more years under the same ownership (i.e. no transfers during 2020, 2021 or 2022). Table 3 includes the same data for the 11 Madabolic facilities that have operated 1-3 years under the same ownership (i.e. no transfers during 2021 and/or 2022). We have excluded 2 Madabolic facilities that were transferred to new ownership during the 2022 calendar year. We have also excluded 6 Madabolic facilities that opened during the 2022 calendar year and were only open for part of the year.~~

Table 2 (Same Ownership for 3+ Years)

	Unit 1		Unit 4		Unit 5		Unit 6		Unit 9	
Total Income	\$ 781,310.89	100.0%	\$ 534,447.16	100.0%	\$ 790,974.28	100.0%	\$ 394,894.21	100.0%	\$ 621,199.37	100.0%
Cost of Goods Sold										
Merchandise/Retail/Materials	42,564.63	5.4%	38,789.36	7.3%	52,314.20	6.6%	26,117.89	6.6%	43,689.29	7.0%
Expenses										
Administrative & General	\$ 1,439.79	0.2%	\$ 3,967.34	0.7%	\$ 25,967.08	3.3%	\$ 12,964.08	3.3%	\$ 3,943.54	0.6%
Insurance	\$ 6,111.63	0.8%	\$ 2,714.00	0.5%	\$ 3,101.82	0.4%	\$ 1,548.58	0.4%	\$ 2,219.03	0.4%
Marketing	\$ 43,830.06	5.6%	\$ 24,778.84	4.6%	\$ 10,134.21	1.3%	\$ 5,059.51	1.3%	\$ 37,992.05	6.1%
Occupancy Costs	\$ 163,814.28	21.0%	\$ 154,029.43	28.8%	\$ 173,446.52	21.9%	\$ 86,593.24	21.9%	\$ 156,487.17	25.2%
Operating & Technology	\$ 30,951.21	4.0%	\$ 20,586.32	3.9%	\$ 24,843.17	3.1%	\$ 12,402.96	3.1%	\$ 32,173.97	5.2%
Payroll Expenses	\$ 205,152.90	38.3%	\$ 100,912.82	19.0%	\$ 195,101.50	24.7%	\$ 97,404.49	24.7%	\$ 198,289.45	38.3%
Professional Services	\$ 8,802.75	0.4%	\$ 2,983.79	2.6%	\$ 6,579.03	0.8%	\$ 3,284.59	0.8%	\$ 14,917.58	0.4%
Total Select Expenses	\$ 460,102.62	58.9%	\$ 309,972.54	58.0%	\$ 439,173.33	55.5%	\$ 219,257.45	55.5%	\$ 446,022.79	71.8%
Income After Cost of Goods Sold and Select Expenses	\$ 278,643.64	35.7%	\$ 185,685.26	34.7%	\$ 299,486.75	37.9%	\$ 149,518.87	37.9%	\$ 131,487.29	21.2%

Table 3 (Same Ownership for 1-3 years)

	Unit 2		Unit 3		Unit 7		Unit 8		Unit 11	
Total Income	\$ 187,235.54	100.0%	\$ 351,585.15	100.0%	\$ 293,380.04	100.0%	\$ 441,709.75	100.0%	\$ 433,007.77	100.0%
Cost of Goods Sold										
Merchandise/Retail/Materials	9,315.01	5.0%	2,494.70	0.7%	23,374.19	8.0%	\$ -	0.0%	\$ 27,273.79	6.3%
Expenses										
Administrative & General	\$ 4,137.93	2.2%	\$ 2,290.00	0.7%	\$ 2,709.29	0.9%	\$ 4,599.47	1.0%	\$ 39.00	0.0%
Insurance	\$ -	0.0%	\$ 2,443.09	0.7%	\$ 2,152.00	0.7%	\$ 3,312.00	0.7%	\$ 6,932.00	1.6%
Marketing	\$ 25,944.19	13.9%	\$ 14,434.89	4.1%	\$ 31,894.63	10.9%	\$ 27,651.33	6.3%	\$ 18,641.54	4.3%
Occupancy Costs	\$ 98,068.64	52.4%	\$ 188,292.19	53.6%	\$ 91,585.27	31.2%	\$ 123,535.62	28.0%	\$ 136,035.17	31.4%
Operating & Technology	\$ 11,444.27	6.1%	\$ 11,387.32	3.2%	\$ 12,213.86	4.2%	\$ 46,076.33	10.4%	\$ 24,483.60	5.7%
Payroll Expenses	\$ 88,065.50	38.3%	\$ 82,300.09	38.3%	\$ 96,779.65	38.3%	\$ 132,904.59	30.1%	\$ 142,955.65	33.0%
Professional Services	\$ 1,621.97	0.4%	\$ 380.00	0.4%	\$ 4,997.00	0.4%	\$ 620.00	0.1%	\$ 12,706.45	2.9%
Total Select Expenses	\$ 229,282.50	122.5%	\$ 301,527.58	85.8%	\$ 242,331.70	82.6%	\$ 338,699.34	76.7%	\$ 341,793.41	78.9%
Income After Cost of Goods Sold and Select Expenses	\$ (51,361.97)	-27.4%	\$ 47,562.87	13.5%	\$ 27,674.15	9.4%	\$ 103,010.41	23.3%	\$ 63,940.57	14.8%
	Unit 13		Unit 14		Unit 15		Unit 16		Unit 17	
Total Income	\$ 225,548.27	100.0%	\$ 445,605.93	100.0%	\$ 136,302.44	100.0%	\$ 297,026.90	100.0%	\$ 361,425.21	100.0%
Cost of Goods Sold										
Merchandise/Retail/Materials	\$ 19,377.03	8.6%	\$ 30,620.30	6.9%	7,329.57	5.4%	17,706.21	6.0%	21,370.13	5.9%
Expenses										
Administrative & General	\$ 633.06	0.3%	\$ 2,821.76	0.6%	\$ 12,549.60	9.2%	\$ 1,434.55	0.5%	\$ 1,722.84	0.5%
Insurance	\$ 2,088.00	0.9%	\$ 3,366.86	0.8%	\$ 3,579.87	2.6%	\$ 3,511.34	1.2%	\$ 2,219.13	0.6%
Marketing	\$ 18,870.25	8.4%	\$ 20,694.64	4.6%	\$ 18,975.71	13.9%	\$ 6,387.80	2.2%	\$ 33,182.77	9.2%
Occupancy Costs	\$ 78,385.25	34.8%	\$ 153,213.91	34.4%	\$ 186,133.92	136.6%	\$ 133,036.45	44.8%	\$ 107,074.31	29.6%
Operating & Technology	\$ 6,648.83	2.9%	\$ 4,094.38	0.9%	\$ 14,274.26	10.5%	\$ 24,589.46	8.3%	\$ 19,495.90	5.4%
Payroll Expenses	\$ 42,259.63	18.7%	\$ 137,630.20	55.5%	\$ 93,268.59	68.4%	\$ 31,197.50	10.5%	\$ 154,012.36	38.3%
Professional Services	\$ 3,159.70	1.4%	\$ 2,097.70	0.5%	\$ 10,658.36	7.8%	\$ 4,618.28	1.6%	\$ 6,488.75	0.4%
Total Select Expenses	\$ 152,044.72	67.4%	\$ 323,919.45	72.7%	\$ 339,440.31	249.0%	\$ 204,775.38	68.9%	\$ 324,196.06	89.7%
Income After Cost of Goods Sold and Select Expenses	\$ 54,126.52	24.0%	\$ 91,066.18	20.4%	\$ (210,467.44)	-154.4%	\$ 74,545.31	25.1%	\$ 15,859.02	4.4%
	Unit 18									
Total Income	\$ 393,814.97	100.0%								
Cost of Goods Sold										
Merchandise/Retail/Materials	35,842.48	9.1%								
Expenses										
Administrative & General	\$ 1,783.93	0.5%								
Insurance	\$ 2,219.13	0.6%								
Marketing	\$ 33,207.79	8.4%								
Occupancy Costs	\$ 217,555.53	55.2%								
Operating & Technology	\$ 21,176.19	5.4%								
Payroll Expenses	\$ 189,243.81	38.3%								
Professional Services	\$ 8,668.75	0.4%								
Total Select Expenses	\$ 473,855.13	120.3%								
Income After Cost of Goods Sold and Select Expenses	\$ (115,882.64)	-29.4%								

Notes to Tables 2 and 3:

1. For purposes of the table above, the term "Total Income" has the same meaning as "Gross Revenues" in the Notes to Table 1, Note 1 above. However, there are minor timing differences between the Gross Revenues in Table 1 and the Total Income in Tables 2 and 3 for the same Madabolic facility because Gross Revenues figures come from the POS system and are "cash basis" while the Total Income figures come from each facility's financial statements and are "accrual basis."
1. In making the above financial performance representation for franchised outlets, we have relied upon information taken from each outlet's financial statements. However, 2 of our North Carolina outlets (listed in Table 2 above as Unit 5 and Unit 6) that are owned by the same franchisee use the same financial statements for both locations so we are only able to generate reports of Total Income for both locations and we cannot

~~separate income by location. We have estimated that 2/3 of the income and expenses are attributable to one outlet and the remaining 1/3 of the income and expenses are attributable to the other outlet. Therefore, we have allocated the 2022 Total Income for both locations (\$1,185,868.49) to the 2 outlets on the assumption that 2/3 of the income were generated by the larger facility with the 25 person class format (Unit 5) and the remaining 1/3 was generated by the smaller facility with the 20 person class format (Unit 6). Expenses for each facility were split in the same manner. Neither we nor any independent certified public accountant has independently audited or verified the information.~~

~~2. The following list includes an explanation of each of the included expenses:~~

- ~~a. Administrative & General includes bank charges & fees; charitable contributions, donations & gifts; dues & subscriptions; permits, non-sales taxes, penalties and license fees.~~
- ~~b. Insurance includes property and liability insurance.~~
- ~~c. Marketing includes promotion and ad spend.~~
- ~~d. Occupancy Costs include cleaning and janitorial services, gross rent, repairs & maintenance, security, telephone and internet, and utilities.~~
- ~~e. Operating & Technology include music services, Item 6 ongoing monthly technology fee charges, online software, office & postage, office supplies, payroll services, small equipment, training and education.~~
- ~~f. Payroll Expenses include contractor wages, management wages, training wages, payroll taxes, and workman's compensation.~~
- ~~g. Professional Services include accounting, legal, outside consulting.~~

~~“Income After Cost of Goods Sold and Selected Expenses” is calculated by subtracting cost of goods sold (merchandise, and retail and materials) and each of the expenses listed in Tables 2 and 3 above from the Total Income for each facility. It does not include other operating expenses that must be included to determine net profit or net income. These include expenses such as airfare, auto lease expenses, car rental, debt service, items and credit card processing fees.~~

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

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

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

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

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

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

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

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

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

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

“Operating Expenses” means the following ~~franchise related fees, which you will be required to pay~~ expenses incurred by the Qualifying Outlets:

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

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

System Statistics

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

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

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

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

Royalty Fee		Greater of (i) 6% of monthly Gross Revenues or (ii) minimum monthly royalty- <u>2023 Outlet Statistics – Gross Sales EPR</u>						
Brand and System Development Fund Fee Outlet Type	Open Outlets As Of		2023 Statistics			Provided Full P&L	Qualifying Outlets	
	Jan 1, 2023	Dec 31, 2023	Opened	Closed	Converted		1.5% of Gross Revenues (may increase up to 3% of Gross Revenues) Sales EPR	AGP EPR
Franchised	<u>22</u>	<u>27</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>20</u>	<u>22</u>	<u>20</u>
Cooperative Advertising Fee Company-Owned	<u>2</u>	<u>3</u>	Up to \$1,000 per month <u>1</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>2</u>

3. The income and expense figures are based on the historical results from the outlets described above.

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

Subsets Utilized

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

<u>SUBSETS FOR FRANCHISED OUTLETS</u>		
Subset	Number of Qualifying Outlets in Subset – Gross Sales EPR	Number of Qualifying Outlets in Subset – AGP EPR
All Outlets	<u>22</u>	<u>20</u>
Subset 1(a): 25-person class format	<u>18</u>	<u>17</u>
Subset 1(b): 20- person class format	<u>4</u>	<u>3</u>
Subset 2(a): Mature Outlets	<u>8</u>	<u>8</u>
Subset 2(b): Non-Mature Outlets	<u>14</u>	<u>12</u>

Financial Performance Representation

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

A. Company-Owned Outlets

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

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

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

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

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

B. Franchised Outlets

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

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

TABLE 3 - 2023 GROSS SALES: FRANCHISED OUTLETS INDIVIDUAL RESULTS

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

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

TABLE 4 – 2023 GROSS SALES SUMMARY

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

2. Gross Sales Data: We obtained the 2023 annual Gross Sales data used in this FPR from Profit and Loss Statements submitted by the Franchised Outlets and Company-Owned Outlets. We did not receive complete Profit and Loss Statements from Franchised Outlet 15 or Franchised Outlet 18. For these outlets, we obtained the 2023 annual Gross Sales data from the point-of-sale system used by the outlets. We obtained the first quarter 2024 Gross Sales data from the point-of-sale system used by all of the outlets.

3. Adjusted Gross Profit Data: We obtained the 2023 annual Adjusted Gross Profit data used in this FPR from Profit and Loss Statements submitted by the Franchised Outlets and Company-Owned Outlets.

4. Expense Information: The Adjusted Gross Profit FPR does not account for any Excluded Expenses (as defined above).

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

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

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

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

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2020 ₁ TO 2022 ₃				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020 ₁	9	11 <u>14</u>	+2 <u>5</u>
	2021 ₂	11 <u>14</u>	16 <u>22</u>	+5 <u>8</u>
	2022 ₃	16 <u>22</u>	24 <u>27</u>	+8 <u>5</u>
Company-Owned	2020 ₁	0 <u>2</u>	0 <u>2</u>	0
	2021 ₂	0 <u>2</u>	0 <u>2</u>	0
	2022 ₃	0 <u>2</u>	0 <u>3</u>	0 <u>+1</u>
Total Outlets	2020 ₁	9 <u>11</u>	11 <u>16</u>	+2 <u>5</u>
	2021 ₂	11 <u>16</u>	16 <u>24</u>	+5 <u>8</u>
	2022 ₃	16 <u>24</u>	24 <u>30</u>	+8 <u>6</u>

**TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR YEARS 2020~~1~~ TO 2022~~3~~**

State	Year	Number of Transfers
<u>Connecticut</u>	<u>2021</u>	<u>0</u>
	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>1</u>
Georgia	2020 <u>1</u>	0 <u>1</u>
	2021	1
	2022	0
	<u>2023</u>	<u>0</u>
North Carolina	2020 <u>1</u>	0 <u>1</u>
	2021	1
	2022	2
	<u>2023</u>	<u>0</u>
South Carolina	2020 <u>1</u>	0 <u>1</u>
	2021	1
	2022	0
Total	2020 <u>3</u>	0
<u>Total</u>	2021	3
	2022	2
	<u>2023</u>	<u>1</u>

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2020~~1~~ TO 2022~~3~~

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Arizona	2020 <u>1</u>	0	0	0	0	0	0	0
	2021 <u>2</u>	0	0 <u>1</u>	0 <u>1</u>	0	0	0	0
	2022 <u>3</u>	0	1 <u>0</u>	1 <u>0</u>	0	0	0	0
California	2020 <u>1</u>	0	0	0	0	0	0	0
	2021 <u>2</u>	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2022 <u>3</u>	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
Connecticut	2020 <u>1</u>	0	0	0	0	0	0	0
	2021 <u>2</u>	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2022 <u>3</u>	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
Florida	2020 <u>1</u>	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2021 <u>2</u>	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
	2022 <u>3</u>	1	0 <u>1</u>	0	0	0	0	1 <u>2</u>
Georgia	2020 <u>1</u>	1 <u>2</u>	1 <u>0</u>	0	0	0	0 <u>1</u>	2 <u>1</u>
	2021 <u>2</u>	2 <u>1</u>	0	0	0	0	1 <u>0</u>	1
	2022 <u>3</u>	1	0 <u>1</u>	0	0	0	0	1 <u>2</u>

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2020~~1~~ TO 2022~~3~~

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Kansas	2020 1	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2021 2	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
	2022 3	1	0	0	0	0	0	1
New York	2020 1	0	0	0	0	0	0	0
	2021 2	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2022 3	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
North Carolina	2020 1	4 <u>2</u>	0	0	0	0	0	4 <u>2</u>
	2021 2	4 <u>2</u>	0	0	0	0	0	4 <u>2</u>
	2022 3	4 <u>2</u>	2 <u>1</u>	0	0	0	0	4 <u>3</u>
Pennsylvania	2020 1	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
	2021 2	1	0	0	0	0	0	1
	2022 3	1	0	0	0	0	0	1
South Carolina	2020 1	1	0	0	0	0	0	1
	2021 2	1	0	0	0	0	0	1
	2022 3	1	0	0	0	0	0	1
Tennessee	2020 1	0	0	0	0	0	0	0
	2021 2	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2022 3	0 <u>1</u>	1 <u>0</u>	0	0	0	0	1
Texas	2020 1	1	1 <u>0</u>	0	0	0	0	1 <u>2</u>
	2021 2	1 <u>2</u>	2 <u>3</u>	0	0	0	0	2 <u>5</u>
	2022 3	2 <u>5</u>	3 <u>2</u>	0	0	0	0	5 <u>7</u>
Virginia	2020 1	1	1 <u>2</u>	0	0	0	0	1 <u>3</u>
	2021 2	1 <u>3</u>	2 <u>0</u>	0	0	0	0	3
	2022 3	3	0	0	0	0	0	3
Washington D.C.	2020 1	1	1 <u>0</u>	0	0	0	0	1 <u>2</u>
	2021 2	1 <u>2</u>	1	0	0	0	0	2 <u>3</u>
	2022 3	2 <u>3</u>	3 <u>0</u>	0	0	0	0	3
Totals	2020 1	9	9 <u>6</u>	0	0	0	0 <u>1</u>	9 <u>14</u>
	2021 2	9 <u>14</u>	6 <u>9</u>	0 <u>1</u>	0	0	1 <u>0</u>	14 <u>22</u>
	2022 3	14 <u>22</u>	6 <u>9</u>	1 <u>0</u>	0	0	0	22 <u>27</u>

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2020~~1~~ TO 2022~~3~~

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
<u>North Carolina</u>	2020 1	0 <u>2</u>	0	0	0	0	0 <u>2</u>
	<u>2022</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2023</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
<u>Totals</u>	2021	0 <u>2</u>	0	0	0	0	0 <u>2</u>
	2022	0 <u>2</u>	0	0	0	0	0 <u>2</u>
	<u>2023</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2022~~3~~

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	2	2 <u>1</u>	0
Connecticut	0	0	0
Colorado	5 <u>3</u>	5 <u>3</u>	0
District of Columbia	0	0	0
Florida	5	5 <u>1</u>	0
Georgia <u>Indiana</u>	1 <u>2</u>	1	0
Kansas	2	1	0
<u>Kentucky</u>	<u>2</u>	<u>1</u>	<u>0</u>
Maryland	1	1	0
New York	0 <u>1</u>	0 <u>1</u>	0
North Carolina	1 <u>2</u>	1	0
<u>Ohio</u>	<u>2</u>	<u>2</u>	<u>0</u>
Oklahoma	1	1	0
Oregon	1	1 <u>0</u>	0
Pennsylvania	3 <u>4</u>	3 <u>2</u>	0
South Carolina	2	2 <u>0</u>	0
Tennessee	0	0	0
Texas	24	24 <u>4</u>	0
Virginia	6	3	0
Wisconsin	1 <u>2</u>	1	0
Totals	55 <u>62</u>	51 <u>24</u>	0

Notes to Tables:

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

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

~~1. Our fiscal year ends on December 31st:~~

A list of all current ~~Madabolic~~ franchisees is attached to this Disclosure Document as EXHIBIT "E" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 202~~2~~3. In addition, EXHIBIT "E" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

~~During~~In the last 3 fiscal years, ~~no~~some franchisees have signed confidentiality agreements with us. In some instances, current ~~or~~and former franchisees ~~have signed confidentiality clauses that restrict them from discussing with you~~sign provisions restricting their ability to speak openly about their experience ~~as a franchisee in our franchise system.~~with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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

ITEM 21 FINANCIAL STATEMENTS

Our fiscal year ends on December 31st. Audited financial statements ~~for~~of Madabolic Franchise System, LLC for the fiscal years ending ~~ed~~ed December 31, 202~~2~~3, December 31, 202~~1~~2 and December 31, 202~~0~~1 are attached to this Disclosure Document as EXHIBIT "F". ~~In addition, an unaudited balance sheet as of March 31, 2023 and an unaudited profit and loss statement from January 1, 2023 through March 31, 2023 are attached to this Disclosure Document as EXHIBIT "F".~~

ITEM 22 CONTRACTS

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

Exhibits to Disclosure Document

EXHIBIT "C" Franchise Agreement

~~EXHIBIT "G" Franchisee Disclosure Questionnaire (may not be used in franchise registration states)~~

~~EXHIBIT "H"~~EXHIBIT "G"-1 State Addenda

EXHIBIT "G"-2 General Release

~~EXHIBIT "I" Multi-State Addenda~~

EXHIBIT "G"-3 Franchise Resale Agreement

Attachments to Franchise Agreement

ATTACHMENT "B" Form of Site Approval Notice

ATTACHMENT "C" Lease Addendum

ATTACHMENT "D" Franchise Owner Agreement

~~ATTACHMENT "E"~~ATTACHMENT "E" ACH Authorization Form

ATTACHMENT "F" Brand Protection Agreement

ATTACHMENT "G" Confidentiality Agreement

~~ATTACHMENT "H" Multi-State Addenda~~

ITEM 23 RECEIPT

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

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

<p><u>CALIFORNIA</u> Commissioner of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677</p> <p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> <p><u>INDIANA</u> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681</p>	<p><u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p> <p><u>Agent for Service of Process:</u> <u>Maryland Securities Commissioner</u> <u>200 St. Paul Place</u> <u>Baltimore, Maryland 21202-2020</u></p> <p><u>MICHIGAN</u> Franchise Section Consumer Protection Division 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor Lansing, MI 48913 (517) 335-7567</p> <p><u>MINNESOTA</u> Department of Commerce Commissioner of Commerce <u>Director of Registration</u> 85 Seventh Place East, #280 St. Paul, MN Minnesota 55101-3165 (651) 539-16500</p> <p><u>NEW YORK</u> New York Attorney General <u>NYS Department of Law</u> Investor Protection Bureau Franchise Section 28 Liberty Street, <u>21st Floor</u> New York, NY 10005 <u>Phone:</u> (212) 416-8222</p> <p><u>Agents for Service of Process:</u> New York Department<u>Secretary</u> of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231</p> <p><u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, 5th Floor, Dept 414 600</p>	<p><u>RHODE ISLAND</u> <u>Department of Franchise Regulation</u> <u>1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1</u> <u>Cranston, Rhode Island 02920</u> <u>(401) 462-9527</u></p> <p><u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104<u>2nd Floor</u> Pierre, South Dakota, 57501 (605) 773-3563</p> <p><u>VIRGINIA</u> <u>Agent for Service of Process:</u> State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 804-371-9967 <u>Administrator:</u> Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p><u>Agents for Service of Process:</u> <u>Clerk of the State Corporation Commission</u> <u>1300 East Main Street, 1st Floor</u> <u>Richmond, Virginia 23219</u></p> <p><u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> <p><u>Mailing Address:</u> <u>Department of Financial Institutions</u> <u>Securities Division</u> <u>PO BOX 41200</u></p>
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	<p>East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712 RHODE ISLAND Department of Franchise Regulation 1511 Pontiac Avenue, John O. Pastore Complex, Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p>	<p>Olympia, WA 98504-1200 WISCONSIN Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500, Madison, WI -53703 (608) 261-9555</p>
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EXHIBIT "B"

TO DISCLOSURE DOCUMENT

FRANCHISOR'S AGENT FOR SERVICE OF PROCESS

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

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

EXHIBIT "C"
TO DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

[See Attached]



MADABOLIC
MADABOLIC FRANCHISE AGREEMENT

FRANCHISEE: _____
DATE: _____

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ATTACHMENT "H"	Multi-State Addenda

MADABOLIC FRANCHISE AGREEMENT

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

1. **DEFINITIONS.** Capitalized terms used in this Agreement ~~are defined either in~~ have the body meanings given to them below:

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

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

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

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

“Agreement” is defined in the Introductory Paragraph.

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

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

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

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

“Business” means the franchised business you operate pursuant to this Agreement, ~~ATTACHMENT "A" lists the Sections.~~

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

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

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

Madabolic Business operated pursuant to a valid franchise or license agreement with us or our affiliate.

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

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

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

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

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

“Effective Date” is defined in the Introductory Paragraph.

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

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

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

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

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

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

deemed Force Majeure except to the extent a Governmental Authority mandates closure (or prevents the opening) of the Madabolic Business as a result of such epidemic or pandemic.

“Franchise Owner Agreement” means the Franchise Owner Agreement that must be signed by the Owners and their spouses pursuant to §9, the current form of which is attached as ATTACHMENT "D".

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

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

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

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

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

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

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

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

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

“Interim Manager” means a Person we designate to temporarily manage your Madabolic Business under

the circumstances described in §8.5.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“System” means our system developed for the operation of a Madabolic Business, the distinctive characteristics of which include: distinctive interior and exterior design, décor, signage, color scheme and

other trade dress elements; proprietary training programs, workouts and group fitness classes; membership model; advertising and marketing strategies; merchandising strategies; and operating system.
“Technology Systems” means and includes all information and communication technology systems we specify from time to time, including, without limitation, computer systems, point-of-sale systems, member management systems, music systems, audio visual systems, webcam systems, telecommunications systems, security systems and similar systems, together with the associated hardware, software (including cloud-based software) and related equipment, software applications, mobile apps, and third-party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems.

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

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

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

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

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

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

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

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

“You” is defined in the Introductory Paragraph.

2. **GRANT OF FRANCHISE.** We hereby grant you ~~a~~the right, license and obligation to own and operate ~~a one (1) Madabolic workout business (your “Business”)~~ using our Intellectual Property from ~~a single location that the site~~ we approve. As a ~~Madabolic~~ franchisee, you will ~~operate an athletic conditioning facility that~~ establish and operate a membership-based strength training fitness business that operates under the name MADABOLIC® and offers and sells approved group fitness classes, beverages, supplements and fitness-related apparel, products, and merchandise. We reserve all rights not expressly granted to you. ~~You must offer only the specific workouts, training programs, classes and exercises that we~~

3. TERRITORY.

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

describe your Territory in the Site Approval Notice we send to you after approving your site.

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

3.3. Extra-Territorial Operations. You may not conduct any business or promotional activities outside of your Territory except to the extent authorized by, and in accordance with, the Manual. Under current policy, you may conduct business and sell group memberships (a group is defined as five (5) or more Persons) from sites located outside your Territory if: (a) you notify us in writing (and provide all details we require) before conducting the business or engaging in the sales activity; and (b) the site is not located within a territory assigned to another Madabolic Business. If the site is located in an area that we later designate ~~or approve. You will operate utilizing a membership model that we designate. You may~~ as a territory for another Madabolic Business, you must immediately cease conducting business and selling group memberships from the site and follow our instructions to transition any group membership to the Madabolic Business that owns the territory. If you receive a request to conduct business at an off-site event located in a territory assigned to another Madabolic Business, you must refer the request to the Madabolic Business that owns the territory. Other Madabolic Businesses shall be subject to a similar and reciprocal referral obligation for requests pertaining to off-site events ~~within your Territory (such as fitness expos, health fairs, promotional events, charity events, etc.) to sell memberships and provide authorized products and services. You may only conduct business at off site events outside your Territory and sell group memberships to groups headquartered outside your Territory in accordance with Section 12.5. located in your Territory. We reserve all rights not expressly granted to you.~~

3.4. Territorial Protections and Limitations. DURING TERRITORIAL RIGHTS AND LIMITATIONS. ~~We will grant you a protected territory consisting of the geographic area identified in ATTACHMENT "B" (your “Territory”). By “protected”, we mean that we~~ the Term we will not ~~develop or~~ operate, ~~or grant a franchise or license to~~ a third party to develop or operate, a Madabolic ~~workout facility~~ Business that is ~~physically located within your~~ in the Territory ~~during the Term, except as otherwise provided in this Section with respect to Alternative Channels of Distribution and Acquisitions. We~~ At any time during the Term we reserve the right to: (i) ~~sell, or grant franchises or licenses to third parties to sell, competitive or identical goods or services (including under the Marks) through Alternative Channels of Distribution, irrespective of whether the sales take place in your Territory; and (ii) engage in Acquisitions, even if as a result of an Acquisition one or more competitive businesses of the acquired or acquiring company begin using our Intellectual Property (including our Marks) and are located within your Territory. You may accept members who reside outside of your Territory, as long as you do not acquire these members as a result of targeted marketing that is directed outside of your Territory. Similarly, we and other Madabolic businesses can accept members who reside within your Territory, as long as we or the other Madabolic businesses do not acquire these members as a result of targeted marketing that is directed into your Territory. If your Territory has not been identified when you sign this Agreement, we will define your territory within 30 days after we approve the site for your Business facility. Your territory will include a minimum of 25,000 individuals between the ages of 20 and 50~~ in the Territory. We reserve the right to sell, and license third parties to sell, competitive or identical goods and services (including under the Marks) within the Territory through Alternative Channels of Distribution.

4. TERM AND RENEWAL.

4.1. Generally. ~~The term of this~~ This Agreement ~~will begin on~~ grants you the ~~Effective Date and expire ten (10) years thereafter (the “Term”). If this Agreement is the initial franchise agreement for your right to operate your Madabolic Business only during the Term. Provided that you satisfy all~~

conditions for renewal specified below, you may enter into a maximum of two (2) ~~successor franchise agreements (each, a “Successor Agreement”)~~ as long as you meet the conditions for renewal specified below. Agreements following the expiration of the Term. The Successor Agreement shall be the current form of franchise agreement ~~that~~ we use in granting Madabolic franchises as of the expiration of the Term or renewal term, as applicable. ~~The terms and conditions of the Successor Agreement~~ terms of which may vary materially and substantially from the terms ~~and conditions~~ of this Agreement. Upon renewal, we reserve the right to modify the boundaries of your Territory in accordance with our then-current territory guidelines and criteria. Each renewal term will be five (5) years, ~~for a maximum total term of 20 years. You will have no further right to operate your Business following the expiration of the final renewal term unless you and we mutually.~~ The parties may agree to further renewals: after expiration of the second (2nd) renewal term, but neither party is obligated to do so (unless required by applicable state Law, in which case the same renewal terms and conditions set forth in this Agreement shall apply to subsequent renewals). If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement ~~as well as~~ and your remaining renewal rights, if any.

4.2. Renewal Requirements. In order to enter into a Successor Agreement, you and the Owners (as applicable) must: ~~(i)~~

(i) notify us in writing of your desire to enter into a Successor Agreement not less than ~~180~~ 270 days nor more than ~~360 days~~ one (1) year before the expiration of the Term or renewal term, as applicable; ~~(ii)~~

(ii) not be in default under ~~this~~ any Definitive Agreement ~~or any other agreement with us or any affiliate of ours~~ at the time you send the renewal notice or ~~the time you~~ sign the Successor Agreement; ~~(iii)~~

(iii) sign the Successor Agreement and all ancillary documents ~~that~~ we require franchisees to sign; ~~(iv)~~

(iv) sign a General Release; ~~(v)~~

(v) pay us a renewal fee equal to 25% of our then-current, non-discounted, initial franchise fee; ~~(vi)~~

(vi) remodel your ~~facility (and update~~ Facility and upgrade all ~~of your workout furniture, fixtures and equipment)~~ to ~~comply with~~ conform to our then-current standards and specifications; ~~(vii) have~~ and

~~(i)~~ (vii) extend the ~~right under~~ term of your lease ~~to maintain possession of your premises~~ for the duration of the renewal term; ~~and (viii) take any additional action that we reasonably require.~~

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

4.3. Interim Term. If you do not sign a Successor Agreement but continue to operate your Madabolic Business after the expiration of the Term ~~and you continue to accept the benefits of, we may either~~

~~As of the date of the Term expiration date with you then operating without a franchise to do so and in violation of our rights; or (ii)b) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with 30 days' prior written notice of the party's intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.~~

~~Except as otherwise permitted by this Section 4, you have no right to continue to operate your Business following the expiration of the Term.~~

5. TRAINING AND CONFERENCES

~~5.1. **Initial Training Program.**—Your Managing Owner must successfully complete our 16-week Remote Training program that is conducted virtually and begins approximately 16 weeks prior to your projected opening date. All of your fitness instructors must successfully complete our Fitness Instructor Training program before they may teach classes at your facility. Prior to opening, you must send your fitness instructors (up to a total of five (5)) to our Fitness Instructor Training program that takes place at our corporate headquarters in Charlotte, North Carolina (or at any other location we designate). Your Managing Owner and general managers must attend Fitness Instructor Training but they need not complete certification testing if they will not serve as fitness instructors at your facility. We will also provide an additional three (3) days of on-site training/consulting at your facility. The on-site training/consulting is an informal training program where we provide additional on-site training for your fitness instructors, monitor your operations and assist you with the opening of your Business. You must identify a lead fitness instructor no less than 6 weeks prior to opening. Your lead fitness instructor must receive our approval to serve in this capacity.~~

~~5.2. **Initial Training For New Owners/General Managers.**—If you hire a new general manager or appoint a new Managing Owner after we conduct our pre-opening initial training program, the new general manager or Managing Owner, as applicable, must, Prior to your opening date, your Managing Owner and staff members we designate must complete all initial training programs we require prior to your opening date (although part of General Manager Training takes place after your opening date). The table below summarizes our current initial training programs, which we may change at any time.~~

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

~~The Manual may include additional details about our initial training programs. Any Person you appoint as a Managing Owner or hire as a general manager or Trainer subsequent to your opening date must attend and successfully complete our then-current initial training program through our online educational learning platform and may be required to participate in online video training with Madabolic staff. Any employee or independent contractor you hire must complete online education through our online learning management system within 30 days of being hired.~~

~~New Fitness Instructors. All of your fitness instructors must successfully complete our instructor training program before teaching any~~ before such Person may manage your Business or teach classes at your facility. ~~Currently our fitness instructor training program takes place in Charlotte, North Carolina (or any other location we designate). Alternatively, you may request that we send a representative to your facility to provide onsite training for your new fitness (however you would need to reimburse us for our costs in addition to paying the training fee). In the future we may institute a program that allows a franchisee to have a certified trainer who provides initial training to new instructors. Notwithstanding the above, before you open we will train your initial fitness instructors onsite at your facility at no additional charge as part of our initial training program. You must at all times maintain a lead fitness instructor that we approve, and you must immediately appoint a new lead fitness instructor upon such individual's termination of or separation from employment~~ Facility, as applicable.

5.3.5.2. Periodic Certified Instructor Training. After your Facility has been open at least one (1) year, we may designate your Facility as a certified Madabolic Training Facility. As a condition to certification, your Lead Trainer must successfully complete our "train-the-trainer" training program and satisfy any other qualifications or criteria set forth in the Manual. Once certified, your Lead Trainer would be authorized to provide Fitness Instructor Training to new Trainers you hire after opening. Your Lead Trainer must conduct Fitness Instructor Training in the manner we designate, including utilization of our Learning Management System in the manner we specify.

5.3. Ongoing Training Programs. All new employees and independent contractors you hire or appoint have 30 days to complete required online education through Getup (our online learning platform). We may offer periodic refresher or ~~additional~~ supplemental training courses for your Managing Owner, general managers and ~~fitness instructors. Attendance at these training programs is~~ Trainers (unless Trainers are trained by your Lead Trainer in accordance with §5.2). We may designate each course as mandatory.

5.4. Additional Training Upon Request. Upon your written request, we may provide additional assistance or training to you at a mutually convenient time.

5.5. Remedial Training. If we conduct an inspection of ~~or optional. If we determine~~ your Business and determine that you are ~~is~~ not operating your Business ~~being operated~~ in full compliance with this Agreement and ~~or~~ the Manual, we may, ~~at our option,~~ require that your Managing Owner, general managers and ~~fitness instructors/or Trainers~~ attend remedial training ~~that is~~ relevant to your operational deficiencies. We may, but need not, provide additional assistance or training requested by you at a mutually convenient time.

5.4. Third-Party Training Programs. From time to time, we may require that your Managing Owner and staff members we designate attend training programs conducted by third parties, including companies that serve as System suppliers and other unaffiliated organizations. Without limiting the generality of the foregoing, we currently require that your Managing Owner, general manager and Trainers successfully complete and achieve certified status from: (a) a nationally accredited personal trainer program (your Managing Owner need not obtain this accreditation unless he or she will also serve as a Trainer); and (b) a CPR and First Aid certification program held in your home state. These certifications must be obtained prior to attending our initial training programs. You must keep a copy of these certifications in the appropriate personnel files.

5.5. Training Locations. Our training programs may take place at any location we designate. We reserve the right to conduct all (or any portion) of our training programs remotely via webinar, conference call or similar means, including via Microsoft Teams calls and/or Getup, our online learning platform.

5.6. Training Fees and Expenses. We do not charge you a training fee for the initial training program we conduct prior to your opening date. If we conduct onsite training at your Facility after your opening date, you must: (a) pay us a training fee of \$500 per trainer per day; and (b) reimburse us

for all Travel Expenses we incur to send our trainer to your Facility. We may charge you a \$500 training fee to provide our “train-the-trainer” training program for your Lead Trainer. After your Facility is designated as a certified Madabolic Training Facility, you pay us a training fee of up to \$500 for each Trainer that is trained by your Lead Trainer (this fee covers access to LMS). For all other ongoing training we provide, we may charge you a training fee of up to \$300 per trainee per day. You are responsible for all wages and Travel Expenses you and your personnel incur to attend training programs.

5.6.5.7. Conferences. We may hold periodic ~~national or regional~~ conferences to discuss ~~various business issues~~ and operational ~~and general business concerns affecting matters relevant to Madabolic franchisees. You are required~~ Businesses. Attendance is mandatory unless: (a) we designate attendance as optional; or (b) we waive your obligation to attend based on showing of good cause. However, we will not require attendance at least more than one (1) annual conference ~~every in any~~ two (2) years.

~~5.7. Training Fees and Expenses. We will provide our pre-opening initial training program at no additional charge. You must pay us a training fee of up to \$300 per person per day for: (i) each person that attends our initial training program after you open your Business (such as new Managing Owners, general managers and fitness instructors); (ii) any person who must retake training after failing to successfully complete training on a prior attempt; (iii) any remedial training that we require based on your operational deficiencies; (iv) each person to whom we provide additional training that you request; and (v) each person who attends any system wide refresher or additional training program that we conduct.~~year period. We may charge you a conference registration fee of up to \$1,500 that will cover two (2) attendees ~~(the same fee is charged even if~~. Our current registration fee is \$1,500 per conference and covers attendance for up to two (2) Persons. If you fail to attend a required conference without a waiver from us, then you must pay us the conference registration fee despite your non-attendance (we will provide you only send one person). If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this reimbursement obligation does not apply to any onsite training that is part of our initial training program). with a copy of any written materials distributed at the conference). You are responsible for all ~~expenses~~ wages and ~~costs that~~ Travel Expenses you and your trainees personnel incur ~~for training or attending to attend~~ conferences, ~~including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee our then current initial training fee for each of the transferee’s owners and employees that attends our initial training program. All training fees and expense reimbursements are due 10 days after invoicing.~~

6. OTHER FRANCHISOR ASSISTANCE.

6.1. Manual. ~~During the Term, we will lend~~ We provide you with access to our ~~confidential Brand Standards Manual (the “Manual”) in text or electronic form.~~ during the Term. The Manual will help you ~~establish~~ develop and operate your Madabolic Business. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.

6.2. Packages. ~~Prior to opening, you will purchase our designated Fitness Equipment Package and, At least 90 days prior to your anticipated opening date, you must purchase our designated Furniture and Fixtures “Fitness Equipment Package” from us or our affiliate as part of our centralized purchasing program that assists franchisees with the development of their Madabolic facilities. You must pay the associated.~~ Our current Fitness Equipment Package includes the following items: Gym Clock; Cardio, Gymnastics, Plyometric, Strength Training & Other Training Equipment; Rogue Storage Equipment; Beaver Fit Racking System; Rogue Resin Plyo Box; Assault Bikes (only required if your Facility lacks sufficient open area for sprints and comparable cardio activities); Water Bags; and Boxing/Bag Gloves. The purchase price within 10 days after invoicing is estimated to range from \$119,000 to \$133,000, including taxes, shipping and installation. We may change the items included in the Fitness Equipment Package, and the associated cost, at any time. We will arrange for the items within these packages to be shipped to your facility. You understand that we: (a) shipment of the Fitness Equipment Package to your

Facility; and (b) installment of the equipment at your Facility. We purchase the items included in the ~~packages~~ Fitness Equipment Package from third-parties and ~~resell-it~~ resells them to you as a convenience ~~to you~~. We ~~do not make any~~ hereby disclaim all representations ~~or~~ and warranties regarding the items included within these packages and you hereby waive, ~~whether express or implied, that any~~ and all claims items included in the Fitness Equipment Package will be: (a) merchantable; (b) free of defects, whether patent or latent; (c) fit for the purpose for which they are intended; and/or (d) compliant with applicable Laws. You waive all Claims against us relating to these items, the installation or use of the equipment at your Facility. If any of these items (including equipment) by you or your members, and ~~item~~ you receive is defective, we will help coordinate with the manufacturer or any defects in any of these items. At any time, we distributor to facilitate replacement of the defective item. We reserve the right to require that you purchase some or all of the items included within ~~these packages~~ the Fitness Equipment Package directly from ~~the~~ third-party suppliers that we designate.

6.2.6.3. General Guidance. ~~Based upon our periodic inspections~~ We will periodically review and evaluations of evaluate your Madabolic Business or and reports ~~that~~ you submit to us, ~~we will~~ and provide our guidance and recommendations on ways to improve the ~~marketing and/or~~ operation of your Madabolic Business. We will be available to render advice, discuss problems and offer general guidance to you during normal business hours by phone, email or other means of communication.

6.4. Field Visits. We have the right, but not the obligation, to conduct periodic field visits for purposes of providing onsite consultation, assistance and guidance pertaining to the operation and management of your Madabolic Business. We will provide a report detailing any problems or concerns observed during the field visit together with our instructions to address or resolve such problems or concerns. You must implement all required corrective measures in the time and manner we specify.

6.3.6.5. Marketing Assistance. As further described in ~~Section §~~ 10.1 and ~~Section §~~ 10.2, we will administer the brand and system development fund and provide ~~you with~~ other marketing assistance during the Term.

6.4.6.6. Website. We ~~will currently~~ maintain a corporate website for ~~the Madabolic our~~ brand. We will ~~provide you with~~ also develop and host a local webpage for your Madabolic Business that will be linked to our corporate website. Your webpage will ~~list certain~~ include such information about your Madabolic Business that we ~~designate or deem appropriate. We must~~ approve. ~~We may modify the all content of and/or discontinue the website (or on your local webpage) at any time but will consider information you suggest in our sole discretion. good faith.~~ We will own the website (including your webpage) and domain name at all times. We may change or discontinue the website and/or your local webpage at any time.

6.5.6.7. Purchase Agreements. We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for ~~us and our~~ franchisees. ~~If we succeed in negotiating a purchase agreement, we~~ We will arrange for you to be able to purchase the goods or services directly from the supplier at the discounted prices ~~that~~ we negotiate (subject to any rebates the supplier pays to us). We may also purchase ~~certain items~~ goods from suppliers in bulk and resell them to you at our cost plus shipping fees and a reasonable markup.

6.6. Merchandise and Retail Items. New Developments. We may, but need not, ~~develop~~ create new branded retail products, merchandise and retail items for sale at your facility, fitness programs, exercises, exercise equipment or other goods or services that you may offer, utilize or sell. You ~~agree to maintain a reasonable~~ must comply with any minimum inventory of these items at your facility at all times and ~~participate~~ stocking requirements in the ~~quarterly minimum order levels that we specify. Manual.~~

7. ESTABLISHING YOUR ~~FACILITY~~BUSINESS

- 7.1. **Site Selection.** ~~You agree to locate and must~~ obtain our approval of the ~~premises from which you will operate your Business~~site for your Facility within 120 days after the Effective Date. The premises must be located within the Site Selection Area ~~identified in ATTACHMENT "B" (the "Site Selection Area") and must~~and conform to our minimum site selection criteria. You must send us a complete site report ~~(containing the demographic, commercial and other~~that includes all documents, information, photographs and video ~~tapes that we may reasonably require)~~for your proposed site. We ~~have the right to~~may accept or reject ~~all proposed sites~~each site you propose in our commercially reasonable judgment. We will use ~~our~~best efforts to ~~approve~~issue our approval or ~~disapprove a proposed site~~disapproval within 30 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our ~~written approval within the 30-day period. Our approval shall be evidenced by the execution of Section B of ATTACHMENT "B" by you and us. You understand that our~~approval within the 30-day period. If we approve the site for your Facility prior to execution of this Agreement, we will list the address of your approved site in Part C of ATTACHMENT "A". Otherwise, we list the address of your approved site in a Site Approval Notice we will send to you within 30 days after approving your site. Within five (5) business days after we send you the Site Approval Notice, you must sign and date the franchisee acknowledgment section and send us a copy for our records. Our approval of the site (and designation of your Territory) shall be deemed immediately effective and binding on you at the time we issue the Site Approval Notice, regardless of whether you send us the signed acknowledgment. Our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a Madabolic ~~facility. Our approval of the site~~Business. It indicates only that we believe the site meets our minimum criteria.
- 7.2. **Lease.** ~~If you will~~ lease the premises for your ~~facility~~Madabolic Business, you must use ~~your~~best efforts to ensure your landlord signs the Lease Addendum ~~that is~~ attached to this Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to this Agreement, we ~~have~~may either: (a) ~~waive the right to disapprove of your lease in our commercially reasonable judgment, in which case~~Lease Addendum requirement (or the provisions disapproved by the landlord); or (b) require you ~~must~~to find a new site for your ~~facility~~Madabolic Business. You must hire a real estate attorney to review and negotiate your lease. You and the landlord must sign the lease and Lease Addendum within 150 days after the Effective Date. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records. ~~You must hire a real estate attorney to review and negotiate your lease.~~
- 7.3. **Construction.** ~~We will provide you with.~~ The Manual includes generic prototype plans for a Madabolic facility; as well as our standards and specifications for the design, layout, equipping and trade dress for a Madabolic facility. You must hire a licensed and bonded architect to prepare the initial design plans for the construction of your Facility and leasehold improvements. We must approve the initial design plans to ensure they are consistent with our system standards. Once approved, your architect must prepare detailed construction plans. ~~The architect must ensure these plans comply with all~~ that: (a) are consistent with the approved design plans; (b) satisfy all required standards and specifications in the Manual ~~as well as all local ordinances;~~ and (c) comply with all Laws (including the Americans with Disabilities Act), building codes, permits requirements, and lease requirements and restrictions applicable to the premises. You must submit the final construction plans to us for approval. The limited purpose of our review is to verify the construction plans are consistent with our system standards. Once approved, you must, at your sole expense, construct and equip the premises according to the approved construction plans and the specifications contained in the Manual ~~and approved plans and.~~ You must also purchase (or lease) and install the all equipment, fixtures, signs and other items ~~that~~ we require. ~~You acknowledge these requirements are necessary and reasonable to preserve the identity, reputation and goodwill we developed and the value of the franchise. Before you open, we must approve the layout of your facility. At all times during the construction process, you must maintain the minimum general liability and property damage insurance required by the Manual.~~

- 7.4. **Opening.** You must open your Madabolic Business to the public within the later to occur of: (a) 180 days after the Effective Date; or signing a (b) 180 days after you sign the lease for the Madabolic facility, whichever is later. your Facility. If you fail to open by this deadline, we may choose between terminating this Agreement or extending your required opening date (we will not grant you an extension unless you made diligent and continuing efforts to open in a timely manner). You may not open your Madabolic Business prior to receipt of our written authorization to open. We will not issue our authorization to open before: ~~(i) successful completion of~~
- (i) the Managing Owner successfully completes our initial training program by your Managing Owner and initial general managers and fitness instructors; (ii) you purchase all required insurance; (iii) you;
 - (ii) you obtain all required licenses, permits and other governmental approvals; (iv) from Governmental Authorities;
 - (iii) you purchase all required insurance policies and provide evidence of coverage;
 - (iv) we provide our written approval of review and approve the construction, build-out and layout of your facility; (v) Madabolic Business;
 - (v) you sell a minimum of 100 memberships or 300 free week offers for your Business; (vi)
 - (vi) you have contact with a professional cleaning contract in place; (vii) you have ordered and received company we designate or approve;
 - (vii) you fully stock your Facility with all inventory and retail items for your gym which includes, apparel, drinks, supplements, and gloves; and (vii) you have been given an approval by a Madabolic team member following their visit during your friends we require;
 - (viii) you fulfill all of your other preopening obligations under this Agreement and family classes. the Manual.

You must send us a written notice identifying your proposed opening date at least 30 days before opening. ~~If you are deemed to be actively working toward your opening and complying with the steps above, but need more time, we may extend the opening time period in our reasonable discretion. We~~ We may conduct a pre-opening preopening inspection of your facility and you agree to Madabolic Business. You must make any all changes and modifications we require before opening. ~~BY VIRTUE OF OPENING YOUR BUSINESS, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL OF OUR PRE-OPENING OBLIGATIONS TO YOU.~~ you may open.

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

8. MANAGEMENT AND STAFFING.

- 8.1. **Owner Participation.** You ~~acknowledge that a major requirement for the success of~~ must

designate an Owner who will have overall responsibility for the management and operation of your Madabolic Business is (the active, continuing, and substantial personal involvement and hands-on supervision by your “Managing Owner.”). The Managing Owner must ~~at all times be actively involved in the operation of~~: (a) be approved by us; (b) successfully complete all training programs we require; and (c) dedicate full-time efforts to the Business and provide on-site management and supervision (unless you delegate management functions to hire a general manager). Any new Managing Owner ~~that we approve~~you appoint must successfully complete ~~the our then-current~~ initial training program before assuming responsibility for the supervision, management or operation of your Business.

8.2. General Managers. ~~If you are not acting in the capacity of general manager, you must.~~ You may hire a general manager as soon as you have identified a location for your Business, to assume responsibility for the daily on-site to assist the Managing Owner with the onsite management and supervision of the Madabolic Business. Any Person you hire as a general manager must: (a) successfully complete all training programs we require; and (b) sign a Brand Protection Agreement. Either the Managing Owner or a general manager must be present at your Madabolic Business to provide onsite management and supervision for a reasonable number of your Business, but only if: (i) the general manager successfully completes the initial training program (and you pay us the associated training fee, if applicable); (ii) hours each week. The Managing Owner must supervise the general manager signs a Brand Protection Agreement; and (iii) the Managing Owner agrees to assume responsibility for the on-site management and supervision of your Business if the general manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement general manager. The Managing Owner is responsible for supervising and managing your general managers to ensure your the Madabolic Business is operated in accordance with this Agreement and the Manuals.

8.3. Fitness Instructors Trainers. ~~No Person other than a certified Trainer may. All fitness instructors who teach classes or otherwise provide fitness training at your facility must successfully complete our fitness instructor training program before teaching or training at your facility. Currently our fitness instructor training program takes place in Charlotte, North Carolina. Alternatively, you may request that we send a representative to your facility to train your new fitness instructors onsite (however you would need to reimburse us for our costs in addition to paying the training fee). In the future we may institute a program that allows a franchisee to have a certified trainer who provides initial training to new instructors at their facility.~~ Facility. In order to be certified, the Person must successfully complete Fitness Instructor Training. You are responsible for conducting background checks on all of your fitness instructors Trainers (and other employees) to ensure they do not present a safety risk to your members Members. You must appoint one of your Trainers to serve as your “lead” Trainer. You must obtain our approval of the Person you appoint as your Lead Trainer at least six (6) weeks prior to your opening date. The Lead Trainer will help recruit, hire and teach new Trainers (aside from training camp), conduct periodic Trainer evaluation and provide feedback on performance, and prepare the weekly training schedule. At all times after your opening date you must have a minimum of four (4) Trainers.

8.3.8.4. Other Employees. You must determine appropriate staffing levels for ~~your the Madabolic~~ Business to ensure full compliance with this Agreement and our system standards. You may hire, train and supervise employees to assist you with the proper operation of the Madabolic Business. You must pay all wages, commissions, fringe benefits, worker’s compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day-to-day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business eEntity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment

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

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

9. FRANCHISEE AS ENTITY. ~~If you are an Entity, you agree to provide us with a~~ You represent that Part A of ATTACHMENT "A" includes a complete and accurate list of ~~all of~~ your Owners. Upon ~~our~~ request, you must ~~provide~~ send us ~~with~~ a resolution of the Franchisee Entity authorizing the execution of this Agreement, a copy of the Franchisee Entity's organizational documents and a current Certificate of Good Standing ~~(or the functional equivalent thereof).~~ ~~You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation.~~

10. FRANCHISE OWNER AGREEMENT. ~~If you are an Entity, all Owners (whether direct or indirect), and in certain states the spouses, Each Owner of the Owners Franchisee Entity, and the spouse of each Owner who is a natural Person, must sign a Franchise Owner Agreement, the current form of which is attached as ATTACHMENT "D".~~

11.10. ADVERTISING & MARKETING.

11.1.10.1. Brand and System Development Fund.

(a) ~~Administration.~~ We ~~have established and maintain~~ administer a brand and system development fund to promote public awareness of our brand and ~~to~~ improve our System. On each royalty payment due date, you must pay us a brand fund fee in the amount we designate from time to time (currently 1.5% of Gross Sales, but not to exceed 3% of Gross Sales). We will notify you at least 90 days in advance of any increase to the brand fund fee. We deposit all brand fund fees and noncompliance fees we collect into the fund. We may use the fund to pay for any of the following in our sole discretion: ~~(i) developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs~~

(i) developing, maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs; (ii)

(ii) conducting and administering promotions, contests or giveaways;

- (iii) improving public awareness of ~~any of~~ the Marks; ~~(iii)~~
- (iv) public and consumer relations and publicity; ~~(iv)~~
- (v) brand development; ~~(v)~~
- (vi) sponsorships;
- (vii) charitable and non-profit donations and events;
- (viii) research and development of technology, products and services; ~~(vi)~~
- (ix) website development and search engine optimization; ~~(vii)~~
- (x) development and maintenance of an ecommerce platform;
- (xi) development and implementation of quality control programs; ~~(viii)~~, including the use of mystery shoppers or Member satisfaction surveys;
- (xii) conducting market research; ~~(ix)~~
- (xiii) changes and improvements to the System; ~~(x)~~
- (xiv) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; ~~(xi)~~
- (xv) collecting and accounting for contributions to the fund; ~~(xii)~~
- (xvi) preparing and distributing financial accountings of the fund; ~~(xiii)~~
- (xvii) any other programs or activities that we deem necessary or appropriate to promote or improve the System; and ~~(xiv) our and our affiliates' expenses associated with~~
- (xviii) direct or indirect labor, administrative, overhead ~~or~~ and other expenses incurred in relation by us and/or our affiliates relating to any of these activities-, including salary, benefits and other compensation of any of our (and any of our affiliate's) officers, employees or independent contractors based on time spent working on any brand fund matters described above.

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

~~(b) — Contributions. On the 10th day of each month, you must pay us a brand and system development fund fee equal to 1.5% of your Gross Revenues for the prior month's operations. Your required contributions to the brand and system development fund commence immediately upon the earlier to occur of (i) your collection of any membership fee or (ii) the date your Business opens to the public. Upon 90 days' prior notice, we may increase the required contribution up to a maximum of 3% of your Gross Revenues. We will deposit into the fund all: (i) fund contributions paid by you and other franchisees; and (ii) fines paid by you and other franchisees.~~

11.2.10.2. Marketing Assistance From Us. We will provide ~~you with our~~ recommended marketing plan for your Business. ~~The marketing plan, which~~ may be included in the Manual ~~located within our learning management system.~~ We will also assist you in developing a grand opening marketing plan to promote the opening of your Business, including digital marketing, local advertising and grassroots marketing. We may create and make available to you advertising and other marketing materials for your purchase. We may: (a) use the brand ~~and system development~~ fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. ~~We may make;~~ (b) provide online access to these materials ~~available over the Internet (, in which case you must arrange for printing/print the materials at your expense; and paying all printing costs).~~ ~~Alternatively, we may enter into relationships/or~~ (c) contract with third-party suppliers ~~who will to create the advertising or marketing and sell these materials for your purchase to you.~~ We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis.

11.3.10.3. Your Marketing Activities.

(a) Grand Opening Marketing. You must pay us a \$17,000 grand opening marketing fee at the time you sign the lease for your Facility. We will use these funds to implement your grand opening marketing campaign in accordance with the grand opening marketing plan we assist you in developing. ~~We Generally. After opening, you must spend a minimum of these funds during the grand opening period, which begins 60 to 90 days before your opening date and ends 30 days after your opening date. We will refund or credit back to you any portion of the grand opening marketing fee that we do not spend. Instead of paying the grand opening marketing fee to us, we may, at our option, require you to: (i) pay these funds to a third-party marketing company that we designate; or (ii) spend these funds yourself on approved grand opening marketing and promotional activities in accordance with your grand opening marketing plan.~~

(b) Ongoing Marketing. Commencing with your opening date, you must spend a monthly amount equal to or greater than your Local Marketing Commitment on local advertising to promote your Madabolic Business. Your "Local Marketing Commitment" is: (a) \$2,000 per month ~~on approved local marketing and advertising (your "Local Marketing Commitment") until your Business has a minimum of 200 paying members. The Local Marketing Commitment will be reduced to \$1,000 per month at any time that your Business has a minimum of 200 paying members. However, the \$2,000 per month Local Marketing Commitment will be immediately and automatically reinstated at for any time~~ month that your Business has fewer than 200 paying Members, measured as of the first (1st) day of the month; or (b) \$1,000 per month for any month that your Business has at least 200 paying members. ~~We will~~ Members, measured of the first (1st) day of the month. We measure your compliance with ~~the Local Marketing Commitment on this requirement on~~ a rolling six-month basis, meaning ~~that~~ as long as your average monthly expenditure on local advertising over the six-month period equals or exceeds the ~~applicable~~ Local Marketing Commitment amount, you ~~will be~~ are deemed in compliance even if your expenditure in any given month is less than the ~~applicable~~ Local Marketing Commitment ~~amount. We must approve all of your local. The grand opening marketing fee and advertising brand fund fees are in accordance with Section 11.3(d), addition to, and not credited towards, your Local Marketing Commitment.~~ You ~~agree to~~ must participate at your own expense in all advertising, promotional and marketing programs ~~that~~ we require, including any advertising cooperative ~~that~~ we establish pursuant to ~~Section §10.4. Your Local Marketing Commitment is in addition to your required contribution to the brand and system development fund.~~

(b) ~~Grand Opening.~~ At the time you sign the lease for your facility, you must pay us a \$17,000 grand opening marketing fee. We will spend all of these funds on your grand opening marketing activities during the 60 to 90 day period preceding your opening date and 30 days following your opening date. We do not retain any portion of this fee as profit. We will control how and when these funds are spent. We reserve the right to require that you instead pay these funds to a designated third party marketing company or

~~directly spend these funds yourself on approved local marketing, advertising and promotional activities during the 60 to 90 day period preceding your opening date and 30 days following your opening date. The franchisee will work with the openings team to create a plan to spend funds on digital marketing, local advertising and grassroots marketing.~~

(c) Standards for Advertising. All advertisements and promotions ~~that~~ you create or use must be completely factual ~~and~~ conform to the highest standards of ethical advertising and comply with all ~~federal, state and local laws.~~ Laws. You must ensure ~~that~~ your advertisements and promotional materials do not infringe upon the intellectual property rights of others. ~~We reserve the right to require that you~~ You must comply with any minimum advertised pricing policy ~~that~~ we establish from time to time.

(d) Extraterritorial Advertising. You may advertise and market outside your Territory as long as you: (i) comply with all policies and procedures in the Manual governing extra-territorial marketing; and (ii) do not ~~conduct any~~ engage in targeted marketing ~~that is directed outside of your Territory into any territory or development territory assigned to us, our affiliate or another franchisee (unless the marketing is conducted as part of an advertising cooperative that includes the affected territory).~~ Marketing that is distributed, circulated or received both within your Territory and within ~~an area outside your Territory~~ another territory is not deemed to be “targeted marketing” if: (i) you use reasonable efforts to limit the circulation or distribution of the advertising to areas within your Territory; and (ii) the majority of the recipients of the advertising are located within your Territory and there is only incidental circulation or distribution ~~outside of your Territory.~~ within a territory assigned to us, our affiliate or another franchisee. The meaning of “targeted marketing” that is “directed into ~~an area~~ a territory” may be further defined in the Manual, but examples include direct mail ~~that is~~ sent to addresses within a given ~~area~~ territory, digital advertising ~~that is~~ sent to devices with IP addresses ~~that are~~ registered within a given ~~area~~ territory and ~~setting up~~ conducting promotional events ~~that take place~~ within a given ~~area~~ territory.

(d)(e) Approval of Advertising. ~~Before you~~ Prior to use ~~them,~~ we must approve all advertising and promotional ~~marketing~~ materials ~~that we and programs you intend to use, including: (i) all advertising and marketing materials we did not prepare or previously approve (including materials that we prepared or; and (ii) any materials we prepare or approve and you modify. We must also approve the media you intend to use. You may not use any advertising materials, programs or media that we have not approved or that we approve and you modify).~~ later disapprove. We ~~will be deemed to have disapproved the~~ 30 days to review and approve or disapprove advertising and marketing materials if we fail and programs you submit. Our failure to issue our approval within 30 days after receipt. ~~You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove).~~ the 30-day period constitutes our disapproval. Any advertising you propose and we approve will be deemed an “Improvement” for purposes of §17.5.

(e) ~~Internet and Websites.~~ You may market your Business through approved social media channels in accordance with our social media policy. We may require that you utilize our designated supplier for social media marketing services. At this time, we do not allow our franchisees to maintain their own websites (other than the localized webpage that we provide) or market their Madabolic facilities on the Internet (other than through approved social media outlets). Accordingly, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Business. If we change our policy at a later date to allow franchisees to maintain their own websites or market on the Internet, you may do so only if you comply with all of the website and Internet requirements that we specify. In that case, we may require that you sign an amendment to this Agreement that will govern your ability to maintain a website and/or market on the Internet.

(f) Social Media. You may promote your Madabolic Business using social media provided that:

- (i) you only utilize social media platforms we approve;
 - (ii) you strictly comply with our social media policy, as revised from time to time;
 - (iii) you immediately remove any post we disapprove;
 - (iv) you contract with and exclusively utilize any social media company we designate;
 - (v) you provide us with full administrative rights to your social media accounts; and
 - (vi) we retain ownership of all social media accounts relating to your Madabolic Business.
- (g) Internet and Websites. Without our prior approval, which we may withhold in our sole discretion, you may not: (i) develop, host or otherwise maintain a website (other than the webpage we provide) or other online or digital presence in connection with your Madabolic Business, including any website bearing our Marks; (ii) conduct digital or online advertising or marketing; or (iii) engage in ecommerce.

11.4.10.4. Advertising Cooperative. We ~~have the right~~may, but ~~need not the obligation, to create one or more, establish regional~~ advertising cooperatives for ~~the purpose~~purposes of creating and/or purchasing advertising programs for the benefit of all ~~franchisees operating within a particular region. We have the right to: (i) allocate any portion of the marketing fund fee~~Madabolic Businesses located in a particular region. We may: (a) determine the boundaries of the cooperative; (b) specify the manner in which the cooperative is organized and governed; (c) require the cooperative to be administered in accordance with written bylaws, organizational documents or other governing documents that we approve; and (d) require you to the advertising cooperative; (ii) determine the composition of all geographic territories and market areas for each advertising cooperative; and (iii) require that you participate in any advertising cooperative if and when established by us. If we implement an advertising the cooperative, we may establish an advertising council to self administer the advertising cooperative. You must participate in the council according to the council's its rules and procedures and you must abide by abide by its decisions. You must pay the cooperative advertising fee, which will be due on each royalty payment due date or such other date specified by the council's decisions. Alternatively, we may administer the advertising cooperative ourselves. You must pay. We may set the monthly minimum cooperative advertising fee established by us or the council, as applicable, which will be due on the 10th day or we may allow the cooperative to set the cooperative advertising fee based on majority vote of each month for the prior month's operations its members. The cooperative advertising fee shall will not exceed \$1,000 per month unless the a higher amount is approved by majority vote of all franchisees within members of the cooperative vote to increase the. We may either: (a) collect cooperative advertising fee fees and remit them to the cooperative; or (b) require you to more than \$1,000 per month pay these fees directly to the cooperative. All cooperative advertising fees that you pay will bear be credited against your minimum local marketing expenditure requirement set forth in Section 11.3(a). If we or an affiliate of ours operate a majority of the Madabolic facilities within the advertising cooperative, we will increase the cooperative advertising fee only with the consent of a majority of all third party franchisees within the advertising cooperative. We will collect all cooperative advertising fees and pay them to the applicable advertising cooperative unless we administer the advertising cooperative ourselves towards your Local Marketing Commitment. We reserve the right to form, change, merge or dissolve advertising cooperatives in our discretion.

12.11. OPERATING STANDARDS.

12.1.11.1. Generally. You ~~agree to must~~ operate your Madabolic Business: (i) in a manner that will promote the goodwill of the Marks; and (ii) in full compliance with our standards and all other terms of this Agreement and, the Manual. and our standards in order to maintain the goodwill associated with the Marks.

12.2.11.2. Brand Standards Manual. You ~~agree to establish~~must develop and operate your Madabolic

Business in ~~accordance~~strict compliance with the Manual. The Manual may contain, among other things: ~~(i)~~

- ~~(i) architectural plans and specifications for the design, dimensions, layout, equipping and trade dress for a prototype Madabolic facility;~~
- ~~(ii) a list of (a) goods and services (or specifications for goods and services) you must purchase to develop and operate your Madabolic Business and (b) designated and approved suppliers;~~
- ~~(iii) a description of the authorized goods and services that you may offer at your Business sell, including memberships, fitness classes, training programs, merchandise, and supplements and other goods and services you sell; (ii) mandatory and suggested;~~
- ~~(iv) specifications, techniques, methods, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for Madabolic franchisees; (iii) mandatory reporting and insurance requirements; (iv) mandatory and suggested specifications for your Business facility; (v); and~~
- ~~(v) policies and procedures pertaining to any: (a) reporting; (b) insurance; (c) marketing and advertising; (d) gift card, loyalty and/or membership program that we establish; and (vi) a written list of goods and services (or specifications for goods and services) you must purchase for the construction, development and operation of your Business and a list of any designated or approved suppliers for these goods or services. The Brand Standards programs; (e) data ownership, protection, sharing and use; and (f) any other matters we deem appropriate.~~

The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. Madabolic Businesses. We can modify the Manual at any time. ~~The modifications will become binding 30 days after~~Modifications are binding at the time we notify you of the change, subject to any “grace period” we send you notice of provide to implement the modification change. All mandatory provisions ~~contained~~ in the Manual (whether ~~they are~~ included now or in the future) are binding on you.

12.3.11.3. Authorized Goods and Services.

- ~~(a) Generally.~~ You ~~agree to must~~ offer all goods and services ~~that~~ we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services ~~at your Business~~ without our prior ~~written permission.~~ You approval. We may ~~not use your facility or permit your facility to be used for any purpose other than offering the change authorized~~ goods and services ~~that we authorize~~ at any time and you must comply with our instructions regarding same. Any such change shall not constitute a termination of this Agreement.
- ~~(b) Classes, Exercises and Training Programs.~~ You may only offer the specific classes, exercises and training programs that we designate. You may not alter or deviate from our required classes, exercises or training programs without our prior approval. You may not purchase or utilize any exercise equipment, training equipment, or exercise supplies that we have not approved.
- ~~(c) Memberships.~~ You must offer only the memberships (and associated options) that we designate. Your memberships must include all of the features and benefits, and only the features and benefits, that we prescribe. ~~You may not offer any “packages” other than the “packages” we prescribe or authorize. We may, without obligation to do so, add, modify or delete authorized goods and services, and you must do the same upon notice from us~~ You must comply with all policies and procedures in the Manual regarding the offer and sale of group memberships (a group is defined as five (5) or more Persons). ~~Our addition,~~

~~modification or deletion of one or more goods or services shall not constitute a termination of the franchise or this Agreement.~~

(d) Retail Items. You must carry the full product line of retail items we designate and comply with all merchandising policies, product mix, minimum stocking requirements and related policies described in the Manual, including any minimum quarterly stocking requirements.

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

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

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

11.7. Pricing. We will provide you with our suggested retail pricing ~~for the memberships and other goods and services you will sell. To~~. You may deviate from our suggested retail pricing at your discretion; *provided, however, that to* the extent permitted by applicable ~~l~~aw, we may (a) set maximum or minimum prices on the goods and services you ~~offer~~sell, including membership fees. ~~We will provide you with all~~ and/or (b) establish the membership pricing plans and initial offers, ~~which you must utilize in your business. You may not deviate from our pricing plans and initial offers without our written consent.~~ you must implement.

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

~~12.4. Memberships. You may conduct business at off site events and sell group memberships (a group is defined as 5 or more people) outside of your Territory only if: (i) the location is not within a territory operated by us, our affiliate or another franchisee; (ii) you notify us in writing prior to conducting such business or selling group memberships; (iii) you immediately cease conducting off site events and selling group memberships in any area that is subsequently operated by us, our affiliate or another franchisee; and (iv) you follow all of our instructions to transition any group membership to us, our affiliate or another franchisee (as applicable) that subsequently operates the area. If you are asked to conduct business at off site events in an area operated by us, our affiliate or another franchisee, you must refer that request to us, our affiliate or the other franchisee (as applicable). Similarly, if you are asked to provide group membership programs to a group of persons whose headquarters are in an area operated by us, our affiliate or another franchisee, you must refer that request to us, our affiliate or the other franchisee (as applicable). If we, our affiliate or another franchisee is requested to conduct business at off site events in your territory or provide group membership programs to a group of persons whose headquarters are in your Territory, we, our affiliate, or the other franchisee (as~~

applicable) must refer that request to you. At any time, we may establish, modify or develop new policies for conducting business at off-site events outside your Territory and selling group memberships and you must comply with all such policies. We may describe these policies in the Manuals. Any new policies may result in changes to your ability to conduct business at off-site events outside your Territory and/or sell group memberships.

12.5. Membership Model and Loyalty Programs. You will operate your Business using the membership model that we designate. You must offer all membership options that we require. You may not offer any other membership options that we have not approved. The details of our membership program may be described in the Manual and may change from time to time. You must comply with all policies and other requirements that we specify from time to time with respect to the membership program. Without limiting the generality of the foregoing, we reserve the right to implement policies for transfers of memberships or to allow memberships to be utilized at multiple locations, in which case we may implement new software and/or Apps to monitor sales and allocate payments of the monthly membership fees to the Madabolic facility where goods or services are redeemed (either in whole or on a percentage basis). We may also require that you participate in a gift card or other form customer loyalty program in accordance with our policies and procedures. In order to participate, you may be required to purchase and utilize additional equipment, software and/or Apps and pay fees relating to the use of that equipment, software and/or Apps. If we establish a gift card program, we have the right to determine how the amount of the gift cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards. You agree to comply with all policies and procedures that we specify from time to time relating to customers who purchase a gift card from one Madabolic facility and redeem the card at another Madabolic facility. We may implement new software and/or Apps to monitor gift card sales and allocate payments to the Madabolic facility where goods or services are redeemed (either in whole or on a percentage basis), in which case we may require that the proceeds from gift card sales be deposited into a trust account that we control. We may also adopt policies regarding cooperation between franchisees relating to customers who purchase a membership or gift card at one Madabolic facility and redeem products or services from one or more other Madabolic facilities. You agree to comply with all policies and procedures that we specify and we may modify these policies and procedures at any time.

12.6.11.9. Suppliers and Purchasing. You ~~agree to~~must purchase or lease all products, supplies, equipment, services and other items specified in the Manual ~~from time to time. If required by the~~ The Manual, may require that you ~~agree to~~ purchase certain goods and services only from suppliers ~~designated~~we designate or ~~approved by us (which~~approve. These suppliers may include, ~~(or be limited exclusively to,)~~ us or our affiliate). ~~You acknowledge that our~~ Our right to specify the suppliers ~~that you may use is necessary and desirable so that~~so we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ~~ongoing~~ operation of Madabolic ~~facilities, maintain the confidentiality of our Businesses, protect our~~ trade secrets, ~~obtain discounted prices for our franchisees if we choose to do~~ so negotiate bulk purchase discounts, and protect the reputation and goodwill associated with the System and the Marks. We have no liability to you for the acts, errors or omissions of, or any defective goods or services supplied by, any third-party supplier we designate or approve, provided that we exercise our discretion in good faith in designating or approving such supplier. If we receive rebates or other ~~financial~~ consideration from ~~these~~ suppliers based ~~upon franchisee on your~~ purchases; we have no obligation to pass ~~these amounts on them through~~ to you or ~~to use them for your benefit.~~any particular purpose. If you ~~want~~wish for us to approve a supplier ~~that you propose~~, you must send us a ~~written notice~~ request for approval specifying the supplier's name and qualifications and provide ~~any~~all additional information ~~that~~ we request. We will approve or reject your request within 30 days after we receive your ~~notice~~request and all ~~additional~~ information (and samples) ~~that~~ we require. We ~~shall be~~are deemed to have rejected your request if we fail to issue our approval within the 30-day period. You must pay us ~~\$50 for each product or vendor that you propose for our evaluation and \$~~a testing fee to help cover costs we incur to evaluate products and suppliers you propose. The testing fee is \$150 (per test) for each piece of equipment that you propose and \$50 (per test) for our evaluation. The fee is due 10 days after invoicing.

Equipment Maintenance all other products, services and Changes suppliers.

~~You agree to maintain all of your equipment in good condition and promptly replace or repair any~~

equipment that is damaged, worn out or obsolete. We may require that you change your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System and you agree to comply with any such required change within the time period that we reasonably prescribe.

12.7.11.10. Technology Systems.

- (a) ~~Generally. You must acquire and utilize all information and communication technology systems that we specify from time to time, including, without limitation, computer systems, webcam systems, telecommunications systems, security systems, music systems and similar systems, together with the associated hardware, software (including cloud based software) and related equipment, software applications, mobile apps, and third party services relating to the establishment, use, maintenance, monitoring, security or improvement of these systems (collectively referred to as the "Technology Systems").~~ Generally. You must acquire and utilize all Technology Systems we require from time to time. Technology Systems may relate to matters such as purchasing, pricing, accounting, order entry, inventory control, security, information storage, retrieval and transmission, ~~customer~~ Member information, Member management, customer loyalty, marketing, communications, copying, printing and scanning, or any other business purpose ~~that~~ we deem appropriate. We may require that you, ~~at your expense~~, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, at your expense upon reasonable prior notice. You are solely responsible for: (i) the acquisition, operation, maintenance, updating and upgrading of your Technology Systems; (ii) the manner in which your Technology Systems integrate and interface with our computer system and those of third parties; and (iii) any consequences resulting from improper use or operation, or failure to properly maintain, update or upgrade, Technology Systems.
- (b) Use and Access. You must utilize your Technology Systems in accordance with the Manual and comply with all associated data entry policies. You may not load or permit any unauthorized programs or games on your Technology Systems. You must ensure ~~that~~ your employees are adequately trained in the use of the Technology Systems. You agree to take all steps necessary to ~~enable~~ provide us ~~to have with~~ independent and unlimited access to ~~the operational~~ data collected through your Technology Systems, including ~~information regarding your~~ Gross Revenues/Sales data for purposes of calculating fees owed. Upon ~~our~~ request, including upon termination or expiration of this Agreement, you ~~agree to~~ must provide us with the user IDs and passwords for your Technology Systems, ~~including upon termination or expiration of this Agreement.~~
- (c) Disruptions. You are solely responsible for protecting against computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Upon ~~our~~ request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.
- (d) Email Accounts. As part of what you receive for the technology fee, we provide you with Madabolic email addresses for use with your Business. You must exclusively use the email addresses we provide for all communications with us, Members, suppliers and other Persons relating to your Business. You may not use them for any purpose unrelated to your Business. We own the email addresses and accounts but allow you to use them during the Term. We have the independent right to view your email accounts and emails at any time.
- (e) Fees and Costs. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from third-party suppliers. We and/or our affiliate may develop proprietary software, technology or other components of the Technology Systems that will become part of our System. If this occurs:

~~(i)~~ you agree to: (i) pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees; and (ii) upon our request, ~~you agree to~~ enter into a license agreement with us (or our affiliate) in a form ~~that~~ we prescribe governing your use of the proprietary software, technology or other component of the Technology Systems. ~~We also reserve the right to~~ We may enter into master agreements with third-party suppliers relating to any components of the Technology Systems and ~~then~~ charge you for all amounts ~~that~~ we ~~must~~ pay to these suppliers based ~~upon~~ your use of their software, technology, equipment, or services ~~provided by the suppliers.~~ The “technology fee” includes all amounts ~~that~~ you ~~must~~ pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts ~~that~~ we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based ~~upon~~ changes to the Technology Systems or ~~the~~ prices charged by third-party suppliers with whom we enter into master agreements. We may include within the technology fee a commercially reasonable administrative fee to compensate us for the time, money and resources we invest in administering the technology platform and associated components, negotiating and managing contracts with third-party licensors, and collecting and remitting technology fees owed to third-party licensors on behalf of franchisees under master license arrangements. The technology fee does not include any amounts ~~that~~ you pay directly ~~pay~~ to third-party suppliers ~~for any component of the Technology Systems.~~ The technology fee is due 10 days after invoicing or as we otherwise ~~specified by us from time to time.~~ ~~As of the Effective Date, we charge a technology fee of \$795 per month. This fee covers a number of items, including: (i) our costs associated with managing and maintaining our intranet, providing you with email accounts and website support, and conducting ongoing technology research and development (\$100 per month); (ii) monthly licensing fees paid to the licensor of the scheduling and payment processing software (\$455 per month); (iii) and monthly licensing fees paid to the licensor of the business management software (\$250 per month). In the event that our costs are increased by outside vendors, we maintain the right to pass these increases along to you.~~ specify. The Manual will list our current technology fee as well as the software, technology and other goods and services we provide in exchange for the technology fee.

12.8.11.11. Remodeling and Maintenance Renovations. You ~~agree to~~ must remodel, renovate and make all improvements ~~and alterations~~ to your facility Madabolic Business that we reasonably require from time to time to reflect conform to our then-current image, appearance standards and facility specifications. ~~There is no limitation on the cost of these changes. However, we~~ We will not require that you ~~complete any significant remodeling~~ remodel your Facility more than once during any five (5) year period, except as a condition to renewing a Transfer or transferring renewal of your franchise. There is no limitation on the cost of any remodeling we may require. You may not remodel or significantly alter your premises without our prior ~~written approval, which will not be unreasonably withheld. However we~~ We will not ~~be required to~~ approve any proposed remodeling or alteration ~~if the same would not conform to~~ that is inconsistent with our then-current standards and specifications, standards or image requirements.

11.12. Facility Maintenance and Cleaning. You ~~agree to~~ must maintain your ~~f~~ Facility in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to ~~comply with~~ conform to our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your ~~sole~~ expense: (i) thorough cleaning, repainting, redecorating of the interior and exterior of the facility Madabolic Business’s premises at the intervals we ~~may~~ prescribe (or at such earlier times that such actions are required or advisable); and (ii) interior and exterior repair of the facility Madabolic Business’s premises as needed. You ~~agree to~~ must comply with any maintenance, cleaning or facility upkeep schedule ~~that~~ we prescribe ~~from time to time.~~ You must hire. Maintaining a clean and sanitary environment is an essential component of our brand standards. Accordingly, you must contract with a professional cleaning ~~services that meets our~~

~~minimum standards and requirements~~ company to thoroughly clean your facility on a daily basis. The cleaning company must satisfy our minimum standards and criteria and be approved by us. We may require that you use a cleaning company we designate.

~~12.9.11. Music.~~ You may only play the music at your facility that we specify or otherwise approve. We may require that you purchase your music through a designated music vendor. We may purchase your music licensing fee from ASCAP/BMI and require you to reimburse for all such licensing and other fees that we pay on behalf of your facility.

~~12.10. Minimum Class Frequency, Equipment Maintenance and Changes.~~ You must offer a minimum of 23 classes per week upon opening. You agree to notify us of maintain your class schedule, and equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you ~~may not~~ change your ~~class schedule~~ without giving us prior notice. When you initially open, you may be required ~~equipment.~~ Our right to require significant equipment changes is critical to ~~reduce~~ our ability to administer and change the ~~number~~ System and you must comply with these changes within the time period we reasonably specify.

11.14. System Programs.

- (a) Generally. We may periodically develop and implement membership programs, loyalty programs, gift card programs and other system-wide programs. You must fully participate in all programs we designate as mandatory. In order to participate you must: (i) comply with all policies and procedures we establish for participation in the program; (ii) purchase (or license) and utilize all equipment, software, mobile applications (Apps), technology and others items we designate as being necessary for participation in the program, and pay all associated fees and costs; and (iii) pay us, our affiliate, or a third party we designate, all program fees and other amounts we specify as being necessary for participation in the program (collectively, "Program Participation Rules"). Program Participation Rules may be set forth in the Manual. We may change Program Participation Rules at any time and you must comply with these changes. We may develop and implement new or successor programs and/or modify or terminate existing programs at any time in our discretion.
- (b) Membership Program. We may require that all Madabolic Businesses operate under a membership model, in which case your Madabolic Business must honor memberships and the associated benefits and privileges even if the member purchased their membership from another Madabolic Business. We have the right to: (i) determine how membership fees are divided or otherwise accounted for; (ii) require that all membership fees be paid to us or deposited into a trust account we control for subsequent disbursement to the Madabolic Businesses(s) visited by the member; (iii) adopt policies regarding cooperation between franchisees relating to members who utilize the services of, or enjoy membership privileges at, multiple Madabolic Businesses, including policies for the transfer of memberships between Madabolic Facilities; and (iv) designate the use of ~~classes offered.~~ new Technology Systems to monitor sales and allocate payments to the Madabolic Business(s) visited by the member, either in whole or on a percentage basis. We may require that you utilize the form of membership agreement we specify. You must hire an attorney, licensed in your state, to review the membership agreement and advise you of any changes necessary to comply with any local Laws affecting the form of membership agreement you use. You must obtain our approval of any such changes prior to implementation.
- (c) Loyalty Program. You must fully participate and implement all required customer loyalty, rewards and other affinity programs designed to increase customer loyalty, generate new Members or improve overall demand for Madabolic Businesses.
- (d) Gift Card Program. You must participate in any gift card program we establish and honor all gift cards, even if purchased from us or another Madabolic Business. You may not sell gift

cards we have not approved. We have the right to: (i) determine how gift card proceeds are divided or otherwise accounted for; (ii) require that gift card proceeds be paid to us or deposited into a trust account we control for subsequent disbursement to the Madabolic Business(s) where the gift card is redeemed; and (iii) retain proceeds from unredeemed gift cards.

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

12.11.11.16. Hours of Operation and Class Frequency. ~~You.~~ Your Madabolic Business must be open for business during the minimum days and hours of operation that we specify, which is currently 7 days per week, set forth in the Manual, subject to any conflicting requirements in your lease or imposed by Law. You must establish specific days and hours of operation and submit those hours to us for approval. You must offer the a minimum of 23 classes per week commencing with your opening date, subject to our instruction or authorization to reduce the number of classes each week that we specify, offered. You agree to must notify us of your class schedule, and you. You may not change your class schedule without giving us prior written notice. We will provide an annual calendar of the days locations may be closed, and you are required to be open on all other days.~~change.~~

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

11.18. Quality Assurance Programs. ~~At any time, we reserve the right to.~~ For quality control purposes we may: (a) periodically inspect your Madabolic Business in accordance with §6.4 and §16.1; and/or (b) engage the services of one or more a “mystery shoppers” or quality assurance inspection firms who will firm to inspect your Madabolic facilities for quality control purposes. These inspections Business. Inspections may address a variety of issues, including: customer service; utilization of approved training programs, workouts and exercises, safety, and equipment; sanitation; and cleanliness; inventory rotation, etc. You agree to must fully cooperate with any such inspection. If we implement such a program, you may be invoiced directly by the mystery shopper or quality assurance firm for the services rendered. Alternatively, we may be invoiced by the mystery shopper or all inspections. If we engage a mystery shopper or quality assurance firm, in we may require that you directly pay the mystery shopper or firm for the cost of the inspection. Alternatively, we may pay for the cost of the inspection, in which case you must reimburse us. We may implement a scoring system pursuant to which you must pay your proportional share of the total fee each Madabolic Business receives a “grade” or “score” based on the number of open Madabolic facilities owned by you as compared to the total number of all open Madabolic facilities at the time of the program (including company and affiliate-owned facilities). You agree to pay us this fee within 10 days after invoicing inspection results. Your failure to achieve a passing grade or score constitutes a default under this Agreement. You must implement all corrective measures we require within the time period we specify to rectify any noncompliance issues revealed by an inspection.

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

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

14.13. FEES

14.1.13.1. Initial Franchise Fee. You agree to pay us a ~~\$45~~50,000 initial franchise fee in one lump sum at the time you sign this Agreement. The initial franchise fee is fully earned by us and ~~non-refundable~~nonrefundable once this Agreement ~~has been~~is signed.

14.2.13.2. Royalty Fee. On the 10th day of each month, you ~~agree to~~must pay us a royalty fee equal to the greater of: (a) 6% of ~~your~~ Gross ~~Revenues~~Sales generated during the immediately preceding month; or (b) the minimum ~~monthly~~ royalty fee. The “minimum ~~monthly~~ royalty fee” is \$1,500 per month and begins the 13th month after the Effective Date of this Agreement, ~~regardless of whether you have opened your Business.~~ You are not required to pay any minimum ~~monthly~~ royalty fee prior to the 13th month after ~~your opening date~~the Effective Date. Your percentage-based royalty fee ~~commences~~and brand fund fee commence immediately upon the earlier to occur of (i)a ~~the date you collect~~ your ~~collection of any first~~ membership fee or (ii)b the date your Business opens to the public.

14.3.13.3. Other Fees and Payments. You ~~agree to~~must pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in ~~this Section~~ §13. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based ~~upon~~ goods or services ~~that~~ you sell or ~~based upon~~ goods or services ~~that~~ we furnish to you ~~(other than, excluding~~ income taxes ~~that we pay~~imposed on us based on ~~amounts that~~fees you pay us under this Agreement).

14.4.13.4. Due Date & Late Fee. Payments are due 10 days after invoicing unless otherwise specified. If any sums due under this Agreement ~~have~~s not been received by us when due ~~for~~ there are

insufficient funds in your Account to cover ~~any sums owed to us~~ the sum when due), then, in addition to ~~those sums,~~ this sum you must pay us a \$25 ~~late charge~~ plus default interest on the amounts past due at ~~the~~ a rate equal to the lesser of 18% per annum (pro-rated on a daily basis), ~~or the highest rate permitted by your State's law. If no due date has been specified by us, then interest begins to run 10 days after we bill you.~~ applicable Law. We will not impose a late fee for any amounts paid pursuant to ~~Section~~ §13.5 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the ~~payments at the time the payments became~~ payment when due and payable. However, we may impose a late fee for any amounts; provided, however, that if we are unable to ~~reasonably~~ determine the amount due ~~to~~ because of your failure to ~~furnish us with a report required by Section 16.3 within the required period of time or~~ record sales or submit Gross Sales reports in a timely manner, ~~in which case we may assess a late fee on the entire amount that was due and payable. You acknowledge that this Section.~~ This §13.4 shall not constitute our agreement to accept the late payments after same are due, or a commitment by us to extend credit to or otherwise finance the operation of your Business. you.

14.5.13.5. Method of Payment. ~~You must complete and~~ No later than 15 days after the Effective Date, you must send us ~~an a completed and executed ACH Authorization Form allowing~~ Agreement authorizing us to electronically debit ~~a banking account that you designate (your "designated Account") for:~~ (i) all fees payable amounts owed to us pursuant to this Agreement (other than the initial franchise fee); and (ii) any amounts that you owe to us or any of and our affiliates ~~for~~ on the purchase of goods or services. We will debit your Account for these payments ~~on or after the applicable~~ due date. ~~Our current form of ACH Authorization Form is attached to this Agreement as ATTACHMENT "E",~~ excluding any amounts due within 15 days after the Effective Date. You must sign ~~and deliver to us any all~~ other documents ~~that we~~ required by us or your bank ~~may require~~ to authorize enable us to debit your Account for ~~these~~ amounts owed. You must deposit all Gross Sales into the Account ~~all revenues that you generate from the operation of your Business within the period of time prescribed by the Manual. You must make~~ and ensure sufficient funds are available for withdrawal ~~by electronic transfer~~ before each payment due date. If there are insufficient funds in your Account ~~to cover all amounts that you owe,~~ any excess amounts ~~that~~ you owe will be payable upon demand, together with any late ~~charge~~ fee imposed pursuant to ~~Section~~ §13.4. We may also impose a \$50 NSF fee for each instance where either: (a) there are insufficient funds in your Account to cover amounts owed when due; or (b) a check you issue to us is returned due to insufficient funds.

13.6. Application of CPI Adjustments. We reserve the right to periodically adjust all fees (including minimum fees) expressed as a fixed dollar amount based on changes to the Consumer Price Index in the United States (CPI). We may periodically review and increase these fees based on CPI changes, but only if the then-current CPI ("Current CPI") is more than 5% higher than the corresponding CPI in effect on: (a) the Effective Date of this Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments) ("Baseline CPI"). The adjusted fee shall be calculated by multiplying the current fee by a fraction: (a) the numerator of which is an amount calculated as the product of (i) 100 and (ii) the difference of Current CPI minus Baseline CPI; and (b) the denominator of which is Baseline CPI. We may utilize any CPI index series published by the U.S. Department of Labor or any comparable Governmental Authority that we deem appropriate. We currently use the following index: All Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average (1982-84 = 100), "All Items". We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We may implement no more than one (1) fee adjustment during any five (5) year period. If we decline to exercise our right to increase the fees in a given five (5) year period despite a 5% or greater CPI increase, that potential fee increase will accumulate and may be carried forward and applied in connection with a subsequent fee adjustment.

14.6.1.1. Payments. ~~We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.~~

15.14. BRAND PROTECTION COVENANTS.

15.1.14.1. Reason for Covenants. ~~You acknowledge that the~~The Intellectual Property ~~and the~~ training and assistance ~~that~~ we provide would not be acquired except through implementation of this Agreement. You ~~also acknowledge~~agree that competition by you, the Owners or ~~p~~Persons associated with you or the Owners (including family members) could seriously jeopardize ~~the entire~~our franchise system because you and the Owners ~~have~~ received an advantage through knowledge of our day-to-day operations and Know-how ~~related to the System. Accordingly, you,~~ You and the Owners agree to comply with the covenants ~~described in this Section~~§ 14 to protect the Intellectual Property and our franchise system.

15.2. — Our Know-how Intellectual Property and Confidential Information. You and the Owners agree: ~~(i) neither you nor to:~~ (a) refrain from using any ~~Owner will use the Know-how~~Intellectual Property or Confidential Information in any business or ~~capacity for any purpose~~ other than the operation of your Madabolic Business pursuant to this Agreement; ~~(ii) you and the Owners will~~b) maintain the confidentiality of ~~the Know-how~~all Confidential Information at all times; ~~(iii) neither you nor any Owner will make~~c) refrain from making unauthorized copies of documents containing any Know-how; ~~(iv) you and the Owners will~~Confidential Information; (d) take all ~~reasonable~~ steps ~~that we reasonably~~ require ~~from time to time~~ to prevent unauthorized use or disclosure of ~~the Know-how~~Confidential Information; and ~~(v) you and the Owners will~~e) stop using the ~~Know-how~~Intellectual Property and Confidential Information immediately upon the expiration, termination or Transfer of this Agreement, ~~(and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement will~~must stop using the ~~Know-how~~Intellectual Property and Confidential Information immediately at the time he or she ceases to be an Owner~~).~~

15.3.14.3. Unfair Competition During Term. You and ~~your~~the Owners ~~agree~~may not ~~to unfairly compete with us~~engage in any Prohibited Activities during the Term ~~by engaging in any of the following activities (“Prohibited Activities”):~~ (i) ~~owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business;~~ (ii) ~~diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or~~ (iii) ~~inducing any member of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.~~

15.4. — Unfair Competition After Term. ~~During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities.~~ Notwithstanding the foregoing, you and ~~your~~the Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within, and does not provide competitive goods or services to ~~members~~customers who are located within, the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business ~~that is~~ permitted underby this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

15.5.14.4. Immediate Family Members. ~~The Owners acknowledge that they,~~ Because (a) an Owner could circumvent the ~~purpose~~intent of ~~Section~~§ 14 by disclosing ~~Know-how~~Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). ~~The Owners also acknowledge that~~ and (b) it would be difficult for us to prove whether the Owners disclosed Confidential Information to the ~~Know-how~~to family ~~members. Therefore~~member, each Owner agrees that he or she will be presumed to have violated the terms of ~~Section 15~~§ 14 if any member of his or her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses or discloses ~~the Know-how~~Confidential Information. However, the Owner may rebut this presumption by furnishing with evidence conclusively showing ~~that the Owner~~he or she did not disclose ~~the Know-how~~Confidential Information to the family

member.

15.6.14.5. Employees and Others Associated with You. You must ensure ~~that all of your~~ employees, officers, directors, partners, members, independent contractors and other ~~p~~Persons associated with you or your Madabolic Business ~~who may have access to our Know-how, and who are not required to sign a Brand Protection Agreement,~~ sign and send us a Confidentiality Agreement before ~~having access to our Know-how;~~ they are given access to any Confidential Information. Any Person who signs a Brand Protection Agreement need not sign a Confidentiality Agreement. You must: (a) use ~~your~~ best efforts to ensure ~~that~~ these individuals comply with the ~~terms of the~~ Brand Protection Agreements and Confidentiality Agreements, as applicable, ~~and you must;~~ (b) immediately notify us of any breach that comes to your attention. ~~You agree to;~~ and (c) reimburse us for all ~~reasonable~~ expenses ~~that we incur in enforcing to enforce~~ a Brand Protection Agreement or Confidentiality Agreement, ~~as applicable,~~ including ~~reasonable~~ attorneys' fees and court costs.

15.7.14.6. Covenants Reasonable. You and the Owners ~~acknowledge and~~ agree that: (i) ~~the terms of this Agreement~~ covenants in §14 are reasonable both in ~~time~~ duration and ~~in scope of~~ geographic area; (ii) ~~scope;~~ (b) our use and enforcement of ~~covenants similar to those described above~~ covenants with respect to other ~~Madabolic~~ franchisees benefits you and the Owners ~~in that it prevents by preventing~~ others from unfairly competing with your Madabolic Business; and (iii) (c) you and the Owners have sufficient resources ~~and~~ business experience and opportunities to earn an adequate living while complying with the ~~terms of this Agreement.~~ **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION covenants in §14 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

15.8.14.7. Breach of Covenants. You and the Owners agree that: (a) ~~any~~ failure to comply with ~~the terms of this Section 15 will~~ §14 is likely to cause substantial and irreparable damage to us and/or other ~~Madabolic~~ franchisees for which there is no adequate remedy at ~~law.~~ Therefore, you ~~Law;~~ and the Owners agree that any violation of the terms of this ~~Section 15 will entitle us~~ (b) we are entitled to injunctive relief. ~~if you or an Owner breaches §14, together with any other relief available at equity or Law.~~ We ~~may apply for such~~ will notify you if we intend to seek injunctive relief, ~~without bond,~~ but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). ~~we need not post a bond.~~ If a court requires ~~the filing of that we post~~ a bond ~~notwithstanding the preceding sentence, the parties agree that the amount of~~ despite our mutual agreement to the contrary, the bond ~~shall~~ amount may not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at ~~L~~ Law or in equity, including injunctive relief, specific performance and recovery of monetary damages. ~~Any claim, defense or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 15.~~

16.15. YOUR OTHER RESPONSIBILITIES

16.1.15.1. Insurance. For your protection and ours, you agree to maintain the following insurance policies: (i)

(i) "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Madabolic Business, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost; ~~(ii)~~

(ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Madabolic Business, containing minimum liability protection of \$1,000,000 combined single

limit per occurrence, and \$2,000,000 in the aggregate; ~~(iii)~~

~~(iii) professional liability insurance in the containing minimum amount liability protection of \$1,000,000; (iv) tenant's liability~~

~~(iv) business interruption insurance as required by your landlord; (v) providing coverage for 100% of all expenses and financial obligations for a minimum period of six (6) months, including fees owed to us, which shall be deemed to include average monthly royalty fees and brand fund fees imposed during the 12-month period preceding the event triggering coverage under the insurance policy;~~

~~(v) worker's compensation insurance and employer's liability insurance as required by law; and (vi) Law;~~

~~(vi) any insurance required under your lease or by Law; and~~

~~(vii) any other insurance that we specify in the Manual from time to time.~~

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

~~(i) theft and dishonesty insurance containing minimum liability protection of \$10,000 combined single limit per occurrence;~~

~~(ii) products liability insurance coverage of at least containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate; (iii)~~

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

You ~~agree~~ must provide us with proof of coverage: (a) prior to opening; (b) within 10 days after the renewal of a policy; and (c) at any other time on demand. You must obtain ~~the required insurance~~ these policies from licensed insurance carriers ~~that are~~ rated A or better by Alfred M. Best & Company, Inc. ~~and that are licensed and admitted in the state in which you operate your Business. All insurance policies must~~ Each policy must be endorsed to: ~~(ia)~~ name us (and our members, officers, directors, and employees) as additional insureds; ~~(iib)~~ contain a waiver by the insurance carrier of all subrogation rights against us; and ~~(iiic)~~ provide that we receive ~~10 days~~ at least 30 days' prior written notice of the termination, expiration, cancellation or modification of the policy. If any ~~of your required policies fail~~ policy fails to meet these criteria, ~~then~~ we may disapprove the policy and you must immediately ~~find additional coverage with an alternative carrier satisfactory to us; secure a new policy meeting our criteria.~~ Upon 10 days' notice ~~to you,~~ we may increase the minimum ~~protection requirement as of the renewal date~~ liability coverage amount of any policy; and/or require different or additional types of insurance ~~at any time,~~ including excess liability (umbrella) insurance, due to ~~reflect~~ inflation, ~~identification of~~ special risks, changes in ~~Law~~ law or standards ~~or of~~ liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain ~~any~~ a required ~~insurance coverage~~ policy, we ~~have the right to~~ may, at our option, obtain the ~~coverage~~ policy on your behalf ~~(which right shall be at our option and in addition to our other rights and remedies in this Agreement), and. If we do so,~~ you must promptly sign ~~all applications and any application or~~ other forms and instruments form required to obtain the ~~insurance~~ policy and ~~pay to reimburse us, within 10 days after invoicing, for all premiums and other costs and premiums that~~ we incur.

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

16.3.15.3. Reports. ~~No later than the 20th day of each month, you must prepare and provide to us monthly financial statements which shall include: (i) your Gross Revenues and expenses for the prior month's operations; and (ii) your expenditures on local advertising required by Section 11.3 that were incurred during the prior month (which shall be accompanied by copies of receipts for such expenditures).~~

(a) Generally. You ~~also agree to~~ must prepare all ~~other~~ reports ~~that~~ we require including, without limitation, the reports described below. Reports must be prepared in the form and manner ~~that we require~~ specify. You ~~agree to~~ must send us a copy of any report ~~required by this Section~~ we require upon request. We also have the right to independently access your Technology Systems to retrieve and compile Business Data and generate any reports we deem appropriate, including Gross Sales reports.

(b) Report of Initial Investment Costs. To assist us in updating our Franchise Disclosure Document, you must complete and send us a report, in the form we designate, listing all expenses you incur in connection with the development and opening of your Madabolic Business. You must send us the completed report within 60 days after the opening date of your Madabolic Business.

(c) Gross Sales Reports. No later than each royalty payment due date, you must prepare and send us a monthly statement of your Gross Sales for the prior month. If you miscalculate Gross ~~Revenues~~ Sales, you must notify us of the error no later than the end of the next Gross ~~Revenues~~ Sales reporting period. Otherwise, you will not be entitled to any refund or credit of any fees paid to us based ~~upon the Gross Revenues~~ on previously reported. ~~If we require that you purchase a computer and/or automated cash management system that allows us to electronically retrieve information concerning your sales transactions, you agree that we will have the right to electronically poll your computer and/or point of sale system to retrieve and compile information regarding the operation of your Business. If we can automatically generate reports of your Gross Revenues from your point of sale system, we~~ Gross Sales. We may waive your obligation to provide monthly ~~reports of your Gross Revenues.~~ Gross Sales reports at any time that we can independently generate the reports through your point-of-sale system.

(d) Advertising Expenditure Reports. No later than the 20th day of each month, you must prepare and send us a monthly report detailing your expenditures incurred during the prior month on local advertising required by §10.3(b). All advertising expenditure reports must include copies of receipts for the reported expenditures.

16.4.15.4. Financial Statements. No later than the 20th day of each month, you must prepare and send us a monthly balance sheet and profit and loss statement for your Business for the prior month. Within 90 days after the end of each calendar year, you must prepare ~~an annual profit and loss statement along with~~ send us a balance sheet ~~for your Business~~ (as of the end of the calendar year) and ~~an annual statement of profit and loss and source and application of funds.~~ All financial statement for the prior calendar year. Financial statements must be: (i) verified and signed by you certifying to us that the information is true, complete, and accurate; (ii) prepared on an accrual basis in compliance with Generally Accepted Accounting Principles; and (iii) submitted in any format ~~that~~ we reasonably require. We ~~have the right to~~ may require that your

financial statements be reviewed or audited by a certified public accountant if you ~~have previously submitted to us~~ submit materially inaccurate financial statements: on a prior occasion. You ~~agree to~~ must send us a copy of any financial statement required by this Section upon request. You ~~hereby~~ authorize us to disclose ~~the financial statements, reports, and operating data~~ Operational Data to prospective franchisees, ~~regulatory agencies~~ Governmental Authorities and ~~others at our discretion~~ other Persons for any reasonable business purpose, provided the disclosure is not prohibited by applicable Law.

16.5.15.5. Legal Compliance. You must: (a) secure and maintain ~~in force~~ all required licenses, permits and regulatory approvals ~~for the operation of~~; (b) operate your Business ~~and operate and manage your Business in full~~ in compliance with all applicable ~~laws, ordinances, rules and regulations~~. You ~~must~~ Laws; (c) notify us in writing within two (2) business days ~~of the beginning~~ after you become aware of any ~~action, suit, investigation~~ Claim, or ~~proceeding~~, or of the issuance of any order, writ, injunction, ~~demand or~~ disciplinary action, ~~award or decree of any court, agency or other governmental instrumentality, which~~ issued by a Governmental Authority, that may adversely affect the operation of your Business ~~or your financial condition~~. You ~~must~~; and (d) immediately ~~deliver to~~ send us a copy of any inspection report, ~~warning, certificate or rating by any governmental agency involving any~~ or other communication from a Governmental Authority alleging violation of a health or safety ~~law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation~~. Law.

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

17.16. INSPECTION AND AUDIT

17.1.16.1. Inspections. ~~To~~ For quality control purposes and to ensure compliance with this Agreement, we (or our ~~representatives will have the right to~~ representative) may enter your ~~f~~ Facility, evaluate your operations and inspect ~~or examine~~ your books, records, accounts and tax returns. ~~Our evaluation may include watching or participating in your classes and/or contacting your landlord, members and employees. We may conduct our evaluation at any time and without prior notice~~ We will determine the scope of. ~~During~~ the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Business, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection, which may include, among other things:

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

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

17.2.16.2. Audit. ~~We have the right, at any time, to have an independent~~may audit ~~made of~~ your books and ~~financial~~ records at any time. You ~~agree to~~must fully cooperate with us and any ~~third parties that~~Person we hire to conduct the audit. If an audit reveals an understatement of ~~your~~ Gross Revenues ~~or any amount that~~Sales, you ~~owe us, you agree to~~must immediately pay ~~to us any~~all additional fees ~~that you owe us~~ together with any late fee payable~~imposed~~ pursuant to Section 14.4. Any §13.4. You must reimburse us for the cost of any audit ~~will be performed at our cost and expense unless the audit: (i) (including reasonable accounting and attorneys' fees and Travel Expenses incurred by us or the auditor) that:~~ (a) is ~~necessitated by~~required due to your failure to provide ~~the information requested or to~~we request, preserve records or file reports as required by this Agreement; or ~~(ii) (b) reveals an understatement of any amount due to us~~Gross Sales by at least three percent (3%), ~~in which case you agree to reimburse us for the cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees and travel and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due 10 days after invoicing.%. We bear the cost of all other audits.~~ We shall not be deemed to have waived our right to terminate this Agreement by accepting reimbursements of our audit costs.

18.17. INTELLECTUAL PROPERTY

18.1.17.1. Ownership and Use of Intellectual Property. You acknowledge that: ~~(i) (a) we are (or our affiliate is) the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks; (ii) goodwill; (b) your right to use the Intellectual Property is derived solely from this Agreement; and (iii) (c) your right to use the Intellectual Property is limited to a license granted by us to operate your Madabolic Business during the Term pursuant to, and only in compliance with, this Agreement, and the Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time.~~ You may not use ~~any of~~ the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You ~~agree to~~must comply with all provisions ~~of~~in the Manual governing ~~your~~ use of the Intellectual Property. ~~This Agreement does~~You will not ~~confer to you~~acquire any goodwill, title or interest in ~~any of~~or to the Intellectual Property.

~~**18.2. Membership Accounts and Data.** You acknowledge and agree that we will be the sole and exclusive owner of all member accounts and data, including for members at your Business. During the Term, we will license you the right to utilize these accounts and associated data for purposes of operating your Business in accordance with this Agreement and the Manuals. Upon the expiration or termination of this Agreement, you~~

will have no further rights to utilize the member accounts or data for any purpose without our prior written consent. You agree to take all actions that we request to facilitate the transfer of your members to another Madabolic facility that we designate upon the expiration or termination of this Agreement.

18.3.17.2. Changes to Intellectual Property. We ~~have the right to modify~~may change the Intellectual Property at any time in our sole ~~and absolute~~ discretion, including by changing the ~~Marks, the System, the Copyrighted Materials, Copyrights or the Know-how. If we modify or discontinue use of any of the~~, Marks and/or System. You must, at your expense, implement all Intellectual Property, ~~then you must comply~~ changes we require in accordance with ~~any such~~our instructions ~~from us within 30 days at your expense.~~ We ~~will~~are not ~~be~~ liable ~~to you~~ for any expenses, losses or damages ~~that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of~~ as a result of any change to the Intellectual Property.

18.4.17.3. Use of Marks. - You agree to: (a) use the Marks as the sole identification of your Madabolic Business; *provided, however,* that you must identify yourself as the independent owner of your Madabolic Business in the manner ~~that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement).~~ You agree to: (i) (b) prominently display the Marks in the manner we prescribe on or in connection with any media advertising, promotional materials, ~~posters and~~ displays, receipts, stationery and forms ~~that we designate and in the manner that we prescribe~~ to give notice of trademark and service mark registrations and copyrights; and ~~(ii)~~(c) obtain any fictitious or assumed name registrations required ~~under~~by applicable law. You may not: (a) use the Marks in any modified form or as part of a corporate or trade name or with any prefix, suffix, or other modifying words, designs or symbols (other than logos we license to you); (b) use the Marks when signing ~~any~~a contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation~~agreement~~ or in any other manner that ~~is likely to confuse or result in liability to us~~may cause confusion or imply we are liable for ~~any indebtedness or obligation of yours~~your obligations; (c) register or attempt to register any Marks, or any other trademarks confusingly similar to the Marks, with any Governmental Authority; or (d) challenge or contest the validity or ownership of our Marks.

18.5.17.4. Use of Know-how. -We ~~will~~ disclose ~~the our proprietary~~ Know-how to you ~~in the initial during training program, programs, in~~ the Manual, and ~~in~~through other guidance furnished ~~to you~~ during the Term. You ~~agree that you will~~do not acquire any interest in the Know-how other than the right to utilize it ~~in strict accordance with the terms of this Agreement in the development and operation of your Business. You acknowledge that the Know how is proprietary and is disclosed to you solely for use in the development and operation of your Business, during the Term, solely for purposes of developing and operating your Madabolic Business in compliance with this Agreement and the Manual.~~

18.6.17.5. Improvements. -If you ~~conceive, an Owner or your employee conceives~~ of or ~~develop any improvements or additions to the marketing, method of operation or the services or products offered by a Madabolic business (collectively, "Improvements"),~~develops an Improvement, you agree to promptly and fully disclose the Improvements to us ~~without disclosing the Improvements to others.~~must send us a written notice describing the Improvement. You must obtain our approval prior to using any such Improvements. Any Improvement ~~that we approve~~ may be used by us and any third parties ~~that we authorize~~ to operate a Madabolic franchiseBusiness, without any obligation to pay ~~you~~ royalties or other fees. ~~You~~ to you or any other Person. You or your Owner or employee, as applicable, must assign to us or our designee, without charge, all rights to ~~any such~~the Improvement, including the right to grant sublicenses. In return, we will authorize you to use ~~any~~ Improvements developed by other Persons that we ~~or other franchisees develop that we authorize~~approve for ~~general~~ use in connection with the operation of a Madabolic bBusiness.

18.7. Notification of Infringements and Claims. IP Disputes. You must immediately notify us of any: (i) ~~apparent infringement of any of the Intellectual Property;~~ (ii) ~~challenge to your use of any~~

~~of the Intellectual Property; or (iii) claim by any person of any rights in any of the Intellectual Property. IP Dispute.~~ You may not communicate with any ~~p~~Person other than us and our counsel in connection with any ~~such infringement, challenge or claim. IP Dispute.~~ We ~~will~~ have sole discretion ~~in deciding what action, if any, to take such action as we deem appropriate in response to the IP Dispute.~~ We ~~have the right to may~~ exclusively control any litigation, ~~Patent and Trademark Office proceeding,~~ or other proceeding ~~arising out of any such infringement, challenge or claim relating to the IP Dispute.~~ You ~~agree to must~~ execute ~~any and all instruments and documents,~~ render ~~such all~~ assistance, and ~~do such perform all~~ acts ~~and things as may that are,~~ in ~~the our counsel's~~ opinion ~~of our counsel, be,~~ necessary or advisable to protect ~~and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and or~~ maintain our interest in the ~~litigation or proceeding and/or protect the~~ Intellectual Property.

19.18. INDEMNITY. You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses ~~incurred by any of them they incur~~ as a result of or in connection with ~~any of the following: (i):~~

- ~~(i) the marketing, use or operation of your Madabolic Business;~~
- ~~(ii) the breach of a Definitive Agreement committed by you or your Owners or operation affiliates;~~
- ~~(iii) the breach of your Business an agreement with a third party committed by you or your performance and Owners or breach of any of your obligations under this Agreement; (ii) affiliates;~~
- ~~(iv) any Claim relating to taxes or penalties assessed by any governmental entity; a Governmental Authority assesses against us that are directly related to as a direct result of your failure to pay or perform functions required of you under this Agreement; (iii)~~
- ~~(v) libel, slander or disparaging comments made by you or your Owners, officers, employees or independent contractors regarding the System, a Madabolic Business or an Indemnified Party;~~
- ~~(vi) any labor, employment or similar type of Claim pertaining to your employees, (including eClaims alleging that we are a joint employer of your employees; (iv)) or our relationship with you or your Owners (including Claims alleging we are an employer of you and/or any of your Owners); or~~
- ~~(vii) any actions, investigations, rulings or proceedings conducted by any state or federal agency relating to your employees, including, without limitation, Governmental Authority (including the United States Department of Labor, the Equal Employment Opportunity Commission and the or National Labor Relations Board; and (v) any labor, employment or similar type of Claim pertaining to our relationship with you or your Owners, including claims alleging that we are a joint employer of you and/or any of your Owners.) relating to your employees.~~

You and your Owners ~~agree to give must immediately notify~~ us ~~notice~~ of any ~~action, suit, Claim or proceeding, claim, demand, inquiry or investigation~~ described above. The Indemnified Parties shall have the right, in their sole discretion, to: ~~(ia)~~ retain counsel of their ~~own~~ choosing to represent them with respect to any Claim; and ~~(ib)~~ control the response thereto and the defense thereof, including the right to enter into an agreement to settle ~~such the~~ Claim. You may participate in such defense at your ~~own~~ expense. ~~You agree to give your full cooperation to the Indemnified Parties in assisting You must fully cooperate and assist~~ the Indemnified Parties with the defense of ~~any such the~~ Claim, ~~and to, You must reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys' fees the Claim, including, without limitation, Travel Expenses incurred by attorneys or expert witnesses to attend mediation, arbitration or legal or administrative proceedings or hearings relating to the matter.~~

20.19. TRANSFERS

20.1.19.1. By Us. -This Agreement ~~and the franchise~~ is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in

this Agreement, provided that we shall, subsequent to any such assignment, remain liable for ~~the performance of our~~ any obligations ~~under this Agreement up~~ incurred by us prior to the effective date of the assignment. We may also delegate ~~some or all of~~ our obligations under this Agreement to one or more persons without assigning the Agreement.

20.2.19.2. By You. ~~You understand that the~~ The rights and duties created by this Agreement are personal to you and the Owners ~~and that we have granted the~~. We are granting you franchise rights in reliance upon the ~~individual or collective~~ character, skill, ~~aptitude,~~ attitude, business ability and financial ~~capacity~~ resources of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in ~~any~~ a Transfer (other than a Permitted Transfer) without our prior ~~written~~ approval. Any Transfer (other than a Permitted Transfer) without our approval ~~shall be~~ is void and constitutes a breach of this Agreement. We will not unreasonably withhold ~~our~~ approval if all of ~~any proposed Transfer, provided that~~ the following conditions are all satisfied:

- (i) we believe the proposed transferee ~~is, in our opinion, an individual of good moral character, who~~ has sufficient business experience, aptitude and financial resources to own and operate a Madabolic ~~Business~~ and ~~otherwise~~ meets ~~all of our then applicable standards~~ our minimum criteria for franchisees;
- (ii) you and your affiliates and Owners are in full compliance with ~~the terms of this Agreement and all other agreements with us or our affiliate;~~ all Definitive Agreements;
- (iii) ~~all of the transferee's owners of the transferee have~~ successfully completed, or made arrangements to attend, the initial training program (and the transferee ~~has paid~~ pays us ~~the Training Fee for each new person who must attend~~ any applicable training); ~~fee;~~
- (iv) your landlord consents to ~~your~~ the assignment of ~~the~~ your lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Site Selection Area;
- (v) the transferee and its owners, ~~to the extent necessary, have obtained~~ obtain all licenses and permits required by applicable ~~law in order~~ Law to own and operate the Madabolic Business;
- (vi) the transferee: (a) agrees to discharge and guarantee your obligations under this Agreement and any other agreement relating to the Business (including Member contracts and supplier contracts); and (b) signs any agreement we require to confirm the foregoing;
- ~~(vi)~~ (vii) the transferee and its owners sign our then-current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee); except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement; ~~and~~ (b) the transferee need not pay a separate initial franchise fee;
- ~~(vii)~~ (viii) you the transferee agrees to remodel your facility to comply with the Facility and upgrade all furniture, fixtures and equipment to conform to our then-current standards and specifications (these changes must be completed within 12 months after the Transfer or you obtain a commitment from the transferee to do so; such shorter period of time we specify);
- ~~(viii)~~ (ix) you or the transferee pay us a \$10,000 transfer fee to defray expenses that we incur in connection with related to the Transfer (if you sell to a lead that came from our database, you may the transferee is found by a broker we engage, you must also be required to reimburse us for all commissions we pay our then current referral the broker, which amount shall be in addition to the transfer fee plus any costs associated with applicable broker fees);
- ~~(ix)~~ (x) you and your Owners sign a General Release ~~for all claims arising before or contemporaneously with the Transfer;~~

(xi) ~~we do not elect~~ you agree to subordinate the transferee's financial obligations to you to the transferee's financial obligations owed to us pursuant to the franchise agreement (we may require you to enter into a written subordination agreement);

(x)(xii) ~~we choose not~~ to exercise our right of first refusal described in ~~Section §~~19.5; and

(xi)(xiii) you or the transferring Owner, as applicable, and the transferee ~~have satisfied~~ ~~any~~ satisfy all other conditions we reasonably require as a condition to ~~our~~ approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any ~~e~~Claims we ~~may~~ have against the transferor, ~~nor shall it be deemed a waiver of~~ ~~or~~ our right to demand ~~exact compliance~~ the transferee comply with ~~any all terms~~ of the ~~terms or conditions of the franchise by the transferee agreement~~.

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

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

20.5.19.5. Our Right of First Refusal. If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain and send us a bona-fide, ~~signed written~~ offer ~~from~~ executed by the ~~fully disclosed~~ purchaser ~~and submit an exact copy~~ after completion of ~~the offer to us due diligence.~~ We ~~will~~ have 30 days after ~~receipt of~~ receiving the offer to decide whether ~~we will~~ to purchase the interest ~~in your Business or the ownership interest in you~~ for the same price and upon the same terms contained in the offer ~~(however, except~~ we may substitute cash for any non-cash form of payment proposed in the offer). If we notify you within the 30-day period that we intend to purchase the interest ~~within the 30-day period~~, you or the Owner, as applicable, must sell the interest to us. We will have ~~at least~~ an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you (as the seller of the assets) or the Owner (as the seller of the ownership interest) or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to ~~and on~~ the terms of the offer, subject to the requirements of ~~Section §~~19.2 ~~(including our approval of the transferee).~~ However, if the sale ~~to the purchaser~~ is not completed within 120 days after delivery of the offer to us, or there is a material change into the terms of ~~the~~ sale, we will again have the right of first refusal specified in this Section. Our right of first refusal ~~in this Section~~ shall not apply to any Permitted Transfer.

21.20. TERMINATION

21.1.20.1. By You. - You may terminate this Agreement if we ~~materially commit a material breach this Agreement and fail to cure the breach~~ within 90 days after ~~you send us receipt of a written default notice specifying the nature of the breach.~~ If you terminate ~~this Agreement, pursuant to §20.1,~~ you must still comply with your post-~~termination~~term obligations described in ~~Section §21 (other than payment of liquidated damages)~~ and all other obligations that survive the ~~expiration or~~ termination of this Agreement.

21.2.20.2. Termination By Us Without Cure Period. We may, ~~in our sole discretion,~~ terminate this Agreement, effective upon ~~five (5) days' delivery of a~~ written notice, ~~without opportunity of termination to cure you,~~ for any of the following reasons, all of which constitute material events of default ~~under this Agreement~~ and "good cause" for termination, and without opportunity to cure except for any cure period expressly set forth below:

- (i) if you become insolvent by reason of your inability to pay your debts as they become due;
- (ii) if you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any Law, or you are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);
- (iii) if your Madabolic Business, or a substantial portion of the assets associated with your Madabolic Business, are seized, taken over or foreclosed by a Government Official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor;
- (iv) if a final judgment against you remains unsatisfied for 30 days unless a supersedes or other appeal bond has been filed;
- (v) if a levy of execution has been made upon the license granted by this Agreement or any property used in your Business and is not discharged within five (5) days of the levy;
- ~~(i)(vi)~~ (vi) if the Managing Owner fails to satisfactorily complete ~~the~~ initial training ~~program in the manner~~ as required by Section §5.1;
- ~~(ii)(vii)~~ (vii) if you fail to obtain our approval of your site within the time period required by Sections §7.1;
- ~~(iii)(viii)~~ (viii) if you fail to secure a fully executed lease and Lease Addendum within the time period required by Section 7.2 §7.2;
- ~~(iv)(ix)~~ (ix) if you fail to open your Madabolic Business within the time period required by Section §7.4;

~~(i) — if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);~~

~~(ii) — if your Business, or a substantial portion of the assets associated with your Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Business, and it is not discharged within five (5) days of the levy;~~

- ~~(v)(x)~~ (x) if you abandon or fail to operate your Madabolic Business for three (3) consecutive business days, unless the failure is due to ~~an event of force majeure~~ Force Majeure (in which case

§24.6 governs) or another reason ~~that~~ we approve;

~~(vi)~~(xi) if a ~~regulatory authority~~ Governmental Authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Madabolic Business, even if you or the Owner ~~still maintain~~ have appeal rights;

~~(vii)~~(xii) if you or an Owner (a) is convicted of or pleads no contest to a felony, ~~a crime involving moral turpitude~~ or ~~any~~ other material crime ~~or~~, (b) is subject to ~~any~~ material administrative disciplinary action or (c) fails to comply with ~~any~~ material ~~federal, state or local law or regulation~~ Law applicable to your Madabolic Business;

~~(viii)~~(xiii) if you or an Owner commits an act that can reasonably be expected to materially and adversely affect the reputation of the System or the goodwill associated with the Marks;

~~(ix)~~(xiv) if you manage or operate your Madabolic Business in a manner that presents a health or safety hazard to your ~~customers~~ Members, employees or the public;

~~(x)~~(xv) if you or an Owner make s any material misrepresentation to us, whether occurring before or after being granted the franchise;

~~(xi)~~(xvi) if you fail to pay any amount owed to us ~~or an~~ our affiliate ~~of ours~~ or an approved or designated supplier within ~~ten~~ (10) days after ~~receipt of a~~ demand for payment;

~~(xii)~~(xvii) if you underreport ~~any amount owed to us~~ Gross Sales by at least ~~three percent (3%)~~, ~~after having already committed a similar breach that had been cured in accordance with Section 21.3;~~ % on two (2) or more occasions;

~~(xiii)~~(xviii) if you make an unauthorized Transfer;

~~(xiv)~~(xix) if you ~~make an unauthorized use of~~ the Intellectual Property; in an unauthorized manner;

~~(xv)~~(xx) if you breach any ~~of the~~ brand protection covenants described in Section 15 §14;

(xxi) if if you or an Owner breaches any representations in §23.4;

~~(xvi)~~(xxii) if an Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement;

~~(xvii)~~(xxiii) if the lease for your premises is terminated due to your default; ~~or~~

(xxiv) if we terminate any other agreement between you and us send you three (3) or if any more valid default notices within any 12-month period, regardless of whether you cure the defaults;

~~(iii) if we or our affiliate of ours terminates any agreement between you and the affiliate because of your default.~~

~~21.3. **Additional Conditions of Termination.** In addition to our termination rights in Section 21.2, we may, in our sole discretion, terminate this Definitive Agreement upon 30 days' written notice due to a default by you or your affiliate; or~~

(xxvi) if you or an Owner fail to comply with breaches any other provision of this Agreement (including any mandatory provision in the Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30 day and fails to cure the breach within 30 days after receipt of a default notice from us.

If we send you a default notice period. If we deliver a notice of default to you pursuant to this Section 21.3, §20.2 we may suspend performance of any of cease to perform our obligations under this Agreement until you fully cure the breach.

~~21.4.~~20.3. **Mutual Agreement to Terminate.** If you You and we may mutually agree in writing to

terminate this Agreement, in which case you and we ~~will be~~ deemed to have waived any required notice period.

22.21. POST-TERM OBLIGATIONS.

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

- (i) immediately cease ~~to use~~ of the Intellectual Property;
- (ii) pay us all amounts ~~that you owe us;~~ including, if applicable, liquidated damages pursuant to §21.3;
- (iii) comply with all covenants ~~described in Section 15~~ §14 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner;
- ~~(iv)~~ (iv) comply with our instructions to return or destroy all copies of the Manual, or any portions thereof, as well as and Copyrighted Materials and all signs, sign faces, brochures, window vinyl, advertising and promotional materials, forms, and any other materials bearing the Marks or containing any of the Marks, Copyrights or other identification relating to a Madabolic business, unless we allow you Confidential Information;
- ~~(iv)(v)~~ (v) comply with our data retention policies pertaining to transfer such items to an approved transferee the Business Data;
- ~~(v)~~ (vi) take such action as may be required to cancel all fictitious or assumed names or equivalent name registrations relating to your use of any of the Marks;
- ~~(vii)~~ (vii) provide us with a list of all of your current, former and prospective members and assign their agreements and account data Members;
- ~~(viii)~~ (viii) transfer all Member data, accounts, contracts and relationships to us or our designee (unless we allow you transfer the agreements and data to an approved transferee) (you acknowledge that we are you may not use any Member data, accounts, contracts or relationships for any purpose after the sole expiration or termination of this Agreement);
- ~~(vi)(ix)~~ (ix) alter the interior and exclusive owner of your member accounts and data); exterior of the premises to the extent necessary, or to the extent we require, to prevent any further resemblance to or connection with a Madabolic Business or our System, including, without limitation, repainting the exterior and interior with new colors and removing trade dress, fixtures and décor items associated with a Madabolic Business as well as exterior and interior signage (including window decals);
- ~~(i)~~ (i) make such modifications and alterations to the premises that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the premises; provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee or if we exercise our right to purchase your entire Business;
- ~~(vii)(x)~~ (x) notify all telephone companies, listing agencies and domain name registration companies (collectively, the "Agencies") of the termination or expiration of your right to use: (a) the any telephone numbers and/or domain names, if applicable, related to the operation of your associated with your Madabolic Business; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies foregoing companies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies these companies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and

~~(viii)(xi)~~ provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

~~22.2. — Right to Purchase Facility and Assets~~ Subsections (iv), (viii), (ix) and (x) above shall not apply if you Transfer your Madabolic Business to an approved transferee or we exercise our right to purchase your Madabolic Business.

21.2. Purchase Option.

(a) ~~Generally.~~ Upon the termination or expiration of this Agreement, we shall have the right, but not the obligation, option to purchase your facility Madabolic Business and/or its assets at fair market value as ascertained by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the effective date of the termination or expiration of the Agreement (the “Appraisal Date”). We choose to exercise our purchase option, we will notify you of the specific items that assets we wish to purchase (the “Acquired Assets”). We may also within 20 days after the termination or expiration date. If we exercise our purchase option, we may require that you assign your lease to us at no additional charge. The purchase price for the Acquired Assets will be: (i) the purchase price established by the parties (if mutually agreed upon); or (ii) the Appraised Value established in accordance with §21.2(b) below. We may, at our option, assign our purchase option to a designee of our choosing.

~~(b) — Selecting Qualified Appraisers. You Appraisal Process.~~ If the parties cannot agree on the purchase price, the purchase price shall be the Appraised Value established in accordance with this Section. “Appraised Value” means the fair market value of the Acquired Assets as of the date this Agreement is terminated or expires, as applicable; provided, however, that fair market value shall not include any value for goodwill and we or the franchise rights granted by this Agreement. The parties shall attempt to mutually agree upon a single independent appraiser. If they fail to do so, either party may demand the appointment of three (3) appraisers in accordance with the following: (i) no later than 15 days after the party demands the appointment of three (3) appraisers, each party shall appoint an appraiser with experience appraising businesses comparable to your Business in the United States (a “Qualified Appraiser”). This appointment of the appraisers shall be made within 30 days after the Appraisal Date by giving written notice to one (1) appraiser and notify the other party of the appointed appraiser’s name and address of contact information; and (ii) no later than 30 days after the party demands the Qualified Appraiser, appointment of three (3) appraisers, the two (2) appraisers appointed by the parties will jointly appoint a third (3rd) appraiser. If either of us party fails to appoint a Qualified Appraiser an appraiser within the 30-day period, the appraisal shall be made by the sole Qualified Appraiser appointed within that period. If each of us shall have appointed a Qualified Appraiser within the 30 15-day period, then within 30 days after that the two (2) Qualified Appraisers shall appoint a third (3rd) Qualified Appraiser. If the two (2) Qualified Appraisers fail to agree on the appointment of a third (3rd) Qualified Appraiser within the 30-day period, then a third (3rd) Qualified Appraiser shall be the appraiser appointed by the American Arbitration Association (acting through its office located closest to our corporate headquarters) as promptly as possible after that, upon application other party shall be deemed the single appraiser approved by either us or you. Nothing in this provision shall prohibit us and you from jointly approving a single appraiser, nor shall it obligate us or you to do so.

~~(c) — Information for Appraisal. the parties.~~ You must furnish to the Qualified Appraisers a copy of your current financial statements, as well as your financial statements for the prior three (3) years (or the period of time that you have operated your Business, if less than three (3) years), together with the work papers and other financial information or other promptly provide any documents or information that the Qualified Appraisers may request. The Qualified Appraisers shall take into account the other information and factors that they deem relevant, but the Qualified Appraisers shall be instructed that there shall be no consideration of goodwill in the determination of fair market value.

~~(d) — Appraisal Process.~~ Within 60 days after the appointment of the third Qualified Appraiser, the three (3) Qualified Appraisers shall appraise the Appraised Assets at fair market value without

~~taking into account any value for goodwill (the “Appraised Value”). If the three (3) Qualified Appraisers agree on a single value, then they shall issue a joint report and the Appraised Value shall be the value determined requested by the agreement of the three (3) Qualified Appraisers. If two (2) of the three (3) Qualified Appraisers agree on appraisers. If a single value, these two (2) Qualified Appraisers shall issue a joint report, and the dissenting Qualified Appraiser may (but need not) issue a separate report, and the value determined by agreement of the two (2) Qualified Appraisers who shall agree appraiser is appointed, the purchase price shall be the Appraised Value. If none of the Qualified Appraisers are able to agree on a single value, each Qualified Appraiser shall issue a report setting forth the value determined by him or her, and established by the appraiser. If three (3) appraisers are appointed, the purchase price shall be: (i) the Appraised Value agreed upon by at least two (2) of the appraisers; or (ii) the average of the two values (2) Appraised Values that are closest to each other shall be the Appraised Value. Before the issuance of a report by any Qualified Appraiser, each Qualified Appraiser shall advise the others of the value that will appear in his or her report to ensure that the determination of value made by any Qualified Appraiser is made with knowledge of the values determined by the other Qualified Appraisers. If there shall be only a single Qualified Appraiser (because you or we failed to appoint a Qualified Appraiser within the time provided), then if none of the appraisers agreed upon the Appraised Value. Each party shall be the value determined by the single Qualified Appraiser.~~

~~(e) Cost promptly pay 50% of Appraisal. You and we shall equally bear the cost of the appraisal.~~

~~(f)(c) Closing. Once The parties shall memorialize the Appraised Value has been determined, we will have at least 60 days to prepare for the closing. We will be entitled to receive from you acquisition by executing an Asset Purchase Agreement, in a form reasonably prescribed by us. You agree to provide us with all customary representations and warranties given by you, as the seller of the Acquired Assets and. At closing: (i) you must transfer good and clean title to the Acquired Assets, subject to any exceptions agreed to by us. set forth in the Asset Purchase Agreement; and (ii) we must pay you the purchase price. We may deduct from the Appraised Value all purchase price: (a) any amounts owed you owe to us and or to our affiliates under any Definitive Agreements including, if applicable, liquidated damages imposed under this Agreement, any promissory note, and any; and (b) the amount of any liabilities we assume on your behalf, including future rent.~~

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

unenforceable under applicable Law, then we will be limited to pursuing actual damages we incur as a result of your default or improper termination.

23.22. DISPUTE RESOLUTION. ~~The parties agree to submit any claim, dispute or disagreement, including any matter pertaining to the validity, enforcement or interpretation of this Agreement or issues relating to the offer~~

22.1. Negotiation and sale of the franchise or the relationship between Mediation. Except as otherwise provided below with respect to Excluded Claims, the parties shall attempt in good faith to resolve any Dispute through informal discussions and negotiations. If these efforts are unsuccessful, the parties (a “agree to submit the Dispute”) to mediation before a mutually-agreeable mediator prior to litigation, unless the Dispute involves an alleged. All negotiations and mediation proceedings (including all discovery conducted therein and statements and settlement offers made by either party or the mediator in connection with the mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. Any Dispute involving claims alleging a breach of Section 15 §14 and/or Section 18. Any mediation shall take place in the county in which we maintain our principal place of business at the time the mediation begins (currently, Mecklenburg County, North Carolina). If the §17 (referred to as “Excluded Claims”) will not be subject to mediation unless otherwise agreed to by both parties.

22.2. Litigation. If either (a) a Dispute is not successfully resolved by mediation within 9060 days after either party makes a demand for mediation or (b) the Dispute involves an alleged breach of Section 15 or Section 18, Excluded Claim, then either party may file a lawsuit in any state or federal court of general jurisdiction in accordance with the choice of venue provision set forth below. The parties hereby express their clear and unequivocal intent that a court, rather than a mediator, shall have exclusive jurisdiction to decide the threshold issue of whether a Dispute involves an alleged Excluded Claim (i.e., whether there are any claims alleging a breach of §14 and/or §17).

22.3. Venue. All mediation and litigation shall take place in the county in which we maintain our principal place of business at the time the lawsuit is filed Dispute arises (currently, Mecklenburg County, North Carolina) and we and you). The parties irrevocably waive any objection to such venue and, with respect to litigation proceedings, submit to the jurisdiction of such courts and waive any objection either of us may have to either the jurisdiction or venue of such courts.

22.4. Attorney’s Fees and Costs. If we or you either party must enforce this Agreement in a judicial proceeding, the substantially prevailing party will be is entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you breach or an Owner breaches any term of this Definitive Agreement or any other agreement with us or an affiliate of ours, you agree to must reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any formal dispute resolution proceedings.

22.5. Waivers. UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION §14 OR SECTION §17) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; AND (ii) THE RIGHT TO LITIGATE ON A CLASS ACTION BASIS; IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES A PARTY.

23. REPRESENTATIONS.

23.1. Corporate Representations. You and the Owners jointly and severally represent and warrant to us that:

~~(i)~~ — ~~the execution and delivery of this Agreement, and the performance of your obligations hereunder, does not:~~ ~~(i)a~~ ~~conflict with, breach or constitute a default under any other agreement to which you are (or any affiliate of yours is) a party or by which your (or your affiliate's) assets may be bound;~~ ~~(ii)b~~ ~~violate any order, writ, injunction, decree, judgment or ruling of any Governmental Authority;~~ or ~~(iii)c~~ ~~violate any applicable Law;~~

~~(ii)~~ — If the franchisee is an Entity, you and the Owners also jointly and severally represent and warrant to us that: (a) the Franchisee Entity is duly organized, validly existing and in good standing under the Laws of the state of its formation and has the requisite power and authority to enter into this Agreement and ~~to~~ perform each of its obligations hereunder; and

(b) the execution and delivery of this Agreement have been duly authorized by all requisite corporate action and this Agreement shall constitute the legal, valid and binding obligation of the Franchisee Entity and shall be enforceable against the Franchisee Entity in accordance with its terms.

23.2. Franchise Compliance Representations. You and the Owners jointly and severally represent and warrant to us that you received: (a) an exact copy of this Agreement and its attachments, with all material terms filled in, at least seven (7) calendar days before you signed this Agreement; and (b) our Franchise Disclosure Document at the earlier of (i) 14 calendar days before you signed a binding agreement or paid any money to us or our affiliates in connection with this franchise or (ii) such earlier time in the sales process that you requested a copy.

23.3. General Representations. You and the Owners jointly and severally represent and warrant to us that you and the Owners are aware that: (a) other franchisees may operate under different forms of agreement and our obligations and rights with respect to franchisees differs materially in certain circumstances; and (b) we may negotiate terms or offer concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions.

23.4. Anti-Terrorism Compliance. You and the Owners jointly and severally represent and warrant to us that, to the best of your and their knowledge:

~~(i)~~ — ~~(a) no property or interest owned by you or any Owner is subject to being “blocked” under any Anti-Terrorism Law;~~

~~(ii)~~ — ~~(b) neither you nor any Owner, nor any of their respective funding sources (including any legal or beneficial owner of any Equity Interest in you) or related parties is, or has ever been: (i) a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Law; or (ii) identified by name (or alias, pseudonym or nickname) or address on any Terrorist List, including on the list of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (texts currently available at www.home.treasury.gov); and~~

~~(iii)~~ — www.home.treasury.gov); and (c) you and the Owners are in compliance with, and shall continue to comply with, the Anti-Terrorism Law and all other Laws (either currently in effect or enacted in the future) prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government that are in effect within the United States of America.

The foregoing representations and warranties are ‘continuing’ representations and warranties for the duration of the franchise relationship. Accordingly, you agree to notify us immediately in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

24. GENERAL PROVISIONS

- 24.1. Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship ~~shall be~~ governed by the ~~L~~aws of the State of North Carolina ~~(without reference to its principles of conflicts of law);~~ but any ~~L~~aw of the State of North Carolina that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.
- 24.2. Relationship of the Parties.** ~~You understand and agree that nothing~~ Nothing in this Agreement creates a fiduciary relationship between ~~you and us~~ the parties or is intended to make either party a general or special agent, legal representative, ~~subsidiary,~~ joint venture, partner, employee or servant of the other for any purpose. ~~During~~ Throughout the Term, you must ~~conspicuously identify yourself at your base of operations, and,~~ in all dealings with third parties, conspicuously identify yourself as a franchisee ~~of ours~~ and the independent owner of your Madabolic Business. ~~You agree to place such other notices~~ We may require that you display a written notice of independent ownership, in the form we prescribe, at any location within your Facility that we specify. You must also include a written indication of independent ownership on ~~such~~ all agreements, forms, ~~stationery~~ letterhead, advertising materials, business cards and other materials ~~as that we may require from time to time~~ specify. Neither ~~we nor you are permitted to~~ party may: (a) make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other; or (b) represent that our relationship is other than franchisor and franchisee. In addition, neither ~~we nor you~~ party will be obligated by ~~or have any liability under~~ any agreements or representations made by the other that are not expressly authorized by this Agreement.
- 24.3. Severability and Substitution.** Each section, ~~subsection, term and provision~~ of this Agreement, ~~(and any each~~ portion thereof,) shall be ~~considered~~ severable. If ~~any~~ applicable ~~and binding law~~ Law imposes mandatory, non-waivable terms ~~or conditions~~ that conflict with a provision of this Agreement, the terms ~~or conditions~~ required by such ~~L~~aw shall govern to the extent of the inconsistency ~~and supersede the conflicting provision of this Agreement.~~ If a court concludes that any promise or covenant in this Agreement is unreasonable ~~and/or~~ unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make ~~such promise or covenant~~ it enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make ~~such promise or covenant~~ it enforceable.
- 24.4. Waivers.** ~~We and you~~ Each party may ~~by written instrument unilaterally~~ waive ~~or reduce~~ any obligation ~~of or restriction upon~~ imposed on the other. ~~Any waiver granted by us~~ party in writing. ~~Neither party~~ shall be ~~without prejudice to any other rights we may have. We and you shall not be~~ deemed to have waived or impaired any ~~right, power or option reserved by~~ of its contractual rights ~~under~~ this Agreement ~~(including the right to demand exact~~ require strict compliance with every ~~term, condition and covenant in~~ all terms of this Agreement or ~~to declare any breach of~~ terminate this Agreement ~~to be a default and to terminate due to~~ the ~~franchise before the expiration of its term)~~ other party's failure to comply with such terms, by virtue of: (i) any custom or practice of the parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect ~~of us or you~~ by either party to exercise any right under this Agreement or ~~to insist upon exact compliance~~ by require the other party to strictly comply with its obligations under this Agreement, ~~including any mandatory specification, standard, or operating procedure;~~ (iii) any: (c) our waiver, forbearance, delay, failure or omission ~~by us~~ refusal to exercise any ~~right, power or option, whether of the same, similar or different nature, relating~~ of our rights with respect to other Madabolic franchisees; or (iv) ~~the~~ our acceptance ~~by us~~ of any payments ~~due~~ from you after your breach of this Agreement.
- 24.5. Approvals.** Whenever this Agreement requires our approval, you must make a timely written request for approval, ~~and the~~ Our approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. ~~If we~~

~~deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.~~

- 24.6. Force Majeure.** Neither ~~we nor you~~party shall be liable for loss or damage or deemed to be in breach of this Agreement if ~~our or your~~such party's failure to perform ~~our or your~~its obligations results from any event of ~~force majeure. Any delay resulting from~~Force Majeure; provided, however, that an event of ~~force majeure will extend performance accordingly or~~Force Majeure shall not excuse performance, in whole or in part, as may be reasonable under or permit any failure to perform for more than 180 days. If the ~~circumstances. Notwithstanding the foregoing, "force majeure" will not:~~ (i) ~~relieve you~~period of any payment obligations under non-performance exceeds 180 days from receipt of notice of the Force Majeure event, the party whose ability to perform has not been affected may immediately terminate this Agreement; or (ii) ~~excuse, or apply with respect to, any breaches resulting from an epidemic or pandemic of a contagious illness or disease or resulting from any economic or financial changes caused by such epidemic or pandemic~~giving written notice of termination to the other party.
- 24.7. Binding Effect.** This Agreement is binding ~~upon the parties to this Agreement~~hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any ~~person or legal entity~~Person not a party to this Agreement; *provided, however,* that the additional insureds listed in Section §15.1 and the Indemnified Parties are intended third-party beneficiaries under this Agreement with respect to Section §15.1 and Section §18, respectively.
- 24.8. Integration.** THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 12.2 §11.2 AND SECTION §24.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. ~~Any e-mail correspondence~~In addition, our issuance of the Site Approval Notice attached hereto as ATTACHMENT "B" shall be deemed to amend this Agreement to identify the approved site and Territory for your Madabolic Business, regardless of whether you countersign and/or return the Site Approval Notice. Any email or other ~~form of~~ informal electronic communication shall not be deemed to modify this Agreement unless ~~such communication~~it is signed by both parties and specifically states ~~that~~ it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. ~~This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain.~~ Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- 24.9. Covenant of Good Faith Covenant.** If applicable ~~l~~law implies into this Agreement a covenant of good faith and fair dealing ~~in this Agreement~~, the ~~parties agree that the~~ covenant shall not imply

any rights or obligations ~~that are inconsistent with a fair construction of the~~ express terms of ~~this~~ hereof. ~~This Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (, and the relationship of the parties that is inherent in this Agreement), grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely affect your interests; (ii) we, We will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised, but without considering the individual interests of you or any other franchisee.~~

24.10. Rights of Parties are Cumulative. - The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.

24.11. Survival. - All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement ~~(, or the Transfer of an ownership interest in the franchise)~~ Madabolic Business or Franchisee Entity, shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, Section §13, Section §14, Section §16, Section §18, Section §21, Section §22 and Section §24.

24.12. Construction. The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more ~~persons or an Entity~~ Persons, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

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

~~24.14.1.1. Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.~~

24.15. 24.14. Notice. - All notices given under this Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first class mail, to the following addresses (which may be changed upon 10 business days' prior written notice):

YOU: _____ As set forth ~~below your signature on this Agreement~~ in Part A of ATTACHMENT "A"

US: _____ Madabolic Franchise System, LLC
US: _____ Madabolic Franchise System, LLC
2610 South Blvd.
Charlotte, North Carolina 28209
Attention: President
42490 Garfield Road, Suite 202
Clinton Township, Michigan 48038
Email: Operations@MADabolic.com

Notice shall be considered given at on: (a) the date delivered by hand; ~~or one (1) business day after sending sent~~ by fax, e-mail email or comparable electronic system; ~~or (including any notice that is also sent by mail); or (b) three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.~~

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

[\[Signature Page Follows\]](#)

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

FRANCHISOR:

Madabolic Franchise System, LLC, a Δ Delaware limited liability company

By: _____

Name: _____

~~His~~Its Title: _____

YOU (If you are an eEntity):

_____,
a(n) _____

By: _____;

Name: _____

~~His~~Its Title: _____

YOU (If you are not an eEntity):

Name: _____

Franchisee's Principal Business Address:

ATTACHMENT "A"
TO FRANCHISE AGREEMENT

DEFINITIONS

~~"Account" is defined in Section 14.5.~~

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

~~"Acquired Assets" is defined in Section 22.2.~~

~~"Agencies" is defined in Section 22.1(viii).~~

~~"Agreement" is defined in the Introductory Paragraph.~~

~~"Alternative Channels of Distribution" means all channels of distribution other than retail sales made to members from a Madabolic workout facility, including, but not limited to: (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (ii) sales through retail stores that do not operate under the Marks, such as fitness stores, convenience stores or department stores; (iii) sales made at wholesale; and (iv) on-site sales to members, such as sales to employee groups at a business site.~~

"APPRAISAL DATE" IS DEFINED DEAL TERMS

A. Franchisee Details

Name of Franchisee: [_____]

Is the franchisee one or more natural Persons signing in Section 22.2.

~~"Appraised Value" is defined in Section 22.2.~~

~~"Brand Protection Agreement" means our form of Brand Protection Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "F".~~

~~"Business" is defined in Section 2.~~

~~"Claim" or "Claims" means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.~~

~~"Competitive Business" means any business competitive with us (or competitive with any of our affiliates or our franchisees) that offers fitness classes that emphasize strength and conditioning interval training exercises.~~

~~"Confidentiality Agreement" means our form of Confidentiality Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "G".~~

~~"Copyrights" means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Madabolic franchisees to use, sell or display in connection with the marketing and/or operation of a Madabolic facility, whether now in existence or created in the future.~~

~~"Dispute" is defined in Section 23.~~

~~"Effective Date" is defined in the Introductory Paragraph.~~

~~"Entity" means a corporation, partnership, limited liability company or other form of association.~~

~~"General Release" means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their~~

corporate and individual capacities. capacity? Yes: _____ No: _____

~~“Gross Revenues” means 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 Business or with this franchise, whether on or off your premises, including, without limitation, all membership related fees (such as initiation fees, enrollment fees, processing fees, paid in full dues, renewal fees, monthly 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 and all insurance proceeds that you receive for the loss of the Business due to a casualty to or similar event at the Business. Gross Revenues excludes only discounts you allow, gratuities paid by customers to employees of the Business, sales tax receipts that you must by law collect or pay and any customer refunds of previous payments you actually make. From time to time, we may establish policies governing the manner in which the proceeds from the sale of gift cards are treated for purposes of calculating Gross Revenues. Similarly, if we implement a membership model that allows customers to redeem goods or services associated with the membership from multiple Madabolic facilities, we may establish policies governing the manner in which the monthly membership dues are allocated between the facility that sold the membership and the facilities where the goods or services are redeemed.~~

~~“Improvements” is defined in Section 18.6.~~

~~“Indemnified Party” or “Indemnified Parties” means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.~~

~~“Intellectual Property” means, collectively or individually, our Marks, Copyrights, Know how, System and Improvements.~~

~~“Interim Manager” is defined in Section 8.5.~~

~~“Interim Term” is defined in Section 4.3.~~

~~“Know how” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Madabolic business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies, promotional programs, proprietary training programs, workouts and group fitness classes, membership programs, membership billing procedures, purchasing strategies, vendor and supplier relationships, cost and pricing strategies, merchandising methods and techniques, inventory management systems, forms, contracts, record keeping and reporting procedures, and information comprising the System and the Manual.~~

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

~~“Managing Owner” means the Owner that you designate and we approve who is primarily responsible for the daily on premises management and supervision of the Business.~~

~~“Manual” is defined in Section 6.1.~~

~~“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Madabolic facility, including “Madabolic,” the associated logo and any other trademarks, service marks or trade names that we designate for use in a Madabolic facility. The term “Marks” also includes any distinctive trade dress used to identify a Madabolic facility, whether now in existence or hereafter created.~~

~~“Marketing Campaign” is defined in Section 11.1(a).~~

~~“Owner” or “Owners” means any individual who owns Type of Entity and State of Formation* (if applicable): [_____]~~

~~* If the franchisee is a business Entity, each Person holding a direct or indirect Equity Interest in the~~

Franchisee Entity, and spouse of each such Person who is a natural Person, must sign the Franchise Owner Agreement concurrently with the execution of this Agreement.

The following table includes the full name of each Person holding a direct or indirect ownership interest in the franchise-Business (or the Franchisee Entity that is the franchisee under this Agreement. "Owner" includes both passive and active owners.

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

~~"Permitted Transfer" means: (i) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by an Owner who is the Managing Owner; and/or (ii) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power.~~

~~"Post Term Restricted Period" means,if applicable) along with respect to you, a period of two (2) years after the termination, expiration or Transfer of this Agreement; provided, however, that if a court of competent jurisdiction determines that the two year Post Term Restricted Period is too long to be enforceable, then the "Post Term Restricted Period" means, with respect to you, a period of one (1) year after the termination, expiration or Transfer of this Agreement. "Post Term Restricted Period" means, with respect to an Owner, a period of two (2) years after the earlier to occur of (i) the termination, expiration or Transfer of this Agreement or (ii) the Owner's Transfer of his or her entirea description of their ownership interest in the franchise or the Entity that is the franchisee, as applicable; provided, however, that if a court of competent jurisdiction determines that the two year Post Term Restricted Period is too long to be enforceable, then the "Post Term Restricted Period" means, with respect to an Owner, a period of one (1) year after the earlier to occur of (i) the termination, expiration or Transfer of this Agreement or (ii) the Owner's Transfer of his or her entire ownership interest in the franchise or the Entity that is the franchisee, as applicable.~~

~~"Prohibited Activities" is defined in Section 15.3.~~

~~"Qualified Appraiser" is defined in Section 22.2.~~

~~"Restricted Territory" means the geographic area within: (i) a 25 mile radius from your Madabolic facility (and including your facility itself); and (ii) a 25 radius from all other Madabolic facilities that are operating or under construction as of the Effective Date and remain in operation or under construction during all or any part of the Post Term Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a 10 mile radius from your Madabolic facility (and including your facility itself).~~

“

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

Notice Address:

Attention:

Email:

B. Site Selection Area ~~is defined in Sections 7.1.~~

The Site Selection Area referenced in the Franchise Agreement consists of the following geographic area:

[_____]

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

C. Approved Site.

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

Approved Address: [_____]

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

D. Territory

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

[_____]

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

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

[Insert Map Below (if applicable)]

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

[See Attached]

~~"Successor Agreement" is defined in Section 4.1.~~

~~"System" means our distinct system for the operation of a Madabolic business, the distinctive characteristics of which include logo, Marks, proprietary fitness programs and products, membership model, confidential brand standards manual and operating system.~~

~~"Technology Fee" is defined in Section 12.9(a).~~

~~"Term" is defined in Section 4.1.~~

~~"Territory" is defined in Section 3.~~

~~"Transfer" means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the franchise (or any interest therein), the Business (or any portion thereof) or an ownership interest in an Entity that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).~~

~~"We" or "us" is defined in the Introductory Paragraph.~~

~~"You" is defined in the Introductory Paragraph.~~

SITE APPROVAL NOTICE

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

Approved Address:

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

Territory:

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

[_____]

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

* * *

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

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

Franchisor

Franchisee

Madabolic Franchise System, LLC _____

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

~~ATTACHMENT "B"~~ ATTACHMENT "C"

TO FRANCHISE AGREEMENT

SITE SELECTION AND TERRITORY

A. Site Selection Area:

The Site Selection Area referenced in the Franchise Agreement shall consist of the following geographic area:

[_____]

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

B. Approved Site:

Pursuant to Section 7.1 of the Franchise Agreement, we hereby approve the site listed below for the operation of your Madabolic facility.

Approved address:

C. Territory:

The Territory referenced in the Franchise Agreement shall consist of the following geographic area (as may be further depicted on a map attached on the following page):

[_____]

*** If there are any changes to the zip codes or other boundaries that define your Territory during the term of the Franchise Agreement or any renewal term, then, unless otherwise agreed to by you and us in writing, the boundaries of your Territory shall remain defined by the zip codes or other boundaries in effect as of the Effective Date and depicted on the map on the following page.

[Attach Map on Following Page If Applicable]

~~ATTACHMENT "C" ATTACHMENT "A"~~

~~TO FRANCHISE AGREEMENT~~

~~LEASE ADDENDUM~~

~~*[See Attached]*~~

LEASE ADDENDUM

[See Attached]

LEASE ADDENDUM

This Lease Addendum (this “Agreement ~~dated this _____ day.~~”) is executed as of _____, _____, 202__ by and among Madabolic Franchise System, LLC, a Delaware limited liability company, ~~with principal offices at 2610 South Blvd., Charlotte, North Carolina 28209~~ (the “Franchisor”), _____, _____, a(n) _____, _____, with principal offices located at _____ (the “Landlord”), and _____, _____, a(n) _____, _____, with principal offices located at _____ (the “Tenant/Franchisee”).

Introduction

_____ A. _____

Background

On _____, ~~the Tenant/Franchisee and the~~ _____, 202[___], Franchisor ~~entered and Tenant executed~~ a Madabolic, Franchise Agreement (the “Franchise Agreement”). ~~Under the Franchise Agreement, the~~, pursuant to which Franchisor granted ~~the Tenant/Franchisee~~ the right, and ~~the Tenant/Franchisee undertook the duty, obligation~~ to develop, open and operate a Madabolic ~~franchised business~~ (the “Franchised Business”) at the Premises (defined below):

A. ~~B.~~ Simultaneously with entering this Agreement, the Landlord and the Tenant/Franchisee are entering a lease agreement (the “Lease”). Under the Lease, the Tenant/Franchisee leases facility at the premises described in Exhibit “A” (the “Premises”).

B. ~~C.~~ Concurrently with the execution of this Agreement, Landlord and Tenant are executing a lease agreement (the “Lease”), pursuant to which Landlord will lease the Premises to Tenant.

~~B.C.~~ To protect the Franchisor’s rights and interests under the Franchise Agreement, the Landlord grants/agrees to grant certain rights to ~~the Franchisor under the Lease~~ as set forth below.

Agreement

~~The parties, therefore, agree as follows:~~

1. ~~1.~~ Default Notices. ~~At the same time such notices are sent to the Tenant/Franchisee, the Landlord must Landlord agrees to provide the Franchisor with copies of all written notices of default that it sends notices sent to the Tenant/Franchisee. The at the same time such notices are sent to Tenant.~~ Landlord agrees to send such copies by first-class mail, postage prepaid, to the Franchisor at its address by email and registered mail as set forth ~~above or such other address as the below~~ (Franchisor may ~~notify the Landlord in writing~~ change the notice email and address from time to time by sending written notice to Landlord):

_____ 2. _____ Madabolic Franchise System, LLC
_____ 2610 South Blvd., Charlotte, North Carolina 28209
_____ Attention: President
_____ Email: Operations@MADabolic.com

2. Right to Cure. ~~If the Tenant/Franchisee defaults under the Lease, the Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period. Furthermore, in~~ In such event, ~~the Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining the Landlord’s or Franchisee’s Tenant’s consent. The Franchisor may thereafter assign the Lease to another Madabolic franchisee or to an entity owned and/or controlled by the Franchisor. If it does, the Franchisor must first obtain the Landlord’s written approval of the assignee. The Landlord, however, must neither unreasonably withhold nor delay its approval thereof. The Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to~~

any assignment or similar fee or will cause any rental acceleration.

3. ~~3.~~ Right to Assign. -At any time ~~(, including, without limitation, upon the expiration or sooner termination of the Franchise Agreement), and~~ without ~~the~~ Landlord's prior consent, ~~the~~ Tenant/~~Franchisee~~ may assign the Lease to ~~the~~ Franchisor. -In such event, ~~the~~ Franchisor may thereafter assign the Lease to another Madabolic franchisee or to an entity owned and/or controlled by ~~the~~ Franchisor. -If it does, ~~the~~ Franchisor must first obtain ~~the~~ Landlord's written approval of the assignee. ~~The~~ Landlord, however, must neither unreasonably withhold nor delay its approval thereof. ~~The~~ Landlord will acknowledge any such assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.
4. ~~4.~~ Right of First Refusal. ~~The~~ Landlord ~~agrees that~~ hereby grants Franchisor the first right of refusal to lease the Premises as the new tenant upon the expiration or termination of the Lease, ~~the~~ Franchisor shall have a period of 30 days after the first expiration or termination of the Lease to decide whether to exercise its right of first refusal to lease the Premises as the new tenant.
5. ~~5.~~ Expiration or Termination of Franchise Agreement. ~~The~~ Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving ~~the~~ Franchisor the right, but not the obligation, to cure such default by succeeding to ~~Tenant/Franchisee's~~ Tenant's interests under the Lease in accordance with Section §2 above.
6. ~~6.~~ Acknowledgement of Rights. ~~The~~ Landlord acknowledges ~~the~~ Franchisor's rights under the Franchise Agreement to enter the Premises, without being guilty of trespass or any other tort or crime, to:
(~~i~~) make any modifications or alterations to the Premises that Franchisor deems necessary ~~in the Franchisor's sole discretion~~ to protect its franchise system ~~and its~~ or trademarks ~~without being guilty of trespass or any other tort or crime; and (ii; and~~ (b) remove any trade fixtures, interior or exterior signs and other items bearing ~~the~~ Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement.
7. ~~7.~~ Modification of Lease. ~~Without the Franchisor's prior written consent, the~~ Landlord and ~~the~~ Tenant/~~Franchisee may will~~ not amend, modify, supplement, terminate, renew or extend the Lease- without Franchisor's written consent.
8. ~~8.~~ Miscellaneous.
 - (a) ~~a.~~ In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.
 - (b) ~~b.~~ All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.
 - (c) ~~e. The provisions of this~~ This Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.
 - (d) ~~d.~~ This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument. ~~Confirmation of execution by telex or by telecopy facsimile signature page is binding upon any party so confirming or telecopying.~~

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

FRANCHISOR:

Madabolic Franchise System, LLC, ~~a~~A Delaware limited liability company

By: _____

Name: _____

Its: _____

Title: _____

LANDLORD:

_____, (a)n _____

By: _____

Name: _____

Its: _____

Title: _____

TENANT/~~FRANCHISEE~~:

_____, (a)n _____

By: _____

Name: _____

Its: _____

Title: _____

EXHIBIT "A" TO LEASE ADDENDUM

DESCRIPTION OF PREMISES

|



|

ATTACHMENT "D"

TO FRANCHISE AGREEMENT

FRANCHISE OWNER AGREEMENT

~~[SEE ATTACHED]~~ FRANCHISE OWNER AGREEMENT

[See Attached]

FRANCHISE OWNER AGREEMENT

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

~~1. **Definitions.** For purposes of this Agreement, the following Capitalized terms used in this Agreement shall have the meanings given to them below:~~

~~“Competitive Business” means any business competitive with us (or competitive with any of our affiliates or our franchisees) that offers fitness classes that emphasize strength and conditioning interval training exercises.~~

~~1. “Copyrights” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Madabolic franchisees to use, sell or display in connection with if not defined below, the meanings given to them in the marketing and/or operation of a Madabolic facility, whether now in existence or created in the future. Franchise Agreement.~~

~~“Franchise Agreement” means the Madabolic Franchise Agreement executed by Franchisee with an effective date of _____, 202__.~~

~~“Franchised Franchisee” means _____.~~

~~“Madabolic Business” means the Madabolic facility operated by Franchisee pursuant to the Franchise Agreement any strength training fitness business we authorize to operate under the Marks and use our System.~~

~~“Franchisee” means _____.~~

~~“Improvements” means any additions, modifications or improvements to (i) the goods or services offered at a Madabolic facility, (ii) the method of operation of a Madabolic facility or (iii) any marketing or promotional ideas relating to a Madabolic facility, whether developed by you, Franchisee or any other person.~~

~~“Intellectual Property” means, collectively or individually, our Marks, Copyrights, Know how, System and Improvements.~~

~~“Know how” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Madabolic business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies, promotional programs, proprietary training programs, workouts and group fitness classes, membership programs, membership billing procedures, purchasing strategies, vendor and supplier relationships, cost and pricing strategies, merchandising methods and techniques, inventory management systems, forms, contracts, record keeping and reporting procedures, and information comprising the System and the Manual.~~

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

~~“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Madabolic facility, including “Madabolic,” the associated logo and any other trademarks, service marks or trade names that we designate for use in a Madabolic facility. The term “Marks” also includes any distinctive trade dress used to identify a Madabolic facility, whether now in existence or hereafter created.~~

~~“Prohibited Activities” means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing any member of ours (or of one of our affiliates or franchisees) to transfer their business to Owner or to any other person that is not then a franchisee of ours.~~

~~“Restricted Period” means: the two (2) year period after the earliest to occur of the following: ~~(i)a~~ the~~

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

~~“Restricted Territory” means the geographic area within: (i) a 25-mile radius from the Franchised Business facility (and including the facility itself); and (ii) a 25 radius from all other Madabolic facilities that are operating or under construction as of the date of this Agreement and remain in operation or under construction during all or any part of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 10-mile radius from the Franchised Business facility (and including the facility itself).~~

~~“System” means our distinct system for the operation of a Madabolic business, the distinctive characteristics of which include logo, Marks, proprietary fitness programs and products, membership model, confidential brand standards manual and operating system.~~

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

3. ~~3.~~ Brand Protection Covenants.

- (a) ~~(a)~~ Intellectual Property and Confidential Information.— You agree to: (i) ~~you will not use the Know-how~~ refrain from using the Intellectual Property or Confidential Information in any ~~business or~~ capacity or for any purpose other than the Franchised operation of Franchisee's Madabolic Business operated by Franchisee in compliance with the Franchise Agreement and Manual; (ii) ~~you will~~ maintain the confidentiality of ~~the Know-how~~ Confidential Information at all times; (iii) ~~you will not make~~ refrain from making unauthorized copies of documents containing ~~any Know-how~~ Confidential Information; (iv) ~~you will~~ take ~~such reasonable~~ all steps ~~as we may ask of you from time to time~~ reasonably require to prevent unauthorized use or disclosure of ~~the Know-how~~ Confidential Information; and (v) ~~you will~~ immediately stop using the ~~Know-how~~ Intellectual Property and Confidential Information at such time that you are ~~(or your spouse is)~~ no longer an owner of Franchisee ~~or your spouse is an owner of Franchisee, as applicable. You further agree that you will not use the Intellectual Property for any purpose other than the development and operation of the Franchised Business pursuant to the terms of the Franchise Agreement and Manual. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize, and sublicense the same.~~
- (b) ~~(b)~~ Unfair Competition During Relationship. You ~~agree~~ may not ~~to unfairly compete with us~~ engage in any Prohibited Activities at any time ~~while: (i) that~~ you are ~~(or your spouse is)~~ an owner of Franchisee ~~or while your spouse is an owner of Franchisee, as applicable, by engaging in any Prohibited Activities.~~
- (c) ~~(c)~~ Unfair Competition After Relationship. You ~~agree not to unfairly compete with us; or (ii)~~ during the Restricted Period ~~by engaging in any Prohibited Activities; provided, however, that~~ Notwithstanding the ~~Prohibited Activity relating to having~~ foregoing, you may have an interest in a Competitive Business ~~will only apply with respect to a Competitive~~ during the Restricted Period as long as the Competing Business ~~that is not located within or provides, and does not provide~~ competitive goods or services to ~~members~~ customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, ~~then you agree that (other than having an interest in a Competing Business permitted by this Section),~~ your Restricted Period will be extended by the period of time during which you ~~were engaging~~ engaged in the ~~prohibited activity~~ (any Prohibited Activity. Any such extension of time will not ~~be construed as constitute~~ a waiver of your breach or ~~otherwise~~ impair any of our rights or remedies relating to your breach).
- (d) ~~(d)~~ Immediate Family Members. You ~~acknowledge that~~ Because you could circumvent the purpose of ~~this Agreement~~ §3 by disclosing Know-how Confidential Information to an immediate family member (i.e., parent, sibling, child, or grandchild). ~~You also acknowledge that~~ and it would be difficult for us to prove ~~whether you disclosed the Know-how to family members. Therefore, you agree that~~ any such breach, you will be presumed to have ~~violated the terms of~~ breached this Agreement if ~~any~~ a member of your immediate family (i) engages in any Prohibited Activities during at any period of time ~~during which~~ that you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses ~~the Know-how~~ Confidential Information. However, you may rebut this presumption ~~by~~ furnishing with evidence conclusively showing ~~that~~ you did not disclose ~~the Know-how~~ Confidential Information to the family member.
- (e) ~~(e)~~ Covenants Reasonable. You ~~acknowledge and~~ agree that: (i) the ~~terms of this Agreement~~ covenants in §3 are reasonable both in time duration and in geographic scope of geographic area; and (ii) you have sufficient resources ~~and~~ business experience and opportunities to earn an adequate living while complying with ~~the terms of this Agreement. YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE; these covenants.~~ Although you and we both believe ~~that~~ the covenants in ~~this Agreement~~ §3 are reasonable ~~in terms of scope, duration and geographic area, we may at any time, upon written notice to you, unilaterally modify the terms of the system brand protection covenants in Section §3 of this Agreement, upon written notice to you, by limiting the scope of the~~

Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under ~~Section §3~~ of this Agreement to ensure ~~that the terms and~~ covenants are enforceable under applicable law.

- (e) ~~(f)~~ — **Breach.** You agree that: (i) any failure to comply with ~~the covenants in this Section §3 will~~ is likely to cause substantial and irreparable damage to us and/or other ~~Madabolic~~ franchisees for which there is no adequate remedy at law. ~~Therefore, you agree that any violation of these covenants will entitle us; and (ii) we are entitled~~ to injunctive relief. ~~You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and~~ if you breach §3 together with any other relief ~~as may be~~ available at equity or law, ~~and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby).~~ We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires ~~the filing of that we post~~ a bond ~~notwithstanding the preceding sentence, the parties agree that the amount of~~ despite our mutual agreement to the contrary, the bond ~~shall~~ amount may not exceed \$1,000. None of the remedies available to us under this ~~Section Agreement~~ are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

4. ~~4.~~ — **Transfer Restrictions.** ~~If you are an owner of Franchisee, you acknowledge that we~~ We must approve all persons who hold a direct or indirect ownership interest in the Franchisee. ~~Accordingly entity. If you are an owner of Franchisee,~~ you agree that you will not, directly or indirectly ~~or by operation of law,~~ sell, assign, mortgage, pledge or in any manner transfer any direct or indirect ownership interest in the Franchisee entity except in accordance with ~~the terms and conditions set forth in Section 20.2§~~ 19 of the Franchise Agreement.

5. ~~5.~~ — **Financial Security.** In order to secure Franchisee's financial obligations under the Franchise Agreement and all ~~ancillary agreements executed by Franchisee~~ other Definitive Agreements (as defined in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours and any promissory note related to payments owed to us) (collectively, the "Secured Agreements"), you, jointly and severally, personally and unconditionally: (a) guarantee to us and our successors and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreements; and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements. You waive: ~~(1)-~~

(i) acceptance and notice of acceptance by us of the foregoing undertakings; ~~(2)-~~

(ii) notice of demand for payment of any indebtedness guaranteed; ~~(3)-~~

(iii) protest and notice of default to any party with respect to the indebtedness guaranteed; ~~(4)-~~

(iv) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and ~~(5)-~~

(v) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed.

You agree that: ~~(1a)~~ your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement; ~~(2b)~~ you will render any payment required under the Secured Agreements upon demand if Franchisee fails ~~or refuses punctually to~~ promptly do so; ~~(3c)~~ your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and ~~(4d)~~ liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Secured Agreements and following the termination, expiration or transfer of each of

the Secured Agreements to the extent any financial obligations under any such Secured Agreements survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy ~~with respect to~~ Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

5.6. 6.—Dispute Resolution. Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures ~~set forth~~ in the Franchise Agreement. Notwithstanding the foregoing, if any ~~of the~~ dispute resolution procedures ~~set forth~~ in the Franchise Agreement conflict with any ~~of the~~ terms of this Agreement, the terms of this Agreement shall prevail. **-You acknowledge and agree that ~~ayour~~ breach of this Agreement ~~by you shall constitute~~ constitutes a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with ~~theits~~ terms thereof.**

6.7. 7.—Miscellaneous.

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

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

OWNER / SPOUSE

By: _____

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

By: _____

Name: _____

Date: _____

OWNER / SPOUSE

By: _____

By: _____

Name: _____

Date: _____

ATTACHMENT "E"
TO FRANCHISE AGREEMENT

ACH AUTHORIZATION FORM

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name _____ Business No. _____

Franchisee Mailing Address (street) _____ Franchisee Phone No. _____

Franchisee Mailing Address (city, state, zip) _____

Contact Name, Address and Phone number (if different from above) _____

Franchisee Fax No. _____ Franchisee ~~E-mail~~ Email Address _____

Bank Account Information:

Bank Name _____

Bank Mailing Address (street, city, state, zip) _____

Bank Account No. _____ Checking Savings _____ Bank Routing No. (9 digits) _____
(check one)

Bank Mailing Address (city, state, zip) _____ Bank Phone No. _____

Authorization:

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

Signature: _____ Date: _____

Name: _____

~~Its:~~ _____

Title: _____

Federal Tax ID Number: _____

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

ATTACHMENT "F"
TO FRANCHISE AGREEMENT
BRAND PROTECTION AGREEMENT

[See Attached]

BRAND PROTECTION AGREEMENT

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

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

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

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

~~“Copyrights” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow Madabolic franchisees to use, sell or display in connection with the marketing and/or operation of a Madabolic facility, whether now in existence or created in the future.~~

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

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

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

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

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

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

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

“~~Marks~~” “Madabolic Business” means any strength training fitness business we authorize to operate under the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Madabolic facility, including “Madabolic,” the associated logo and any other Marks and use our System.

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

“Prohibited Activities” means and includes any ~~or all~~ of the following: (ia) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, ~~shareholder,~~ creditor, representative, agent or in any similar capacity) in ~~a Competitive~~ any Competing Business ~~(, other than owning an interest of five percent (5%)% or less in a publicly traded company that is a Competitive Business);~~ (iii); (b) disparaging or otherwise making negative comments about us, our affiliate, the System and/or any Madabolic Business; (c) diverting or attempting to divert any business from us (or one of, our affiliates or franchisees); another franchisee; and/or (iiiid) inducing any ~~member of ours (or of one of our affiliates or franchisees)~~ Person to transfer their business from a Madabolic Business to you or to any other person that is not then a franchisee of ours competitor.

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

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

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

2. ——— Background. You are an officer, director, employee or independent contractor of Franchisee. As a

result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our ~~entire~~ franchise system if you were to unfairly compete with us. ~~In order to or misuse our Intellectual Property. To~~ avoid such damage, you agree to comply with the terms of this Agreement.

2. ~~3.~~ Brand Protection Covenants.

Intellectual Property and Confidential Information. You agree to: (i) ~~you will not use the Know how~~ refrain from using the Intellectual Property or Confidential Information in any business or ~~capacity for any purpose~~ other than the operation of Franchisee's Madabolic facility operated by Franchisee Business; (ii) ~~you will~~ maintain the confidentiality of ~~the Know how~~ all Confidential Information at all times; (iii) ~~you will not make~~ refrain from making unauthorized copies of documents containing ~~any Know-how Confidential Information~~; (iv) ~~you will~~ take ~~such reasonable~~ all steps ~~as we may ask of you from time to time~~ reasonably require to prevent unauthorized use or disclosure of ~~the Know-how Confidential Information~~; and (v) ~~you will~~ immediately stop using the ~~Know how~~ immediately if Intellectual Property and Confidential Information at such time that you are no longer an officer, director, employee or independent contractor of Franchisee. ~~You further agree that you will not use the Intellectual Property for any purpose other than the performance~~ You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of your duties for Franchisee and within the scope of your employment or other engagement any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with Franchisee full rights to use, commercialize and sublicense the same.

4. Unfair Competition During Relationship. You ~~agree~~ may not ~~to unfairly compete with us~~ engage in any Prohibited Activities at any time ~~while~~; (i) ~~that~~ you are an officer, director, employee or independent contractor of Franchisee ~~by engaging in any Prohibited Activities~~.

5. Unfair Competition After Relationship. You ~~agree not to unfairly compete with us~~; ~~or~~ (ii) during the Restricted Period ~~by engaging in any Prohibited Activities~~; provided, however, that the ~~Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive. Notwithstanding the foregoing, you may have an interest in a Competing Business that during the Restricted Period as long as the Competing Business is not located within or provides, and does not provide competitive goods or services to members customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that (other than having an interest in a Competing Business permitted by this Section), your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity. engaged in the Prohibited Activity. Any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach.~~

(c) 6. Immediate Family Members. You ~~acknowledge that~~ Because you could circumvent the purpose of this Agreement by disclosing ~~Know how~~ Confidential Information to an immediate family member (i.e., ~~spouse~~, parent, sibling, child, or grandchild). ~~You also acknowledge that~~ and it would be difficult for us to prove ~~whether you disclosed the Know how to family members. Therefore, you agree that any such breach, you will be presumed to have violated the terms of breached this Agreement if any a member of your immediate family (i) engages in any Prohibited Activities during at any period of time during which that you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know how Confidential Information. However, you may rebut this presumption by furnishing with evidence conclusively showing that you did not disclose the Know how Confidential Information to the family member.~~

(d) 7. Covenants Reasonable. You ~~acknowledge and~~ agree that: (i) the ~~terms of covenants in~~ this Agreement are reasonable both in time duration and in scope of geographic areas scope; and (ii) you have sufficient resources ~~and~~ business experience and opportunities to earn an adequate living while complying with ~~the terms of this Agreement. YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE~~

~~TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE~~ this Agreement. Although you and we both believe the covenants in this Agreement are reasonable, we may at any time unilaterally modify the terms of the brand protection covenants in §3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competing Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under §3 of this Agreement to ensure that the covenants are enforceable under applicable law.

~~8. Breach.~~ You agree that: (i) any failure to comply with §3 is likely to cause substantial and irreparable damage to us and/or other Madabolic franchisees for which there is no adequate remedy at law. ~~Therefore, you agree that any violation of the terms of this Agreement will entitle us; and (ii) we are entitled~~ to injunctive relief. ~~You agree that we may apply for such if you breach §3 together with any other relief available at equity or law. We will notify you if we intend to seek~~ injunctive relief, ~~without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby).~~ we need not post a bond. If a court requires ~~the filing of~~ that we post a bond ~~notwithstanding the preceding sentence, the parties agree that the amount of~~ despite our mutual agreement to the contrary, the bond ~~shall~~ amount may not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. ~~Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.~~

2.3.9. — Miscellaneous

- (a) If we hire an attorney or file suit against you ~~because you have breached~~ for breach of this Agreement and we prevail against you, ~~you agree to pay~~ must reimburse us for our reasonable attorneys' fees and costs ~~in doing so.~~
- (b) This Agreement will be governed by, construed and enforced under the laws of North Carolina and the courts in that state shall have exclusive jurisdiction over any legal proceedings arising out of this Agreement.
- (c) ~~Each section of this Agreement, including each subsection and portion thereof, is severable. If Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that~~ any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; ~~and each party to this Agreement agrees.~~ The parties agree that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

~~(a) — You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.~~

- (d) If you are a resident of Washington, D.C. as of the date you sign this Agreement, then the noncompetition covenant set forth in this Agreement shall not be applicable to you and the definition of "Prohibited Activities" shall be deemed amended by deleting clause (a) from such definition.

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

By: _____

By: _____

Name: _____

Date: _____

ATTACHMENT "G"
TO FRANCHISE AGREEMENT
CONFIDENTIALITY AGREEMENT

[See Attached]

CONFIDENTIALITY AGREEMENT

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

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

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

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

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

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

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

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

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

inventory management systems, ~~forms;~~ customer contracts; ~~record and forms;~~ recording keeping and reporting procedures; and information comprising the System ~~and/or included in~~ the Manual.

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

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

“Marks” means ~~the logotypes; and includes all~~ service marks, ~~and~~ trademarks ~~now or hereafter involved in the operation of a~~ trade names and logos that we designate from time to time and authorize Madabolic facilityBusinesses to use, including “MADABOLIC,”[®] ~~and the associated logo and any other trademarks, service marks or trade names that we designate for use in a Madabolic facility.~~ The term “Marks” also includes any distinctive trade dress used to identify a Madabolic ~~facility, whether now in existence or hereafter created~~Business or the products it sells, including distinctive colors, wallpaper and interior and exterior wall graffiti.

“System” means our ~~distinct~~ system developed for the operation of a Madabolic bBusiness, the distinctive characteristics of which include ~~logo, Marks;~~ distinctive interior and exterior design, décor, signage, color scheme and other trade dress elements; proprietary fitness training programs, workouts and products, group fitness classes; membership model, ~~confidential brand standards manual;~~ advertising and marketing strategies; merchandising strategies; and operating system.

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

~~3. Know-How and Intellectual Property~~ and Confidential Information. You agree: ~~(i) you will not use to; (a) refrain from using~~ the Know-howIntellectual Property or Confidential Information in any business or ~~capacity for any purpose~~ other than the operation of Franchisee’s Madabolic facility operated by Franchisee; ~~(ii) you will~~Business; ~~(b) maintain the confidentiality of the Know-howall Confidential Information~~ at all times; ~~(iii) you will not make~~c) refrain from making unauthorized copies of documents containing any Know-how; ~~(iv) you will~~Confidential Information; ~~(d) take such reasonable~~all steps ~~as we may ask of you from time to time we reasonably require~~ to prevent unauthorized use or disclosure of ~~the Know-howConfidential Information;~~ and ~~(v) you will~~e) immediately stop using the Know-how immediately if you Intellectual Property and Confidential Information at such time that you are no longer an ~~officer, director,~~ employee or independent contractor of Franchisee. ~~You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement~~You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with Franchiseefull rights to use, commercialize and sublicense the same.

4. ~~4.~~ **Immediate Family Members.** ~~You acknowledge that~~Because you could circumvent the purpose of this Agreement by disclosing Know-howConfidential Information to an immediate family member (i.e., ~~spouse, parent, sibling, child, or grandchild).~~You also acknowledge that) and it would be difficult for us to prove ~~whether you disclosed the Know-how to family members. Therefore, you agree that~~any such breach, you will be presumed to have ~~violated the terms of~~breached this Agreement if ~~any~~a member of your immediate family uses or discloses ~~the Know-how. However, you~~Confidential Information. You may rebut this presumption ~~by furnishing with~~ evidence conclusively showing ~~that~~ you did not disclose ~~the Know-howConfidential Information~~ to the family member.

~~5. Covenants Reasonable.~~ You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities

to earn an adequate living while complying with the terms of this Agreement. ~~YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.~~

~~6. Breach. You agree that~~ Breach. You agree that: (a) any failure to comply with ~~the terms of~~ this Agreement ~~will~~ is likely to cause substantial and irreparable damage to us and/or other ~~Madabolic~~ franchisees for which there is no adequate remedy at law. ~~Therefore, you agree that any violation of the terms of this Agreement will entitle us; and (b) we are entitled~~ to injunctive relief. ~~You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be~~ if you breach this Agreement together with any other relief available at equity or law, ~~and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby).~~ We will notify you if we intend to seek injunctive relief but we need not post a bond. If a court requires ~~the filing of~~ that we post a bond ~~notwithstanding the preceding sentence, the parties agree that the amount of~~ despite our mutual agreement to the contrary, the bond ~~shall~~ amount may not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. ~~Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.~~

6. ~~7.~~ Miscellaneous.

:

- (a) ~~If we hire an attorney or file suit against you because you have breached~~ for breach of this Agreement and we prevail against you, ~~you agree to pay~~ must reimburse us for our reasonable attorneys' fees and costs ~~in doing so.~~
- (b) This Agreement will be governed by, construed and enforced under the laws of North Carolina and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- (c) ~~Each section of this Agreement, including each subsection and portion thereof, is severable. Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that~~ if any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; ~~and each party to this Agreement agrees.~~ The parties agree that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

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

By: _____

By: _____

Name: _____

Date: _____

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

[See Attached]

Summary of Content

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

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

Article 2 ~ Franchise Management (PAGE 11)

- * A list of operations and contact numbers

Article 3 ~ Franchise Obligations (PAGES 12 - 39)

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

Article 4 ~ Our Basic Principles (PAGE 40)

- * A brief description and values of the company

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

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

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

- * Sample Alcohol And Drug Policy Form

Article 7 ~ Administrative (PAGES 58 - 66)

- * Section 7.01 ~ Recommended Pricing Policies
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- * Section 7.03 ~ Franchisor's Right to Audit Procedures
- * Section 7.04 ~ Requirements in Connection with the Sale of any Interest in the Franchise

Article 8 ~ Confidential Information (PAGES 67 - 69)

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

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

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

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

- * Section 10.01 ~ Required Minimum Insurance
- * Section 10.02 ~ Violence Policy
- * Section 10.03 ~ Emergency Situations
- * Section 10.04 ~ Check Fraud Prevention
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Article 11 ~ Standards Enforcement & Site Inspections (PAGE 78)

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

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- * Section 12.02 ~ Royalty Fees & Gross Sales Definition
- * Section 12.03 ~ System Advertising, Local Advertising Expenditures & Plan
- * Section 12.04 ~ Grand Opening Expenditures
- * Section 12.05 ~ Financial Statement Submissions Requirements
- * Section 12.06 ~ Record Retention Requirements for Franchisor and Tax Purposes
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- * Section 13.01 ~ MADabolic Inc Inc.® Public Relations
- * Section 13.02 ~ Promotional Director
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- * Section 13.06 ~ Policies Regarding Cooperative Advertising * Section 13.07 ~ Logo Spec Sheets
- * Section 13.08 ~ T-shirts/ Caps
- * Section 13.09 ~ Press Releases
- * Section 13.10 ~ Social Media Standards and Guidelines
- * Section 13.11 ~ Facebook, Twitter & Instagram Guidelines & Preferred Names
- * Section 13.12 ~ Model Release

Article 14 ~ Branding Package (PAGES 96 - 105)

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

Article 15 ~ Forms (PAGES 106 - 136)

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

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

* *Approved Vendor List*

* *Baseline Pricing Structure*

* *Cleaning Checklist*

* *Email Set Up*

* *Equipment List*

* *Mindbody Set Up / Checklist*

* *SFH Minimums*

* *Start Up Supplies*

EXHIBIT "E"
TO DISCLOSURE DOCUMENT
LIST OF FRANCHISEES

Part A (Current Franchisees)

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

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

FRANCHISEES OPEN AS OF DECEMBER 31, 2023

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

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

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2023

<u>State</u>	<u>City</u>	<u>Address</u>	<u>Phone</u>	<u>Owner Name(s)</u>
<u>California</u>	<u>San Jose</u>	<u>To Be Determined</u>	<u>(831) 234-1757</u>	<u>Peter Malek</u>
<u>California</u>	<u>San Jose</u>	<u>To Be Determined</u>	<u>(831) 234-1757</u>	<u>Peter Malek</u>
<u>Colorado</u>	<u>Denver</u>	<u>To Be Determined</u>	<u>303-250-3113</u>	<u>Justin Noska</u>
<u>Colorado</u>	<u>Denver</u>	<u>To Be Determined</u>	<u>303-250-3113</u>	<u>Justin Noska</u>
<u>Colorado</u>	<u>Denver</u>	<u>To Be Determined</u>	<u>303-489-4158</u>	<u>Trish O'Donnell</u>
<u>Florida</u>	<u>Ft. Lauderdale</u>	<u>To Be Determined</u>	<u>(561) 846-9673</u>	<u>Shane Cummings</u>
<u>Florida</u>	<u>Ft. Lauderdale</u>	<u>To Be Determined</u>	<u>(561) 846-9673</u>	<u>Shane Cummings</u>
<u>Florida</u>	<u>Orlando</u>	<u>To Be Determined</u>	<u>214-551-3541</u>	<u>Abel and Christine Navarro</u>
<u>Florida</u>	<u>Tampa</u>	<u>To Be Determined</u>	<u>727-415-5929</u>	<u>Todd Reisner</u>
<u>Florida</u>	<u>Tampa</u>	<u>To Be Determined</u>	<u>727-415-5929</u>	<u>Todd Reisner</u>
<u>Indiana</u>	<u>Indianapolis</u>	<u>To Be Determined</u>	<u>(317) 403-1404</u>	<u>Jason Payton</u>
<u>Indiana</u>	<u>Indianapolis</u>	<u>To Be Determined</u>	<u>(317) 403-1404</u>	<u>Jason Payton</u>
<u>Kansas</u>	<u>Wichita</u>	<u>To Be Determined</u>	<u>(316) 295-2590</u>	<u>Monte Ysidro Yvette Ysidro</u>
<u>Kansas</u>	<u>Wichita</u>	<u>To Be Determined</u>	<u>(316) 295-2590</u>	<u>Monte Ysidro Yvette Ysidro</u>
<u>Kentucky</u>	<u>Lexington</u>	<u>To Be Determined</u>	<u>(859) 227-8154 (859) 396-8236</u>	<u>Jason Layne and Taylor Johnson</u>
<u>Kentucky</u>	<u>Lexington</u>	<u>To Be Determined</u>	<u>(859) 227-8154 (859) 396-8236</u>	<u>Jason Layne and Taylor Johnson</u>
<u>Maryland</u>	<u>Bethesda</u>	<u>To Be Determined</u>	<u>301-233-2558</u>	<u>Dale Thompson</u>

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2023

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

FRANCHISEES NOT OPEN AS OF DECEMBER 31, 2023

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

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

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

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

EXHIBIT "F"
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]



MADABOLIC FRANCHISE SYSTEM, LLC

dba



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

December 31, 2023 and 2022



MADABOLIC FRANCHISE SYSTEM, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Madabolic Franchise System, LLC

Opinion

We have audited the accompanying financial statements of Madabolic Franchise System, LLC (a Delaware Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Madabolic Franchise System, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Fountain Valley, California
March 18, 2024

MADABOLIC FRANCHISE SYSTEM, LLC

Balance Sheets

December 31, 2023 and 2022

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

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Income

For the Years Ended December 31, 2023 and 2022

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

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

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

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

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

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

See accompanying notes to financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Revenue recognition

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

NOTE 2 – NOTES RECEIVABLE- FRANCHISEES

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

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

NOTE 3 – ACCOUNTS PAYABLE

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

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

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short-term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2023 and 2022.

NOTE 5 – CREDIT CARDS PAYABLE

The Company has an unsecured bank credit cards with a total limit of \$100,000 and an outstanding balance of \$318 and \$356 at December 31, 2023 and 2022, respectively. Based on the card usage and outstanding balance, a finance charge is charged to the Company. The finance charge is expensed when incurred.

NOTE 6 – RELATED PARTY TRANSACTIONS

During the period, the Company had transactions with related parties. These transactions include the following:

- **Note receivable** – The Company's member advanced funds to a related party by common ownership. The note receivable balance was \$159,621 and \$124,054 at December 31, 2023 and 2022, respectively. The advances are unsecured and non-interest bearing. The principal amount, shall be due and payable on or before the three-year anniversary of the first advance.
- **Consulting fees and commission expenses** – A member who holds an approximate 70% ownership of the related holding company had a consulting agreement with the Company (see Note 8). At December 31, 2023 and 2022, the Company paid a total of \$60,000 and \$60,000 to a related 70% owner for franchise sales and operational consulting fees and \$292,500 and \$231,250 for commission expenses subject to deferral – see Note 1 Deferred Costs-Commission fees.
- **Guaranteed payments** – On July 1, 2019, the Company entered into an Employment Agreement with two related parties affiliated through common ownership (see Note 8). At December 31, 2023 and 2022, guaranteed payments totaled \$196,800 and \$205,795, respectively.

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

NOTE 7 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee, which may be up to \$40,000 for a single franchised outlet.

Under the current standard franchise agreement, each franchisee is required (i) to pay a royalty of 6% of their monthly gross revenue, (ii) to contribute 1% of gross revenues (which may increase up to 3%) for brand and system development fund fee and (iii) to pay up to \$1,000 monthly for cooperative advertising fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 5% of its monthly gross revenue on local advertising and promotions.

Franchisees are generally granted the right to operate an outlet in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee equal to 25% of the current initial franchise fee. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Consulting Agreement #1

On August 1, 2019, the Company entered into a Franchise Consulting Agreement with ZGrowth Partners, LLC (ZPL), a related party by common ownership. ZPL will (i) develop and implement franchise marketing plan and strategies; (ii) assist and establish franchise recruiting process from initial lead generation through final execution; and (iii) assist in all other franchise operational aspects. The Company shall pay \$10,000 monthly to ZPL plus commission fee equal to 50% of the franchise fee for each franchise sold.

The payments of \$10,000 monthly or \$120,000 per year are comprised as follows:

- The consultant was paid a total of \$60,000 at December 31, 2023 and 2022 and these amounts were included with legal and professional fees.
- The consultant was paid a total of \$60,000 at December 31, 2023 and 2022 and these amounts were included with franchise sales consulting expense.

Consulting Agreement #2

On March 1, 2021, the Company entered into a consulting agreement with a third party consultant to work on four primary areas within the business, these areas include (i) marketing and brand image; (ii) new franchisee training; (iii) discovery day participation and (iv) key vendor relationship management. The consultant will be paid \$55,000 on a yearly basis which will be paid in equal installments on a semi-monthly basis. The agreement may be terminated with or without cause, by giving 15 days written notice.

At December 31, 2023 and 2022, the consultant was paid a total of \$57,292 and \$55,000, respectively. And these amounts were included with outside services.

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Employment Agreement #1

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Concept Officer ("CCO") of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a "Renewal Term") unless written notice of non-renewal is delivered from either party. During the term of the agreement, CCO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CCO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the "Franchise Sales Bonus") to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

Employment Agreement #2

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Training Officer ("CTO") of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a "Renewal Term") unless written notice of non-renewal is delivered from either party. During the term of the agreement, CTO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CTO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the "Franchise Sales Bonus") to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

NOTE 9 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through March 18, 2024, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.



MADABOLIC FRANCHISE SYSTEM, LLC

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

December 31, 2022 and 2021



MADABOLIC FRANCHISE SYSTEM, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Madabolic Franchise System, LLC

Opinion

We have audited the accompanying financial statements of Madabolic Franchise System, LLC (a Delaware Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Madabolic Franchise System, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Fountain Valley, California
March 28, 2023

MADABOLIC FRANCHISE SYSTEM, LLC

Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 237,955	\$ 461,545
Accounts receivable	102,510	38,685
Prepaid expenses	5,183	7,027
Total current assets	<u>345,648</u>	<u>507,257</u>
Property and equipment:		
Furniture and fixtures	2,125	2,125
Office equipment	5,682	5,682
Less: Accumulated depreciation	(7,247)	(6,033)
Total property and equipment	<u>560</u>	<u>1,774</u>
Other assets:		
Note receivable-related party	124,054	-
Notes receivable-franchisees	485,000	260,000
Deferred commission fees, net of amortization-related party	924,176	515,670
Website, net of accumulated amortization	16,050	22,902
Total other assets	<u>1,549,280</u>	<u>798,572</u>
TOTAL ASSETS	<u>\$ 1,895,488</u>	<u>\$ 1,307,603</u>
LIABILITIES AND MEMBER'S EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 31,110	\$ 102,003
Deferred revenue, current	235,730	129,480
Franchisee deposits	145,695	251,035
Credit cards payable	356	12,454
Current-portion of SBA PPP Loan payable	-	2,706
Total current liabilities	<u>412,891</u>	<u>497,678</u>
Long-term liabilities:		
Deferred revenue, non-current	2,053,542	1,124,124
Total long-term liabilities	<u>2,053,542</u>	<u>1,124,124</u>
TOTAL LIABILITIES	<u>2,466,433</u>	<u>1,621,802</u>
MEMBER'S EQUITY		
Member's Equity (Deficit)	(570,945)	(314,199)
Total Member's Equity (Deficit)	<u>(570,945)</u>	<u>(314,199)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 1,895,488</u>	<u>\$ 1,307,603</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Income

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Franchise fees	\$ 44,332	\$ 14,417
Royalty fees	368,629	202,252
Apparel and product sales	583,972	250,410
Total Revenues	<u>996,933</u>	<u>467,079</u>
Cost of sales	<u>379,495</u>	<u>182,814</u>
Gross profit	<u>617,438</u>	<u>284,265</u>
Operating expenses:		
Guaranteed payments	205,795	150,000
Computer and website expenses	151,367	137,756
Outside services	147,800	133,242
Advertising and marketing	106,308	53,667
Legal and professional fees	98,523	95,665
Franchise sales consulting	60,000	60,198
Payroll expenses	32,951	-
Travel and entertainment	21,468	9,262
Commission expenses	18,744	4,658
Office expenses	8,347	4,273
Depreciation and amortization	8,066	8,066
Taxes and licenses	7,119	3,215
Auto & truck	4,564	6,275
Insurance	2,964	3,623
Repairs and maintenance	121	2,348
Total operating expenses	<u>874,137</u>	<u>672,248</u>
Loss from operations	<u>(256,699)</u>	<u>(387,983)</u>
Other income (expense):		
Interest expense	(47)	(9)
Debt Extinguishment-PPP Loan Forgiveness	-	32,669
Total other income (expense)	<u>(47)</u>	<u>32,660</u>
Loss before income taxes	<u>(256,746)</u>	<u>(355,323)</u>
Provision for income taxes	-	-
NET LOSS	<u>\$ (256,746)</u>	<u>\$ (355,323)</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Changes in Member's Equity

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Member's Equity (Deficit), beginning of year	\$ (314,199)	\$ (2,738)
Capital contributions	-	43,862
Net loss	<u>(256,746)</u>	<u>(355,323)</u>
Member's Equity (Deficit), end of year	<u>\$ (570,945)</u>	<u>\$ (314,199)</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (256,746)	\$ (355,323)
Adjustments to reconcile net loss to net cash provided by (used for) operations:		
Depreciation and amortization	8,066	1,984
Debt Extinguishment-PPP Loan Forgiveness	-	(32,669)
<u>(Increase) decrease in:</u>		
Accounts receivable	(63,825)	(14,120)
Prepaid expenses	1,844	2,541
Note receivable-related party	(124,054)	23,508
Note receivable-franchisees	(225,000)	(130,000)
Deferred commission fees	(408,506)	(254,342)
Other receivables	-	7,653
<u>Increase (decrease) in:</u>		
Accounts payable	(70,893)	102,003
Credit card payable	(12,098)	3,502
Deferred revenue	1,035,668	518,286
Franchisee deposits	(105,340)	251,035
SBA loan payable	(2,706)	-
Net cash provided (used) by operating activities	<u>(223,590)</u>	<u>124,058</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	-	43,862
Net cash provided (used) by financing activities	<u>-</u>	<u>43,862</u>
NET INCREASE (DECREASE) IN CASH	(223,590)	167,920
CASH - beginning	<u>461,545</u>	<u>293,625</u>
CASH - end	\$ 237,955	\$ 461,545
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 47</u>	<u>\$ 9</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

Page 6

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

As of December 31, 2022, there were 23 operating locations franchised by MFSL, eight of which opened in 2022.

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

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

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

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2022 and 2021.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risk – Occasionally the Company maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Company does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institution. At December 31, 2022 and 2021, the Company’s uninsured cash balances totaled \$-0 and \$131,205, respectively.

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2022 and 2021, accounts receivables totaled \$102,510 and \$38,685, respectively.

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

Depreciation expense for the years ended December 31, 2022 and 2021 was \$8,066 and \$8,066 respectively.

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

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset’s carrying amount may not be recoverable. Such circumstances could include, but are not limited to, a significant decrease in market value of an asset, a significant adverse change to the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated non-discounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the assets evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There have been no impairment losses recorded as of December 31, 2022.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Franchisee deposits – The Company collects funds in advance from new franchisees for future grand opening marketing expenses and equipment to build out their studios. Funds are held until needed to be spent on these items. At December 31, 2022 and 2021, franchisee deposits totaled \$145,695 and \$251,035, respectively.

Revenue recognition

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

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

The Company recognizes franchise fee beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$44,332 and \$14,417 at December 31, 2022 and 2021, respectively.

- **Royalties** – The Company collects royalties from each franchise outlet based upon a percentage of gross revenues. The Company recognizes royalties as revenue when earned. At December 31, 2022 and 2021, royalties recognized by the Company was \$368,629 and \$202,252, respectively.
- **Product sales** – The product sales include the sale of point-of-sale technology equipment to franchisees and the sale of the initial equipment package. The Company recognizes product sales as revenue when sold. At December 31, 2022 and 2021, product sales totaled \$583,972 and \$250,410, respectively.
- **Cost of sales** – Cost of sales consists primarily of music license and merchandise apparel sold to franchisees. At December 31, 2022 and 2021, cost of sales was \$379,495 and \$182,814, respectively.
- **Deferred costs-Commission Fees** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2022 and 2021 was \$924,176 and \$515,670, respectively.

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

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The following table reflects the change in contract liabilities between December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 1,253,604	\$ 735,318
Revenue recognized during the year	(44,332)	(14,417)
New deferred revenue during the year	1,080,000	532,703
Balance at end of year	<u>\$ 2,289,272</u>	<u>\$ 1,253,604</u>

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

Future revenue to be recognized in:	Amount
Remainder 2022	\$ 13,501
2023	235,730
2024	235,730
2025	235,730
2026	232,730
2027	232,730
Thereafter	<u>1,103,122</u>
Total	<u>\$ 2,289,272</u>

NOTE 2 – NOTES RECEIVABLE- FRANCHISEES

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

At December 31, 2022 and 2021, notes receivable totaled \$485,000 and \$260,000, respectively.

NOTE 3 – ACCOUNTS PAYABLE

The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2022 and 2021, the Company had recorded trade payables in the amount of \$31,110 and \$102,003, respectively.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2022 and 2021.

NOTE 5 – CREDIT CARDS PAYABLE

The Company has an unsecured bank credit cards with a total limit of \$100,000 and an outstanding balance of \$356 and \$12,454 at December 31, 2022 and 2021, respectively. Based on the card usage and outstanding balance, a finance charge is charged to the Company. The finance charge is expensed when incurred. At December 31, 2022 and 2021, finance charged totaled \$-0.

NOTE 6 – PAYCHECK PROTECTION PROGRAM (PPP) FUNDS

The Company applied for and received a loan on May 1, 2020, in the amount of \$35,375. The funds may be used only for payroll costs, rent, and utilities. Under the terms of the PPP, the loan may be forgiven if they are used for the qualifying expenses. The Company has used the loan of \$32,669 for qualifying expenses and 92% of the loan was forgiven. Accordingly, the Income Statement reflects the Gain on Debt Extinguishment in Other Income in the amount of \$32,669.

At December 31, 2022 and 2021, the SBA loan balance was \$-0 and \$2,706, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the period, the Company had transactions with related parties. These transactions include the following:

- **Note receivable** – The Company's member advanced funds to a related party by common ownership. The note receivable balance was \$124,054 and \$-0 at December 31, 2022 and 2021, respectively. The advances are unsecured and non-interest bearing. The principal amount, plus all accrued interest, if not sooner paid, shall be due and payable on or before the three-year anniversary of the first advance.
- **Consulting fees and commission expenses** – A member who holds an approximate 70% ownership of the related holding company had a consulting agreement with the Company (see Note 9). At December 31, 2022 and 2021, the Company paid a total of \$60,000 and \$60,000 to a related 70% owner for franchise sales and operational consulting fees and \$231,250 and \$228,428 for commission expenses subject to deferral – see Note 1 Deferred Costs-Commission fees.
- **Guaranteed payments** – On July 1, 2019, the Company entered into an Employment Agreement with two related parties affiliated through common ownership (see Note 9). At December 31, 2022 and 2021, guaranteed payments totaled \$205,795 and \$150,000, respectively.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 8 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee, which may be up to \$40,000 for a single franchised outlet.

Under the current standard franchise agreement, each franchisee is required (i) to pay a royalty of 6% of their monthly gross revenue, (ii) to contribute 1% of gross revenues (which may increase up to 3%) for brand and system development fund fee and (iii) to pay up to \$1,000 monthly for cooperative advertising fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 5% of its monthly gross revenue on local advertising and promotions.

Franchisees are generally granted the right to operate an outlet in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee equal to 25% of the current initial franchise fee. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Consulting Agreement #1

On August 1, 2019, the Company entered into a Franchise Consulting Agreement with ZGrowth Partners, LLC (ZPL), a related party by common ownership. ZPL will (i) develop and implement franchise marketing plan and strategies; (ii) assist and establish franchise recruiting process from initial lead generation through final execution; and (iii) assist in all other franchise operational aspects. The Company shall pay \$10,000 monthly to ZPL plus commission fee equal to 50% of the franchise fee for each franchise sold.

Consulting Agreement #2

On March 1, 2021, the Company entered into a consulting agreement with a third party consultant to work on four primary areas within the business, these areas include (i) marketing and brand image; (ii) new franchisee training; (iii) discovery day participation and (iv) key vendor relationship management. The consultant will be paid \$55,000 on a monthly basis which will be paid in equal installments on a semi-monthly basis. The agreement may be terminated with or without cause, by giving 15 days written notice.

At December 31, 2022 and 2021, the consultant was paid a total of \$55,000 and \$46,042, respectively.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Employment Agreement #1

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Concept Officer ("CCO") of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a "Renewal Term") unless written notice of non-renewal is delivered from either party. During the term of the agreement, CCO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CCO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the "Franchise Sales Bonus") to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

Employment Agreement #2

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Training Officer ("CTO") of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a "Renewal Term") unless written notice of non-renewal is delivered from either party. During the term of the agreement, CTO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CTO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the "Franchise Sales Bonus") to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

NOTE 10 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through March 28, 2023, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.

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EXHIBIT "G"
TO DISCLOSURE DOCUMENT
OTHER AGREEMENTS

EXHIBIT "G"-1

STATE ADDENDA

[See Attached]

|

ATTACHMENT "H"

STATE ADDENDA AND AMENDMENTS TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES

MULTI-STATE ADDENDA

[See Attached]

MULTI-STATE ADDENDA

BACKGROUND AND PURPOSE

The following modifications are ~~additional disclosures for the Franchise Agreement of~~ made to the Madabolic Franchise Disclosure Document (“FDD” or “Disclosure Document”) issued by Madabolic Franchise System, LLC ~~required by various~~ (“we” or “us” or “franchisor”) to franchisee (“you” or “franchisee”) and may supersede certain portions of the Franchise Agreement between you and us dated _____, 202__ (the “Franchise Agreement”). When the term “Supplemental Agreements” is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum (“State Addendum”) will modify these agreements to comply with the applicable state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state franchise laws. Each independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of these additional disclosures will not apply unless, with respect to that provision, the the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements of the applicable state franchise registration and disclosure law are ~~have not been~~ met ~~independently without reference to these additional disclosures~~, then this State Addendum will be void and inapplicable to you.

FOR THE STATE OF

CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the disclosure document.
2. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
3. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The franchise agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.
8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
9. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
10. The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information.”
11. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION at <https://dfpi.ca.gov/>.
12. All fees referenced in the Franchise Agreement are subject to deferral pursuant to order of the State of California. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.

FOR THE STATE OF ILLINOIS

HAWAII

1. The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

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

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

2. Our registered agent in the state authorized to receive service of process:

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

3. The states in which this filing is effective are listed on the Exhibit to the FDD titled "State Effective Dates".

4. The states in which this filing is or will be shortly on file include the following:

5. The states, if any, which have refused, by order or otherwise, to register these franchises include the following:

6. The states, if any, which have revoked or suspended the right to offer these franchises include the following:

7. The states, if any, in which the filing of these franchises has been withdrawn include the following:

ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement ~~for Madabolic Franchise System, LLC is and Supplemental Agreements are~~ amended as follows:

You must sign a general release in order to renew or transfer your franchise.

1. ~~A. — You must sign a general release in order to renew or transfer your franchise.~~ Any such release must comply with the provisions of the Illinois Franchise Disclosure Act (the “Act”).
2. ~~B. —~~ In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois.~~—~~
- ~~C. — In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.~~
3. — D. — In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
- 3.4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. Illinois requires inclusion of the following additional risk factor:

~~E. — “2. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse’s marital and personal assets, perhaps including your house, at risk if your franchise fails.”~~

6. Item 7 of the FDD is amended to add the following footnote to the table relating to the “Insurance” row:

“This is an estimate for the various types of insurance a franchisee will need including comprehensive general liability insurance, professional liability insurance, tenant’s liability insurance, worker’s compensation insurance and employer’s liability insurance as required by law and any other insurance that we specify in the Manual from time to time. The amount is an estimate for 3 month’s premium and would be paid directly to the insurance carriers in a lump sum before the start of franchise operations.”

- 4.7. All fees referenced in the Franchise Agreement are subject to deferral pursuant to order of the Illinois Attorney General’s Office based upon their review of our financial condition as reflected in our financial statements. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.

INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.
2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.
3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.
4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.
5. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1(9).
6. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:

Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.

At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.

7. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

FOR THE STATE OF

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”), the Disclosure Document is amended as follows:

1. The following is added to the **Special Risks to Consider About This Franchise** page:

“6. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.”

2. ITEM 5 of the Disclosure Document is amended to add the following:

“Fee Deferral

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

2. ITEM 17 of the Disclosure Document is amended to add the following:

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

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

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

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

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”), the Franchise Agreement for Madabolic Franchise System, LLC is amended as follows:

1. ~~(a)~~—Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
2. ~~(b)~~—Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Law.
3. ~~(c)~~—You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Law.
4. ~~(d)~~—Any acknowledgements or representations of you that disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Law.
5. ~~(e)~~—Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.
6. ~~(f)~~—Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

FOR THE STATE OF MINNESOTA

MICHIGAN

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

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

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

the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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

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

Any questions regarding this notice should be directed to:

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

MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the ~~parties to the attached~~ Disclosure Document, Franchise Agreement ~~agree and~~ Supplemental Agreements are amended as follows:

1. ~~_____A.~~ Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.
2. ~~_____B.~~ We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

~~_____C. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J) which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond if required.~~

~~3. _____D. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J) which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond if required.~~

~~3.4.~~ We will comply with Minnesota Statute Section 80C.12, Subd. 1(g) which requires that we protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

~~4.5.~~ ~~_____E.~~ We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.

~~6.~~ No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

~~7.~~ ~~_____F.~~ Items 5 and 7 of this Disclosure Document are amended to include the following:

“All fees referenced are subject to deferral pursuant to order of the State of Minnesota. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.”

FOR THE STATE OF

NEW YORK

—In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement for Madabolic Franchise System, LLC ~~is~~ and Supplemental Agreements are amended as follows:

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

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

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

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

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

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

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

~~1. We will not require that you prospectively assent to a release, assignment, novation, waiver, or estoppel that purports to relieve any person from liability imposed by the New York~~

NORTH DAKOTA

In recognition of the requirements of the North Dakota Franchise Investment Law-

~~2. We will not place any condition, stipulation, or provision in the (the “North Dakota Franchise Law”), the Disclosure Document, Franchise Agreement that requires you to waive compliance with any provision of the New York Franchise Law and Supplemental Agreements are amended as follows:~~

~~3. Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the New York Franchise Law is amended to provide for a three (3) year statute of limitations for purposes of bringing a claim arising under the New York Franchise Law.~~

~~4. Notwithstanding the transfer provision in the Franchise Agreement, we will not assign the Franchise Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.~~

1. ~~FOR THE STATE OF~~ Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Law. Item 17(r) of the Disclosure Document and certain provisions in the Franchise Agreement and Supplemental Agreements include certain covenants restricting competition to which you must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Law. The Disclosure Document, Franchise Agreement and Supplemental Agreements are amended accordingly to the extent required by law.

2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee’s business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, the parties must agree on the site where arbitration or mediation will be held.

3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

6. Provisions requiring you to sign a general release upon renewal of the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the franchise agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.

10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Invest Law.

RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act (the "Rhode Island Franchise Law"), the Disclosure Document, Franchise Agreement ~~for Madabolic Franchise System, LLC~~ is and Supplemental Agreements are amended as follows:

1. ~~(a)~~ — We will not require that you prospectively assent to a waiver, condition, stipulation, or provision that purports to relieve any person from liability imposed by the Rhode Island Franchise Law. — This provision does not apply to the settlement of disputes, claims, or civil lawsuits brought under the Rhode Island Franchise Law.
2. ~~(b)~~ — Section 19-28.1-14 of the Rhode Island Franchise Law provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." If a claim is enforceable under the Rhode Island Franchise Law, we will not restrict jurisdiction or venue to a forum outside the State of Rhode Island or require the application of the laws of another state.
3. ~~(e)~~ — We will not prohibit you from joining a trade association or association of franchisees. — We will not retaliate against you for engaging in these activities.
4. ~~(d)~~ — Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the Rhode Island Franchise Law is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Rhode Island Franchise Law. Notwithstanding the foregoing, if a rescission offer has been approved by the Rhode Island director of business registration, then the statute of limitations is ninety (90) days after your receipt of the rescission offer.

FOR THE STATE OF

VIRGINIA

In recognition of the requirements of the Virginia Retail Franchising Act (~~the “Virginia Franchise Law”~~), ~~the Disclosure Document, Franchise Agreement for Madabolic Franchise System, LLC is~~ and Supplemental Agreements are amended as follows:

1. ITEM 17 of the Disclosure Document is amended to add the following:

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

2. ITEM 17(t) is amended to delete the language contained in the Summary column and replace it with the following:

“Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.”

3. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.

4. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.

5. Virginia requires inclusion of the following additional risk factors:

~~(a) Any provision in the Franchise Agreement that limits the time period in which you may assert a legal claim against us under the Virginia Franchise Law is amended to provide for a four (4) year statute of limitations for purposes of bringing a claim arising under the Virginia Franchise Law.~~

~~(b) Pursuant to Section 13.1-564 of the Virginia Franchise Law, it shall be unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Franchise Law or the laws of Virginia, that provision may not be enforceable.~~

~~(c) “The franchisee will be required to make an estimated initial investment ranging from \$402,350 to \$591,900. This amount exceeds the franchisor’s stockholder’s equity as of December 31, 2023, which is (\$507,082).”~~

~~1.6. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.~~

FOR THE STATE OF

WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

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

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

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

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

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

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

All fees referenced in Item 5 of this Disclosure Document are subject to deferral pursuant to order of the State of Washington. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.

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

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

~~A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

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

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

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

~~All initial fees referenced in~~

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement ~~are subject to deferral pursuant to order of the State of Washington. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.~~

ACKNOWLEDGMENT:

~~It is agreed that the~~ and Supplement Agreements (if applicable foregoing state) ~~if such provision is in conflict with that~~ law addendum, if any, supersedes any inconsistent portion of. The Franchise Disclosure Document, the Franchise Agreement dated the _____ day of _____, 202____, and of the Franchise Disclosure Document but only state law as of the date above, prior to or at the time of execution and the Supplemental Agreements are amended accordingly.

_____ DATED this _____ day of _____, 202____.

FRANCHISOR:

Madabolic Franchise System, LLC, a Delaware limited liability company

By: _____
Name: _____
Its: _____
Date: _____

FRANCHISEE:

_____,
a(n) _____

By: _____
Name: _____
Its: _____
Date: _____

~~EXHIBIT "D" EXHIBIT "A"~~
~~TO DISCLOSURE DOCUMENT~~

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~~* A brief description and values of the company~~

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

~~* Section 5.01 – Using and Distributing Effective Zero Tolerance Harassment / Discrimination Policy is Essential to a Discrimination Free Workplace~~

~~* Section 5.02 – Chapter Summary~~

~~* Section 5.03 – Implementing the Policy Against Harassment and Discrimination and Supervisor/ Manager Acknowledgement~~

~~* Section 5.04 – Investigating and Documenting Complaints of Harassment or Discrimination~~

~~Exhibit “A” Policy Against Unlawful Harassment And Discrimination~~

~~* Employee Acknowledgment of Receipt of Policy Against Unlawful Harassment and Discrimination Policy Against Retaliation and Personal Appearance and Behavior Policy~~

~~* Personal Appearance and Behavior Policy~~

~~Exhibit “B” Manager Acknowledgment of Receipt of Policy Against Unlawful Harassment and Discrimination, Policy Against Retaliation and Personal Appearance and Behavior Policy~~

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

~~* Sample Alcohol And Drug Policy Form~~

~~**Article 7 – Administrative (PAGES 58 – 66)**~~

~~* Section 7.01 – Recommended Pricing Policies~~

~~* Section 7.02 – Handling and Deposit of Cash, Checks & Charges~~

~~* Section 7.03 – Franchisor’s Right to Audit Procedures~~

~~* Section 7.04 – Requirements in Connection with the Sale of any Interest in the Franchise~~

~~**Article 8 – Confidential Information (PAGES 67 – 69)**~~

~~* Section 8.01 – Chapter Summary~~

- ~~* Section 8.02 – Types of “Protectable” Confidential Information~~
- ~~* Section 8.03 – Closing the Gaps: Ensuring Enforcement of your Rights~~

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

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

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

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

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

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

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

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

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

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

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

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

~~* Application Information Release~~
~~* New Hire Report~~
~~* W-4 Form - New form each year~~
~~* Employment Eligibility Verification I-9~~
~~* Corporate Example - Confidentiality Agreement / Non Compete~~
~~* Employee Covenant Not To Compete~~
~~* OSHA Worker Injury Reports~~
~~* OSHA Fact Sheet~~
~~* Pre Opening - Action Items~~
~~* Pre Opening - 4 Months Out~~
~~* Pre Opening - 6 Weeks Out~~
~~* Pre Opening - 5 Weeks Out~~
~~* Pre Opening - 2 Weeks Out~~
~~* Pre Opening - 1 Week Out~~

~~* Approved Vendor List~~

~~* Baseline Pricing Structure~~

~~* Cleaning Checklist~~

~~* Email Set Up~~

~~* Equipment List~~

~~* Mindbody Set Up / Checklist~~

~~* SFH Minimums~~

~~* Start Up Supplies~~

~~EXHIBIT "E"~~ EXHIBIT "A" (SIGNATURES ON

~~TO DISCLOSURE DOCUMENT~~

LIST OF FRANCHISEES

Part A (Current Franchisees as of December 31, 2022)

The following table lists franchisees (page)

APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then ~~that were open as of December 31, 2022.~~ Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement. We are responsible for checking the appropriate box or boxes.

Outlet Open as of December 31, 2022				
State	City	Address	Phone	Owner Name(s)
California	Scotts Valley	262 Mt. Hermon Road #101 Scotts Valley, CA 95066	(831) 621-2130	Peter Malek
Connecticut	Stamford	850 Canal Street Stamford, CT 06902	(203) 625-1707	Laura and Gregg Conover
Florida	Jupiter	901 W. Indian town Road Jupiter, FL 33458	(561) 284-3481	Zach Eggen and Josh Werner
Georgia	Atlanta	661 Auburn Ave NE #260, Atlanta, GA 30312	(470) 392-8672	Raenard Dillard
Kansas	Wichita	11120 E. 26th St N. STE 700 Wichita, KS 67226	(316) 295-2590	Monte Ysidro Yvette Ysidro
New York	Brooklyn	211 N. 11th Street Brooklyn, NY 11211	(718) 269-6236	Brian Rekué
North Carolina	Asheville	151 Coxe Ave #102, Asheville, NC 28801	(828) 552-3911	Evan Lindsey
North Carolina	Charlotte/ Southend	2610 South Blvd Charlotte, NC 28209	(980) 217-4770 (704) 771-6906	Finley & Landon Funsten
North Carolina	Elizabeth	2115 E 7th St #104 Charlotte, NC 28204	(980) 217-4770 (704) 771-6906	Finley & Landon Funsten
North Carolina	Raleigh	410 S Dawson St. suite 120 Raleigh, NC 27601	(919) 554-0080	Emily Barton
Pennsylvania	Pittsburgh	115 26th Street, Unit 3 Pittsburg, PA 15222	(304) 639-3467	Jesse Holloway Dan Holloway
South Carolina	Greenville	17 Walseley Road Greenville, SC 29615	(864) 252-4473	Evan Lindsay
Tennessee	Nashville	715 Craighead Street Nashville, TN 37204	(615) 878-3345	Brandon Fotopoulos Will Shytte
Texas	Austin	440 E St Elmo Rd E, Austin, TX 78745	(512) 202-0406	Jon Guida
Texas	McAllen	923 W. Dove Avenue McAllen, TX 78504	(956) 253-8240	Jennifer Del Angel Carlos Del Angel
Texas	San Antonio	17022 Fiesta Drive. BLDG 400, STE 101 San Antonio, TX 78256	(254) 541-5773	Dimple Patel
Texas	Southlake	210 South Nolen Drive STE 100 Southlake, TX 76092	(713) 419-1653	Adam Zeitsiff Ryan Svoboda
Texas	West Plano	1901 Preston Road Suite E1002 Plano, TX 75093	(469) 960-3425	Adam McLeod Gregg Vincent

Outlet Open as of December 31, 2022				
State	City	Address	Phone	Owner Name(s)
Virginia	Alexandria	704 N. Washington Street Alexandria, VA 22314	(828) 508-2262	Corbin Jennings
Virginia	Arlington	3100 Clarendon Blvd M-100, Arlington, VA 22201	(828) 508-2262	Corbin Jennings
Virginia	Charlottesville	923 Preston Avenue Charlottesville, VA 22903	(313) 617-2355	Todd & Kristen Lorenger
Washington DC	Washington DC	One Dupont Circle, NW suite #115 Washington, DC 20036	(828) 508-2262	Corbin Jennings
Washington DC	Washington DC	701 2nd St NE Washington, DC 20002	(828) 508-2262	Corbin Jennings
Washington DC	Washington DC	2106 14th Street NW Washington, DC 20009	(202) 998-3765	Corbin Jenings

The following table lists franchisees with signed franchise agreements that were not open as of December 31, 2022.

Outlet Not Open as of December 31, 2022				
State	City	Address	Phone	Owner Name(s)
California	San Jose	To Be Determined	(831) 234-1757	Peter Malek
California	San Jose	To Be Determined	(831) 234-1757	Peter Malek
Colorado	Denver	To Be Determined	303-250-3113	Justin Noska
Colorado	Denver	To Be Determined	303-250-3113	Justin Noska
Colorado	Denver	To Be Determined	303-250-3113	Justin Noska
Colorado	Denver	To Be Determined	303-489-4158	Trish O'Donnell
Colorado	Denver	To Be Determined	303-489-4158	Trish O'Donnell
Florida	St. Petersburg	To Be Determined	(614) 202-1396	Tijana Stevens
Florida	Orlando	To Be Determined	214-551-3541	Abel and Christine Navarro
Florida	Sarasota	To Be Determined	801-603-9244	Colby Bone
Florida	Tampa	To Be Determined	727-415-5929	Todd Reisner
Florida	Tampa	To Be Determined	727-415-5929	Todd Reisner
Georgia	Alpharetta	To Be Determined	910-409-9028	Melissa Knowles
Kansas	Wichita	To Be Determined	(316) 295-2590	Monte Ysidro Yvette Ysidro
Kansas	Wichita	To Be Determined	(316) 295-2590	Monte Ysidro Yvette Ysidro
Maryland	Bethesda	To Be Determined	301-233-2558	Dale Thompson
North Carolina	Raleigh	To Be Determined	(571) 292-7347	Josh Hicks
Oklahoma	Tulsa	To Be Determined	(918) 804-7339	Christopher Frank
Oregon	Bend	To Be Determined	(970) 403-2420 (757) 752-9718	Andy Nye Alyssa Laroussa

Outlet Not Open as of December 31, 2022

State	City	Address	Phone	Owner Name(s)
Pennsylvania	Philadelphia	To Be Determined	(610) 220-7930 (215) 808-4465	Micah Macbeth and Ryan Dorsey
Pennsylvania	Philadelphia	To Be Determined	(610) 220-7930 (215) 808-4465	Micah Macbeth and Ryan Dorsey
Pennsylvania	Philadelphia	To Be Determined	(610) 220-7930 (215) 808-4465	Micah Macbeth and Ryan Dorsey
South Carolina	Charleston	To Be Determined	(214) 724-4278	Gregg Vincent and Brendan Shane
South Carolina	Charleston	To Be Determined	(214) 724-4278	Gregg Vincent and Brendan Shane
Texas	Austin	To Be Determined	(512) 202-0406	Jon Guida and Corbin Jennings
Texas	Austin	To Be Determined	(512) 202-0406	Jon Guida and Corbin Jennings
Texas	Austin	To Be Determined	(512) 202-0406	Jon Guida and Corbin Jennings
Texas	Dallas / Fort Worth	To Be Determined	(832) 814-9137	Gregg Vincent Adam McLeod
Texas	Dallas / Fort Worth	To Be Determined	(832) 814-9137	Gregg Vincent Adam McLeod
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	Houston	To Be Determined	(832) 814-9137	Steve Hatcher Michelle Hatcher
Texas	San Antonio	To Be Determined	(254) 541-5773	Dimple Patel
Texas	San Antonio	To Be Determined	(254) 541-5773	Dimple Patel
Texas	San Antonio	To Be Determined	(254) 541-5773	Dimple Patel
Texas	Tarrant County	To Be Determined	(713) 419-1653 (631) 804-7595	Adam Zeitsiff and Ryan Svoboda
Texas	Tarrant County	To Be Determined	(713) 419-1653 (631) 804-7595	Adam Zeitsiff and Ryan Svoboda
Texas	Tarrant County	To Be Determined	(713) 419-1653 (631) 804-7595	Adam Zeitsiff and Ryan Svoboda
Texas	Tarrant County	To Be Determined	(713) 419-1653 (631) 804-7595	Adam Zeitsiff and Ryan Svoboda
Texas	Dallas	To Be Determined	(512) 740-8392 (214) 724-4278	Adam McLeod Gregg Vincent

Outlet Not Open as of December 31, 2022

State	City	Address	Phone	Owner Name(s)
Texas	Dallas	To Be Determined	(512) 740-8392 (214) 724-4278	Adam McLeod Gregg Vincent
Texas	Dallas	To Be Determined	(512) 740-8392 (214) 724-4278	Adam McLeod Gregg Vincent
Texas	Dallas	To Be Determined	(512) 740-8392 (214) 724-4278	Adam McLeod Gregg Vincent
Texas	Houston	To Be Determined	(832) 660-4576	Vinnie Ronea
Texas	Houston	To Be Determined	(832) 660-4576	Vinnie Ronea
Texas	Houston	To Be Determined	(832) 660-4576	Vinnie Ronea
Virginia	N. Virginia	To Be Determined	(828) 508-2262	Corbin Jennings
Virginia	N. Virginia	To Be Determined	(828) 508-2262	Corbin Jennings
Virginia	N. Virginia	To Be Determined	(240) 810-5234	Mohammad Mukhtar
Virginia	N. Virginia	To Be Determined	(240) 810-5234	Mohammad Mukhtar
Virginia	N. Virginia	To Be Determined	(240) 810-5234	Mohammad Mukhtar
Virginia	N. Virginia	To Be Determined	(828) 508-2262	Corbin Jennings
Wisconsin	Milwaukee	To Be Determined	(414) 378-1662	Tyler Sullivan

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

Former Franchisees – Left System in 2022

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
North Carolina	Charlotte / Southend	(704) 771-6906	Brandon Cullen Kirk Dewaele
North Carolina	Elizabeth	(704) 771-6906	Brandon Cullen Kirk Dewaele
South Carolina	Greenville	864-320-8814	DeAndre Presley

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

~~EXHIBIT "F" EXHIBIT "A"~~
~~TO DISCLOSURE DOCUMENT~~
~~FINANCIAL STATEMENTS~~

~~*[See Attached]*~~

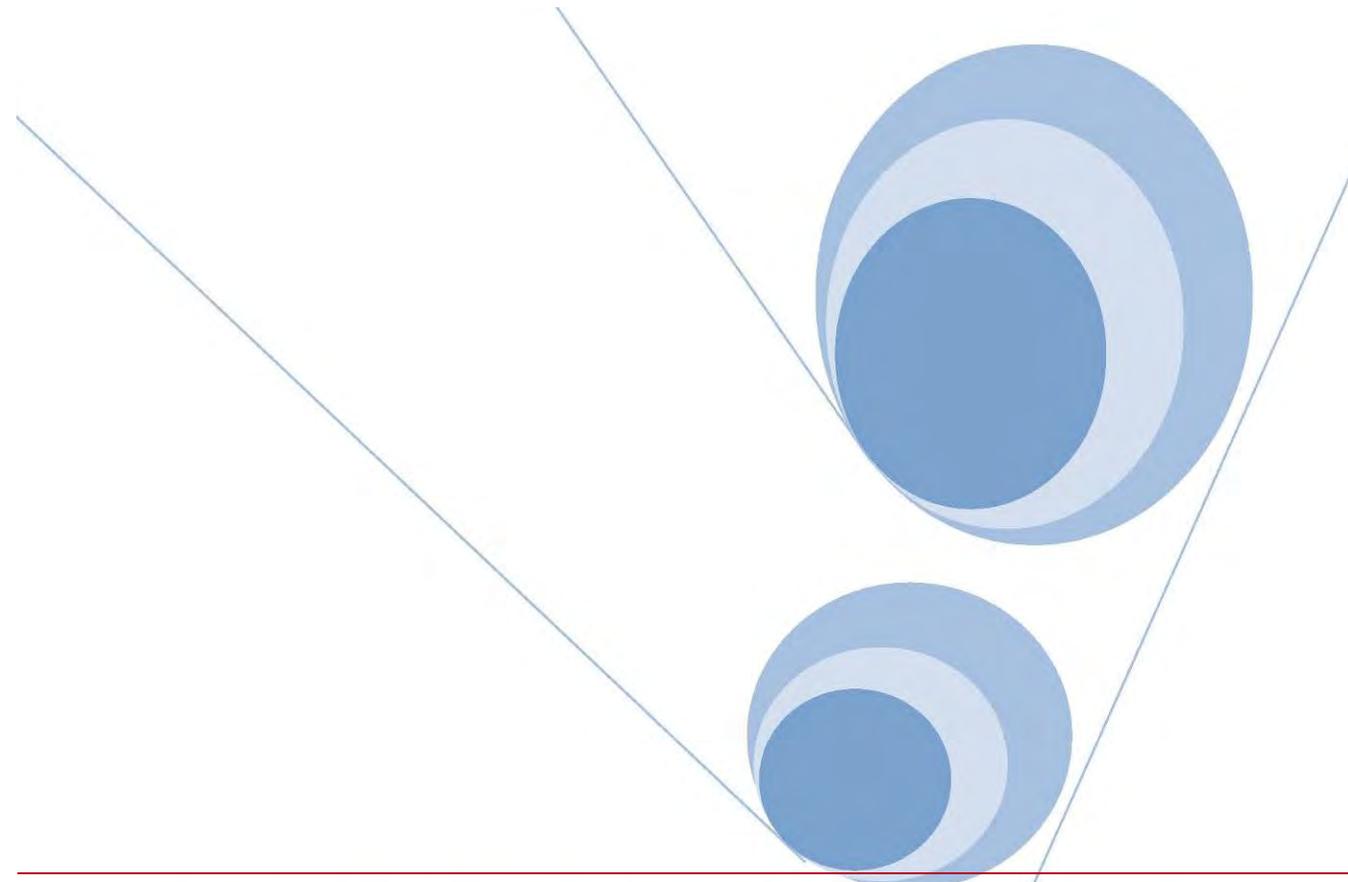
~~THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.~~

MADabolic Franchise System LLC
Balance Sheet
YTD 3/31/23

ASSETS	
Current Assets	
Total Checking/Savings	239,467.49
Accounts Receivable	
Accounts Receivable	81,511.29
Total Accounts Receivable	<u>81,511.29</u>
Other Current Assets	172,427.92
Total Current Assets	<u>493,406.70</u>
Fixed Assets	
1800 - Fixed Assets	50,980.72
Total Fixed Assets	<u>50,980.72</u>
Other Assets	1,425,788.92
TOTAL ASSETS	<u><u>1,970,176.34</u></u>
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	15,572.07
Credit Cards	1,141.24
Other Current Liabilities	
Franchisee Deposits	98,679.31
Deferred Revenue-Current	235,730.00
Total Other Current Liabilities	<u>334,409.31</u>
Total Current Liabilities	<u>351,122.62</u>
Long Term Liabilities	
Deferred Revenue-Non Current	2,173,542.00
Total Long Term Liabilities	<u>2,173,542.00</u>
Total Liabilities	<u>2,524,664.62</u>
Equity	
Total Member Equity	<u>-54,488.28</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,970,176.34</u></u>

MADabolic Franchise System LLC
Profit & Loss
YTD 3/31/23

Ordinary Income/Expense	
Income	
MADathome	57.06
Apparel/Merchandise/Equipment	69,689.79
Franchise Royalties	132,037.12
Furniture/C&R	3,384.02
MindBody Software	34,460.10
Music License	11,550.00
System Advertising	27,138.54
Technology Fee	23,200.00
Training	6,200.00
Total Income	<u>307,716.63</u>
Cost of Goods Sold	
Cost of Sales	66,124.97
Total COGS	<u>66,124.97</u>
Gross Profit	<u>241,591.66</u>
Expense	
Amortization Expense	1,713.09
Automobile Expense	30.00
Bank Service Charges	65.25
Benefits	1,992.43
Computer and Internet Expenses	47,391.63
Depreciation	303.39
Filing/Registration Fees	2,006.25
Franchise Sales Expense	15,000.00
Insurance Expense	108.90
Marketing	16,718.12
Meals and Entertainment	267.31
Office Supplies/Expense	246.23
Postage/Shipping	48.64
Outside Services	38,725.02
Payroll Expenses	14,849.36
Professional Fees	24,843.75
Telephone Expense	1,132.88
Travel Expense	11,890.34
Website	702.85
Guaranteed Payments	47,100.00
Total Expense	<u>225,135.44</u>
Net Income	<u><u>16,456.22</u></u>



MADABOLIC FRANCHISE SYSTEM, LLC

dba



Independent Auditor's Report and
Financial Statements

December 31, 2022 and 2021



MADABOLIC FRANCHISE SYSTEM, LLC

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FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021	
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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Madabolic Franchise System, LLC

Opinion

We have audited the accompanying financial statements of Madabolic Franchise System, LLC (a Delaware Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Madabolic Franchise System, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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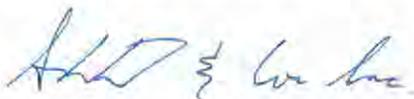
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Fountain Valley, California
March 28, 2023

MADABOLIC FRANCHISE SYSTEM, LLC

Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 237,955	\$ 461,545
Accounts receivable	102,510	38,685
Prepaid expenses	5,183	7,027
Total current assets	<u>345,648</u>	<u>507,257</u>
Property and equipment:		
Furniture and fixtures	2,125	2,125
Office equipment	5,682	5,682
Less: Accumulated depreciation	(7,247)	(6,033)
Total property and equipment	<u>560</u>	<u>1,774</u>
Other assets:		
Note receivable-related party	124,054	-
Notes receivable-franchisees	485,000	260,000
Deferred commission fees, net of amortization-related party	924,176	515,670
Website, net of accumulated amortization	16,050	22,902
Total other assets	<u>1,549,280</u>	<u>798,572</u>
TOTAL ASSETS	<u>\$ 1,895,488</u>	<u>\$ 1,307,603</u>
LIABILITIES AND MEMBER'S EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 31,110	\$ 102,003
Deferred revenue, current	235,730	129,480
Franchisee deposits	145,695	251,035
Credit cards payable	356	12,454
Current-portion of SBA PPP Loan payable	-	2,706
Total current liabilities	<u>412,891</u>	<u>497,678</u>
Long-term liabilities:		
Deferred revenue, non-current	2,053,542	1,124,124
Total long-term liabilities	<u>2,053,542</u>	<u>1,124,124</u>
TOTAL LIABILITIES	<u>2,466,433</u>	<u>1,621,802</u>
MEMBER'S EQUITY		
Member's Equity (Deficit)	(570,945)	(314,199)
Total Member's Equity (Deficit)	<u>(570,945)</u>	<u>(314,199)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 1,895,488</u>	<u>\$ 1,307,603</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Income

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Franchise fees	\$ 44,332	\$ 14,417
Royalty fees	368,629	202,252
Apparel and product sales	583,972	250,410
Total Revenues	<u>996,933</u>	<u>467,079</u>
Cost of sales	<u>379,495</u>	<u>182,814</u>
Gross profit	<u>617,438</u>	<u>284,265</u>
Operating expenses:		
Guaranteed payments	205,795	150,000
Computer and website expenses	151,367	137,756
Outside services	147,800	133,242
Advertising and marketing	106,308	53,667
Legal and professional fees	98,523	95,665
Franchise sales consulting	60,000	60,198
Payroll expenses	32,951	-
Travel and entertainment	21,468	9,262
Commission expenses	18,744	4,658
Office expenses	8,347	4,273
Depreciation and amortization	8,066	8,066
Taxes and licenses	7,119	3,215
Auto & truck	4,564	6,275
Insurance	2,964	3,623
Repairs and maintenance	121	2,348
Total operating expenses	<u>874,137</u>	<u>672,248</u>
Loss from operations	<u>(256,699)</u>	<u>(387,983)</u>
Other income (expense):		
Interest expense	(47)	(9)
Debt Extinguishment-PPP Loan Forgiveness	-	32,669
Total other income (expense)	<u>(47)</u>	<u>32,660</u>
Loss before income taxes	<u>(256,746)</u>	<u>(355,323)</u>
Provision for income taxes	-	-
NET LOSS	<u>\$ (256,746)</u>	<u>\$ (355,323)</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Changes in Member's Equity

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Member's Equity (Deficit), beginning of year	\$ (314,199)	\$ (2,738)
Capital contributions	-	43,862
Net loss	<u>(256,746)</u>	<u>(355,323)</u>
Member's Equity (Deficit), end of year	<u>\$ (570,945)</u>	<u>\$ (314,199)</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (256,746)	\$ (355,323)
Adjustments to reconcile net loss to net cash provided by (used for) operations:		
Depreciation and amortization	8,066	1,984
Debt Extinguishment-PPP Loan Forgiveness	-	(32,669)
<u>(Increase) decrease in:</u>		
Accounts receivable	(63,825)	(14,120)
Prepaid expenses	1,844	2,541
Note receivable-related party	(124,054)	23,508
Note receivable-franchisees	(225,000)	(130,000)
Deferred commission fees	(408,506)	(254,342)
Other receivables	-	7,653
<u>Increase (decrease) in:</u>		
Accounts payable	(70,893)	102,003
Credit card payable	(12,098)	3,502
Deferred revenue	1,035,668	518,286
Franchisee deposits	(105,340)	251,035
SBA loan payable	(2,706)	-
Net cash provided (used) by operating activities	<u>(223,590)</u>	<u>124,058</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	-	43,862
Net cash provided (used) by financing activities	<u>-</u>	<u>43,862</u>
NET INCREASE (DECREASE) IN CASH	(223,590)	167,920
CASH - beginning	<u>461,545</u>	<u>293,625</u>
CASH - end	\$ 237,955	\$ 461,545
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 47</u>	<u>\$ 9</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

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MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

As of December 31, 2022, there were 23 operating locations franchised by MFSL, eight of which ~~opened in 2022.~~

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

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

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

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2022 and 2021.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risk – Occasionally the Company maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Company does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institution. At December 31, 2022 and 2021, the Company's uninsured cash balances totaled \$-0 and \$131,205, respectively.

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2022 and 2021, accounts receivables totaled \$102,510 and \$38,685, respectively.

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

Depreciation expense for the years ended December 31, 2022 and 2021 was \$8,066 and \$8,066 respectively.

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

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to, a significant decrease in market value of an asset, a significant adverse change to the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated non-discounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the assets evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There have been no impairment losses recorded as of December 31, 2022.

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MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Franchisee deposits – The Company collects funds in advance from new franchisees for future grand opening marketing expenses and equipment to build out their studios. Funds are held until needed to be spent on these items. At December 31, 2022 and 2021, franchisee deposits totaled \$145,695 and \$251,035, respectively.

Revenue recognition

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

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

The Company recognizes franchise fee beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$44,332 and \$14,417 at December 31, 2022 and 2021, respectively.

- **Royalties** – The Company collects royalties from each franchise outlet based upon a percentage of gross revenues. The Company recognizes royalties as revenue when earned. At December 31, 2022 and 2021, royalties recognized by the Company was \$368,629 and \$202,252, respectively.
- **Product sales** – The product sales include the sale of point-of-sale technology equipment to franchisees and the sale of the initial equipment package. The Company recognizes product sales as revenue when sold. At December 31, 2022 and 2021, product sales totaled \$583,972 and \$250,410, respectively.
- **Cost of sales** – Cost of sales consists primarily of music license and merchandise apparel sold to franchisees. At December 31, 2022 and 2021, cost of sales was \$379,495 and \$182,814, respectively.
- **Deferred costs-Commission Fees** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2022 and 2021 was \$924,176 and \$515,670, respectively.

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

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The following table reflects the change in contract liabilities between December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 1,253,604	\$ 735,318
Revenue recognized during the year	(44,332)	(14,417)
New deferred revenue during the year	1,080,000	532,703
Balance at end of year	<u>\$ 2,289,272</u>	<u>\$ 1,253,604</u>

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

Future revenue to be recognized in:	Amount
Remainder 2022	\$ 13,501
2023	235,730
2024	235,730
2025	235,730
2026	232,730
2027	232,730
Thereafter	<u>1,103,122</u>
Total	<u>\$ 2,289,272</u>

NOTE 2 – NOTES RECEIVABLE- FRANCHISEES

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

At December 31, 2022 and 2021, notes receivable totaled \$485,000 and \$260,000, respectively.

NOTE 3 – ACCOUNTS PAYABLE

The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2022 and 2021, the Company had recorded trade payables in the amount of \$31,110 and \$102,003, respectively.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2022 and 2021.

NOTE 5 – CREDIT CARDS PAYABLE

The Company has an unsecured bank credit cards with a total limit of \$100,000 and an outstanding balance of \$356 and \$12,454 at December 31, 2022 and 2021, respectively. Based on the card usage and outstanding balance, a finance charge is charged to the Company. The finance charge is expensed when incurred. At December 31, 2022 and 2021, finance charged totaled \$-0.

NOTE 6 – PAYCHECK PROTECTION PROGRAM (PPP) FUNDS

The Company applied for and received a loan on May 1, 2020, in the amount of \$35,375. The funds may be used only for payroll costs, rent, and utilities. Under the terms of the PPP, the loan may be forgiven if they are used for the qualifying expenses. The Company has used the loan of \$32,669 for qualifying expenses and 92% of the loan was forgiven. Accordingly, the Income Statement reflects the Gain on Debt Extinguishment in Other Income in the amount of \$32,669.

At December 31, 2022 and 2021, the SBA loan balance was \$-0 and \$2,706, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the period, the Company had transactions with related parties. These transactions include the following:

- **Note receivable** – The Company's member advanced funds to a related party by common ownership. The note receivable balance was \$124,054 and \$-0 at December 31, 2022 and 2021, respectively. The advances are unsecured and non-interest bearing. The principal amount, plus all accrued interest, if not sooner paid, shall be due and payable on or before the three-year anniversary of the first advance.
- **Consulting fees and commission expenses** – A member who holds an approximate 70% ownership of the related holding company had a consulting agreement with the Company (see Note 9). At December 31, 2022 and 2021, the Company paid a total of \$60,000 and \$60,000 to a related 70% owner for franchise sales and operational consulting fees and \$231,250 and \$228,428 for commission expenses subject to deferral – see Note 1 Deferred Costs-Commission fees.
- **Guaranteed payments** – On July 1, 2019, the Company entered into an Employment Agreement with two related parties affiliated through common ownership (see Note 9). At December 31, 2022 and 2021, guaranteed payments totaled \$205,795 and \$150,000, respectively.

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MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 8 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee, which may be up to \$40,000 for a single franchised outlet.

Under the current standard franchise agreement, each franchisee is required (i) to pay a royalty of 6% of their monthly gross revenue, (ii) to contribute 1% of gross revenues (which may increase up to 3%) for brand and system development fund fee and (iii) to pay up to \$1,000 monthly for cooperative advertising fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 5% of its monthly gross revenue on local advertising and promotions.

Franchisees are generally granted the right to operate an outlet in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee equal to 25% of the current initial franchise fee. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Consulting Agreement #1

On August 1, 2019, the Company entered into a Franchise Consulting Agreement with ZGrowth Partners, LLC (ZPL), a related party by common ownership. ZPL will (i) develop and implement franchise marketing plan and strategies; (ii) assist and establish franchise recruiting process from initial lead generation through final execution; and (iii) assist in all other franchise operational aspects. The Company shall pay \$10,000 monthly to ZPL plus commission fee equal to 50% of the franchise fee for each franchise sold.

Consulting Agreement #2

On March 1, 2021, the Company entered into a consulting agreement with a third party consultant to work on four primary areas within the business, these areas include (i) marketing and brand image; (ii) new franchisee training; (iii) discovery day participation and (iv) key vendor relationship management. The consultant will be paid \$55,000 on a monthly basis which will be paid in equal installments on a semi-monthly basis. The agreement may be terminated with or without cause, by giving 15 days written notice.

At December 31, 2022 and 2021, the consultant was paid a total of \$55,000 and \$46,042, respectively.

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MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Employment Agreement #1

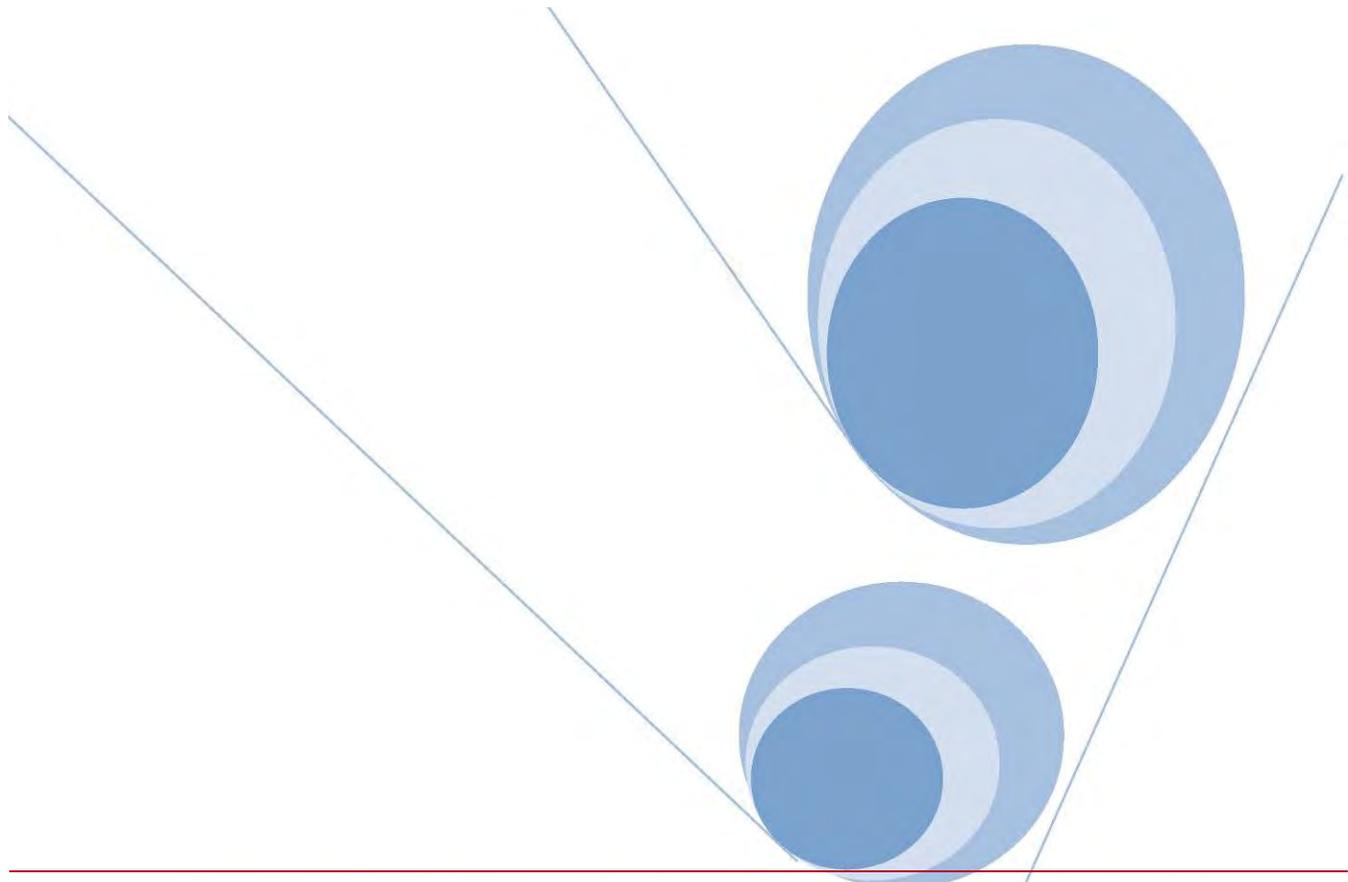
On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Concept Officer (“CCO”) of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CCO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CCO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

Employment Agreement #2

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Training Officer (“CTO”) of the Company for an initial term of ~~three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022,~~ and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CTO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CTO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

NOTE 10 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through March 28, 2023, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.



MADABOLIC FRANCHISE SYSTEM, LLC

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Independent Auditor's Report and
Financial Statements

December 31, 2021 and 2020



MADABOLIC FRANCHISE SYSTEM, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Madabolic Franchise System, LLC

Opinion

We have audited the accompanying financial statements of Madabolic Franchise System, LLC (a Delaware Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Madabolic Franchise System, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Fountain Valley, California
April 27, 2022

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MADABOLIC FRANCHISE SYSTEM, LLC

Balance Sheets

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ 461,545	\$ 293,625
Accounts receivable	38,685	24,565
Prepaid expenses	7,027	9,568
Total current assets	<u>507,257</u>	<u>327,758</u>
Property and equipment:		
Furniture and fixtures	2,125	2,125
Office equipment	5,682	4,600
Less: Accumulated depreciation	<u>(6,033)</u>	<u>(4,819)</u>
Total property and equipment	<u>1,774</u>	<u>1,906</u>
Other assets:		
Note receivable-related party	-	23,508
Notes receivable-franchisees	260,000	130,000
Other receivable	-	7,653
Deferred commission fees, net of amortization	515,670	261,328
Website, net of accumulated amortization	<u>22,902</u>	<u>24,754</u>
Total other assets	<u>798,572</u>	<u>447,243</u>
TOTAL ASSETS	<u>\$ 1,307,603</u>	<u>\$ 776,907</u>
LIABILITIES AND MEMBER'S EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 102,003	\$ -
Deferred revenue, current	129,480	3,500
Franchisee deposits	251,035	-
Credit cards payable	12,454	8,952
Current-portion of SBA PPP Loan payable	<u>2,706</u>	<u>17,599</u>
Total current liabilities	<u>497,678</u>	<u>30,051</u>
Long-term liabilities:		
SBA PPP Loan payable, net of current portion	-	17,776
Deferred revenue, non-current	<u>1,124,124</u>	<u>731,818</u>
Total long-term liabilities	<u>1,124,124</u>	<u>749,594</u>
TOTAL LIABILITIES	<u>1,621,802</u>	<u>779,645</u>
MEMBER'S EQUITY		
Member's Equity (Deficit)	<u>(314,199)</u>	<u>(2,738)</u>
Total Member's Equity (Deficit)	<u>(314,199)</u>	<u>(2,738)</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 1,307,603</u>	<u>\$ 776,907</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Income

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Franchise fees	\$ 14,417	\$ 35,729
Royalty fees	202,252	125,667
Apparel and product sales	250,410	198,829
Total Revenues	<u>467,079</u>	<u>360,225</u>
Cost of sales	<u>182,814</u>	<u>218,219</u>
Gross profit	<u>284,265</u>	<u>142,006</u>
Operating expenses:		
Guaranteed payments	150,000	180,452
Computer and website expenses	137,756	112,880
Outside services	133,242	33,829
Legal and professional fees	95,665	93,895
Franchise sales consulting	60,198	60,123
Advertising and marketing	53,667	60,993
Travel and entertainment	9,262	8,091
Depreciation and amortization	8,066	1,214
Auto & truck	6,275	6,283
Commission expenses	4,658	19,600
Office expenses	4,273	4,620
Insurance	3,623	3,751
Taxes and licenses	3,215	21,261
Repairs and maintenance	2,348	550
Bad debt	-	12,718
Total operating expenses	<u>672,248</u>	<u>620,260</u>
Loss from operations	<u>(387,983)</u>	<u>(478,254)</u>
Other income (expense):		
Interest expense	(9)	-
Debt Extinguishment-PPP Loan Forgiveness	32,669	-
Total other income (expense)	<u>32,660</u>	<u>-</u>
Loss before income taxes	<u>(355,323)</u>	<u>(478,254)</u>
Provision for income taxes	-	-
NET LOSS	<u>\$ (355,323)</u>	<u>\$ (478,254)</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Changes in Member's Equity For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Member's Equity (Deficit), beginning of year	\$ (2,738)	\$ 350,516
Capital contributions	43,862	125,000
Net loss	<u>(355,323)</u>	<u>(478,254)</u>
Member's Equity (Deficit), end of year	<u><u>\$ (314,199)</u></u>	<u><u>\$ (2,738)</u></u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (355,323)	\$ (478,254)
Adjustments to reconcile net loss to net cash provided by (used for) operations:		
Depreciation and amortization	1,984	1,214
Debt Extinguishment-PPP Loan Forgiveness	(32,669)	-
<u>(Increase) decrease in:</u>		
Accounts receivable	(14,120)	3,153
Prepaid expenses	2,541	22,957
Note receivable-related party	23,508	-
Note receivable-franchisees	(130,000)	(130,000)
Deferred commission fees	(254,342)	(208,828)
Other receivables	7,653	(7,653)
<u>Increase (decrease) in:</u>		
Accounts payable	102,003	(5,248)
Credit card payable	3,502	3,876
Deferred revenue	518,286	630,318
Franchisee deposits	251,035	-
SBA loan payable	-	35,375
Net cash provided (used) by operating activities	<u>124,058</u>	<u>(133,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,323)
Net cash provided (used) by investing activities	<u>-</u>	<u>(1,323)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	43,862	125,000
Net cash provided (used) by financing activities	<u>43,862</u>	<u>125,000</u>
NET INCREASE (DECREASE) IN CASH	167,920	(9,413)
CASH - beginning	293,625	303,038
CASH - end	\$ 461,545	\$ 293,625
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 9</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

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MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Madabolic Holdings LLC is the parent company and ZGrowth Acquisitions 5, LLC is the indirect parent company, each have a principal corporate office in Clinton Township, Michigan.

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

As of December 31, 2021, there were 17 operating locations franchised by MFSL.

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

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

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

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2021 and 2020.

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MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of risk – Occasionally the Company maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Company does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institution. At December 31, 2021 and 2020, the Company's uninsured cash balances totaled \$131,205 and \$-0, respectively.

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2021 and 2020, accounts receivables totaled \$38,685 and \$24,565, respectively.

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

Depreciation expense for the years ended December 31, 2021 and 2020 was \$8,066 and \$1,214 respectively.

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

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to, a significant decrease in market value of an asset, a significant adverse change to the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated non-discounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the assets evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There have been no impairment losses recorded as of December 31, 2021.

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MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Franchisee deposits – The Company collects funds in advance from new franchisees for future grand opening marketing expenses and equipment to build out their studios. Funds are held until needed to be spent on these items. At December 31, 2021 and 2020, franchisee deposits totaled \$251,035 and \$-0, respectively.

Revenue recognition

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

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MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

The Company recognizes franchise fee beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$14,417 and \$35,729 at December 31, 2021 and 2020, respectively.

- **Royalties** – The Company collects royalties from each franchise outlet based upon a percentage of gross revenues. The Company recognizes royalties as revenue when earned. At December 31, 2021 and 2020, royalties recognized by the Company was \$202,252 and \$125,667, respectively.
- **Product sales** – The product sales include the sale of point-of-sale technology equipment to franchisees and the sale of the initial equipment package. The Company recognizes product sales as revenue when sold. At December 31, 2021 and 2020, product sales totaled \$250,410 and \$198,829, respectively.
- **Cost of sales** – Cost of sales consists primarily of music license and merchandise apparel sold to franchisees. At December 31, 2021 and 2020, cost of sales was \$182,814 and \$218,219, respectively.
- **Deferred costs-Commission Fees** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2021 and 2020 was \$515,670 and \$261,328, respectively.

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

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The following table reflects the change in contract liabilities between December 31, 2020 and 2021:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 735,318	\$ 105,000
Revenue recognized during the year	(14,417)	(35,729)
New deferred revenue during the year	532,703	666,047
Balance at end of year	<u>\$ 1,253,604</u>	<u>\$ 735,318</u>

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

Future revenue to be recognized in:	<u>Amount</u>
2022	\$ 129,480
2023	129,480
2024	129,480
2025	129,480
2026	129,480
Thereafter	606,205
Total	<u>\$ 1,253,604</u>

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2021 and 2020.

NOTE 3 - NOTES RECEIVABLE- FRANCHISEES

During the year, the Company had notes receivable from franchisees relating to the sale for a multi-outlet franchise. At December 31, 2021 and 2020, notes receivable totaled \$260,000 and \$130,000, respectively.

NOTE 4 - ACCOUNTS PAYABLE

The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2021 and 2020, the Company had recorded trade payables in the amount of \$102,003 and \$-0, respectively.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 5 – CREDIT CARDS PAYABLE

The Company has an unsecured bank credit cards with a total limit of \$100,000 and an outstanding balance of \$12,454 and \$8,952 at December 31, 2021 and 2020, respectively. Based on the card usage and outstanding balance, a finance charge is charge to the Company. The finance charge is expensed when incurred. At December 31, 2021 and 2020, finance charge totaled \$-0.

NOTE 6 – PAYCHECK PROTECTION PROGRAM (PPP) FUNDS

The Company applied for and received a loan on May 1, 2020, in the amount of \$35,375. The funds may be used only for payroll costs, rent, and utilities. Under the terms of the PPP, the loan may be forgiven if they are used for the qualifying expenses. The Company has used the loan of \$32,669 for qualifying expenses and 92% of the loan was forgiven. Accordingly, the Income Statement reflects the Gain on Debt Extinguishment in Other Income in the amount of \$32,669.

At December 31, 2021 and 2020, the SBA loan balance was \$2,706 and \$35,375, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the period, the Company had transactions with related parties. These transactions include the following:

- **Note receivable** – The Company’s member advanced funds to a related party by common ownership. The note receivable balance was \$-0 and \$23,508 at December 31, 2021 and 2020, respectively. The advances are unsecured, non-interest bearing, due and payable on or before the one year anniversary of the note.
- **Consulting fees and commission expenses** – A member who holds an approximate 70% ownership of the related holding company had a consulting agreement with the Company (see Note 9). At December 31, 2021 and 2020, the Company paid a total of \$60,000 and \$50,000 to a related 70% owner for franchise sales and operational consulting fees and \$231,250 and \$228,428 for commission expenses.
- **Guaranteed payments** – On July 1, 2019, the Company entered into an Employment Agreement with two related parties affiliated through common ownership (see Note 9). At December 31, 2021 and 2020, guaranteed payments totaled \$150,000 and \$180,452, respectively.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 8 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee, which may be up to \$35,000 for a single franchised outlet

Under the current standard franchise agreement, each franchisee is required (i) to pay a royalty of 6% of their monthly gross revenue, (ii) to contribute 1% of gross revenues (which may increase up to 3%) for brand and system development fund fee and (iii) to pay up to \$1,000 monthly for cooperative advertising fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 5% of its monthly gross revenue on local advertising and promotions.

Franchisees are generally granted the right to operate an outlet in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee equal to 25% of the current initial franchise fee. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Consulting Agreement #1

On August 1, 2019, the Company entered into a Franchise Consulting Agreement with ZGrowth Partners, LLC (ZPL), a related party by common ownership. ZPL will (i) develop and implement franchise marketing plan and strategies; (ii) assist and establish franchise recruiting process from initial lead generation through final execution; and (iii) assist in all other franchise operational aspects. The Company shall pay \$10,000 monthly to ZPL plus commission fee equal to 50% of the franchise fee for each franchise sold.

Consulting Agreement #2

On March 1, 2021, the Company entered into a consulting agreement with a third party consultant to work on four primary areas within the business, these areas include (i) marketing and brand image; (ii) new franchisee training; (iii) discovery day participation and (iv) key vendor relationship management. The consultant will be paid \$55,000 on a monthly basis which will be paid in equal installments on a semi-monthly basis. The agreement may be terminated with or without cause, by giving 15 days written notice.

At December 31, 2021, the consultant was paid a total of \$46,042.

MADABOLIC FRANCHISE SYSTEM, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Employment Agreement #1

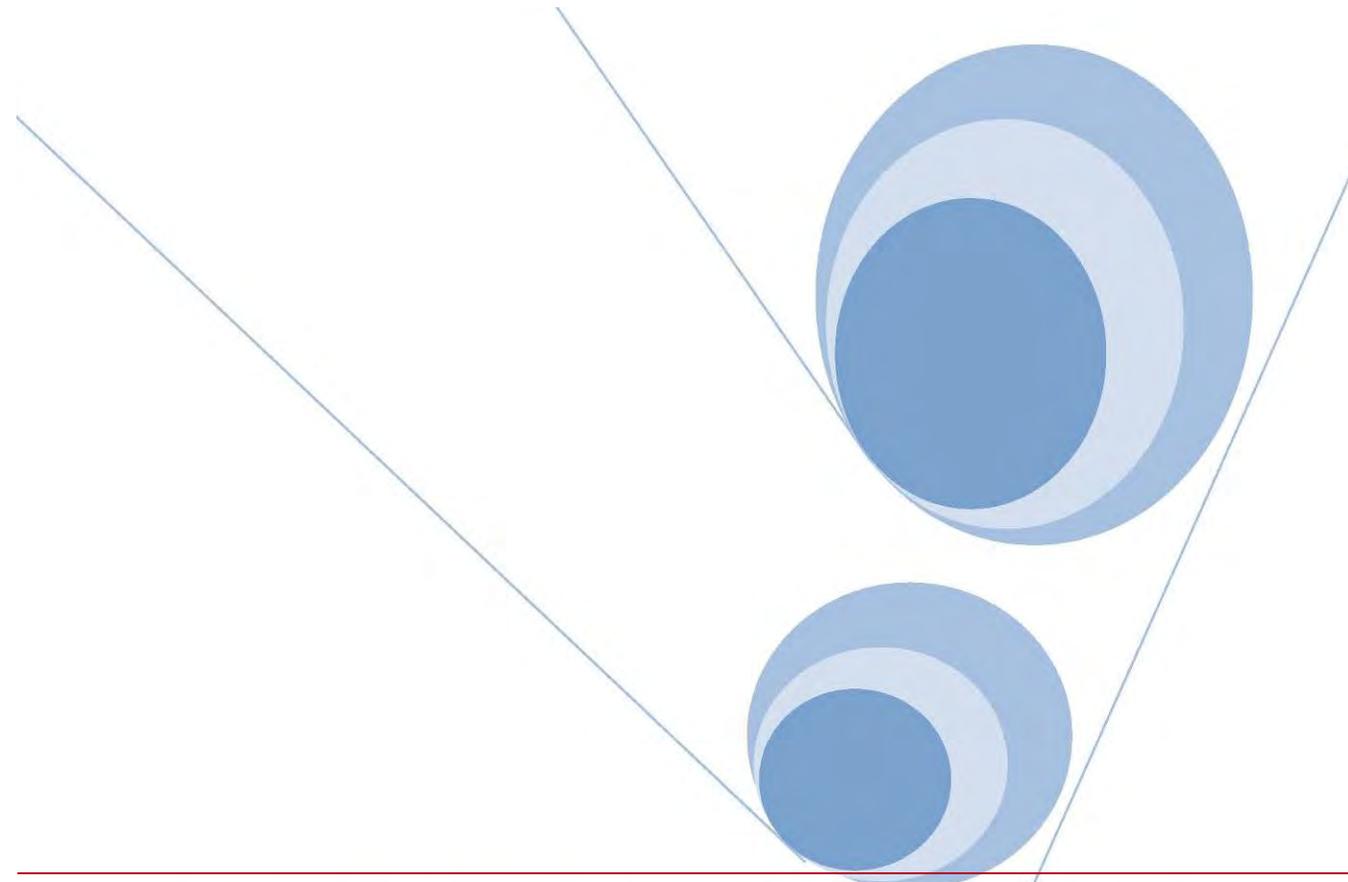
On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Concept Officer (“CCO”) of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CCO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CCO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

Employment Agreement #2

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Training Officer (“CTO”) of the Company for an initial term of ~~three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022,~~ and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CTO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CTO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

NOTE 10 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through April 27, 2022, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.



MADABOLIC FRANCHISE SYSTEM, LLC

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Independent Auditor's Report and
Financial Statements

December 31, 2020 and 2019



MADABOLIC FRANCHISE SYSTEM, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
Madabolic Franchise System, LLC

We have audited the accompanying financial statements of Madabolic Franchise System, LLC (a Delaware Limited Liability Company) (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, members' equity and cash flows for the year ended December 31, 2020 and for the period from inception June 19, 2019 to December 31, 2019 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements ~~in accordance with accounting principles generally accepted in the United States of America; this~~ includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

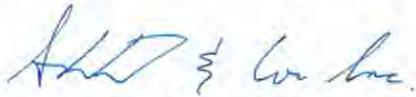
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madabolic Franchise System, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year and period then ended in accordance with accounting principles generally accepted in the United States of America.



Fountain Valley, California
April 21, 2021

MADABOLIC FRANCHISE SYSTEM, LLC

Balance Sheets

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 293,625	\$ 303,038
Accounts receivable	24,565	27,718
Prepaid expenses	9,568	32,525
Total current assets	<u>327,758</u>	<u>363,281</u>
Property and equipment:		
Furniture and fixtures	2,125	2,125
Office equipment	4,600	3,277
Less: Accumulated depreciation	<u>(4,819)</u>	<u>(3,606)</u>
Total property and equipment	<u>1,906</u>	<u>1,796</u>
Other assets:		
Note receivable-related party	23,508	23,508
Notes receivable-franchisees	130,000	-
Other receivable	7,653	-
Deferred commission fees, net of amortization	261,328	52,500
Website, net of accumulated amortization of \$18,969	24,754	24,755
Total other assets	<u>447,243</u>	<u>100,763</u>
TOTAL ASSETS	<u>\$ 776,907</u>	<u>\$ 465,840</u>
LIABILITIES AND MEMBER'S EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	\$ 5,248
Deferred revenue, current	3,500	-
Credit cards payable	8,952	5,076
Current-portion of SBA PPP Loan payable	17,599	-
Total current liabilities	<u>30,051</u>	<u>10,324</u>
Long-term liabilities:		
SBA PPP Loan payable, net of current portion	17,776	-
Deferred revenue, non-current	731,818	105,000
Total long-term liabilities	<u>749,594</u>	<u>105,000</u>
TOTAL LIABILITIES	<u>779,645</u>	<u>115,324</u>
MEMBER'S EQUITY		
Member's Equity (Deficit)	<u>(2,738)</u>	350,516
Total Member's Equity (Deficit)	<u>(2,738)</u>	<u>350,516</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 776,907</u>	<u>\$ 465,840</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Income

For the Year Ended December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Franchise fees	\$ 35,729	\$ 5,000
Royalty fees	125,667	61,954
Apparel and product sales	198,829	62,064
Total Revenues	<u>360,225</u>	<u>129,018</u>
Cost of sales	<u>218,219</u>	<u>31,361</u>
Gross profit	<u>142,006</u>	<u>97,657</u>
Operating expenses:		
Guaranteed payments	180,452	64,180
Computer and website expenses	112,880	29,320
Legal and professional fees	93,895	43,954
Advertising and marketing	60,993	29,525
Franchise sales consulting	60,123	25,000
Outside services	33,829	3,908
Taxes and licenses	21,261	663
Commission expenses	19,600	-
Bad debt	12,718	8,780
Travel and entertainment	8,091	16,296
Auto & truck	6,283	2,300
Office expenses	4,620	2,457
Insurance	3,751	1,556
Depreciation and amortization	1,214	3,361
Repairs and maintenance	550	971
Total operating expenses	<u>620,260</u>	<u>232,271</u>
Loss from operations	<u>(478,254)</u>	<u>(134,614)</u>
Loss before income taxes	<u>(478,254)</u>	<u>(134,614)</u>
Provision for income taxes	-	-
NET LOSS	<u>\$ (478,254)</u>	<u>\$ (134,614)</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Changes in Member's Equity

For the Year Ended December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

	<u>2020</u>	<u>2019</u>
Member's Equity, beginning of year	\$ 350,516	\$ -
Capital contributions	125,000	485,130
Net loss	<u>(478,254)</u>	<u>(134,614)</u>
Member's Equity (Deficit), end of year	<u>\$ (2,738)</u>	<u>\$ 350,516</u>

See accompanying notes to financial statements.

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MADABOLIC FRANCHISE SYSTEM, LLC

Statements of Cash Flows

For the Year Ended December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (478,254)	\$ (134,614)
Adjustments to reconcile net loss to net cash provided by (used for) operations:		
Bad debt	-	8,780
Depreciation and amortization	1,214	3,361
Asset assignment	-	37,964
(Increase) decrease in:		
Accounts receivable	3,153	(27,718)
Prepaid expenses	22,957	(32,525)
Loan receivable		(23,508)
Note receivable-franchisees	(130,000)	-
Deferred commission fees	(208,828)	(52,500)
Other receivables	(7,653)	-
Increase (decrease) in:		
Accounts payable	(5,248)	5,248
Credit card payable	3,876	5,076
Deferred revenue	630,318	105,000
SBA loan payable	35,375	-
Net cash provided (used) by operating activities	<u>(133,090)</u>	<u>(105,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,323)	-
Net cash provided (used) by investing activities	<u>(1,323)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions	125,000	408,474
Net cash provided (used) by financing activities	<u>125,000</u>	<u>408,474</u>
NET INCREASE (DECREASE) IN CASH	(9,413)	303,038
CASH - beginning	303,038	-
CASH - end	\$ 293,625	\$ 303,038
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING & FINANCING ACTIVITIES

In 2019, a related party transferred all of its assets to the Company through an asset assignment agreement. This resulted in a non-cash increase to assets of \$76,656 and a non-cash increase to member's equity of \$76,656.

See accompanying notes to financial statements

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MADABOLIC FRANCHISE SYSTEM, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Madabolic Holdings LLC is the parent company and ZGrowth Acquisitions 5, LLC is the indirect parent company, each have a principal corporate office in Clinton Township, Michigan.

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

As of December 31, 2020, there were 17 operating locations franchised by MFSL.

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

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

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

Cash and cash equivalents – For purposes of reporting cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company defines cash equivalents as short-term, liquid investments with initial maturity of three months or less. Renewals are generally renewed at the same term. The Company had no cash equivalents as of December 31, 2020 and 2019.

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MADABOLIC FRANCHISE SYSTEM, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounts receivable – Accounts receivable represent amounts due from franchisees. The Company considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. At December 31, 2020 and 2019, accounts receivables totaled \$24,565 and \$27,718, respectively.

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

Depreciation and amortization expense for the year and period ended December 31, 2020 and 2019 was \$1,214 and \$3,361, respectively.

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

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to, a significant decrease in market value of an asset, a significant adverse change to the extent or manner in which an asset is used, or an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated non-discounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the assets evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There have been no impairment losses recorded as of December 31, 2020.

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MADABOLIC FRANCHISE SYSTEM, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid expenses – Prepaid expenses consists primarily of direct costs associated with fitness equipment and legal and professional fees totaling \$9,568 and \$32,525 at December 31, 2020 and 2019, respectively.

Advertising/marketing expenses – Advertising expense is recorded as the obligation to contribute to the advertising fund is accrued, generally when the associated revenue is recognized. Advertising/marketing expenses was \$60,993 and \$29,525 for the year and period ended December 31, 2020 and 2019, respectively.

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

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

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

Revenue from Contracts with Customers

Revenue from contracts with customers consist primarily of royalties, marketing and promotion fee, initial and renewal franchise fees. The Company's performance obligations under franchise agreements consist of (i) a franchise license, including a license to use our brands (ii) pre-opening services, such as training, and (iii) ongoing services, such as marketing services and operational support. These performance obligations are highly interrelated so are not considered to be individually distinct and therefore are accounted for as a single performance obligation, which is satisfied by providing a right to use intellectual property over the term of each franchise agreement.

Royalties, including franchisee contributions to the brand and system development fee, are calculated as a percentage of franchisee's monthly gross revenues over the term of the franchise agreement. Initial and renewal franchise fees are payable by the franchisee upon signing and prior to the outlet/workout facility opening or at the time of a renewal of an existing franchise agreement. Royalties, inclusive of brand and system development fee contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchised sales occur. Additionally, under ASC 606, initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement.

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MADABOLIC FRANCHISE SYSTEM, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers

Franchise fee payments received by the Company are recorded as deferred revenue on the Balance Sheet, which represents a contract liability. Deferred revenue is reduced as fees are recognized in revenue over the term of the franchise license for the respective outlet/workout facility.

Revenue recognition

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 606, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs-Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer.

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

- **Franchise fees** – The Company collects a nonrefundable franchise fees when franchise agreements are signed. The Company recognizes franchise fee beginning with the opening of the franchise, which is when the Company has performed substantially all initial services required by the franchise agreement and the franchisee benefits from the rights afforded by the franchise agreement. Amounts recognized for franchise fees were \$35,729 and \$5,000 at December 31, 2020 and 2019, respectively. The Company had deferred franchise fee revenue of \$735,318 and \$105,000 at December 31, 2020 and 2019, respectively.
- **Royalties** – The Company collects royalties from each franchise outlet based upon a percentage of gross revenues. The Company recognizes royalties as revenue when earned. At December 31, 2020 and 2019, royalties recognized by the Company was \$125,667 and \$61,954, respectively.
- **Product sales** – The product sales include the sale of point-of-sale technology equipment to franchisees and the sale of the initial equipment package. The Company recognizes product sales as revenue when sold. At December 31, 2020 and 2019, product sales totaled \$198,829 and \$62,064, respectively.

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MADABOLIC FRANCHISE SYSTEM, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

- **Cost of sales** – Cost of sales consists primarily of music license and merchandise apparel sold to franchisees. At December 31, 2020 and 2019, cost of sales was \$218,219 and \$31,361, respectively.
 - **Transfer fees** – The Company's current franchise agreement provides that upon the transfer of a franchised outlet to a different franchisee, the Company is entitled to a transfer fee in the amount of \$10,000 per outlet being transferred, if more than one, in addition to reimbursement of out-of-pocket expenses, including external legal and administrative costs incurred in connection with the transfer. Transfer related fees and expenses are due, payable, and recognized at the time the transfer is effectuated.
 - **Deferred costs-Commission Fees** – The Company capitalizes incremental commission fees paid as a result of obtaining franchise agreement contracts. Capitalized commission fees are amortized over the term of the franchise agreement. Deferred commission fees at December 31, 2020 and 2019 was \$261,328 and \$52,500, respectively.
-

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying value that approximate fair value because of the short term nature of the instrument. The recorded value of these financial instruments approximated fair value at December 31, 2020 and 2019.

NOTE 3 – NOTES RECEIVABLE- FRANCHISEES

During the year, the Company had notes receivable from franchisees relating to the sale for a multi-outlet franchise. At December 31, 2020, notes receivable totaled \$130,000.

NOTE 4 – ACCOUNTS PAYABLE

The Company has payment terms with its various vendors and suppliers and, accordingly, records trade payables as those liabilities are incurred. At December 31, 2020 and 2019, the Company had recorded trade payables in the amount of \$-0 and \$5,248, respectively.

NOTE 5 – CREDIT CARDS PAYABLE

The Company has an unsecured bank credit cards with a total limit of \$143,500 and an outstanding balance of \$8,952 and \$5,076 at December 31, 2020 and 2019, respectively. Based on the card usage and outstanding balance, a finance charge is charge to the Company. The finance charge is expensed when incurred. At December 31, 2020 and 2019, finance charge totaled \$-0.

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MADABOLIC FRANCHISE SYSTEM, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

NOTE 6 – SBA LOAN PAYABLE

On May 1, 2020, the Company was granted a loan from Bank of America in the amount of \$35,375, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan was in the form of a Note issued by the Company, matures on June 1, 2022 and bears an interest at a rate of 1% per annum, payable monthly commencing on December 1, 2020. The Note may be repaid by the Borrower at any time prior to maturity with no repayment of penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP loan, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Company plans to apply for the loan forgiveness and expects for forgiveness of most or all of the loan.

At December 31, 2020, the SBA loan balance was \$35,375.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the period, the Company had transactions with related parties. These transactions include the following:

- **Note receivable** – The Company's member advanced funds to a related party by common ownership. The note receivable balance was \$23,508 and \$23,508 at December 31, 2020 and 2019, respectively. The advances are unsecured, non-interest bearing, due and payable on or before the one year anniversary of the note.
- **Consulting fees and commission expenses** – A member who holds an approximate 70% ownership of the related holding company had a consulting agreement with the Company (see Note 8). At December 31, 2020 and 2019, the Company paid a total of \$60,000 and \$50,000 to a related 70% owner for franchise sales and operational consulting fees and \$228,428 and \$52,500 for commission expenses.
- **Guaranteed payments** – On July 1, 2019, the Company entered into an Employment Agreement with two related parties affiliated through common ownership (see Note 7). At December 31, 2020 and 2019, guaranteed payments totaled \$180,452 and \$64,180, respectively.
- **Asset assignment** – On August 1, 2019, MADabolic Inc (a related party) transferred all of its assets to the Company through an asset assignment agreement. As part of this asset assignment, all of the franchise agreements entered into by MADabolic Inc. were also assigned to the Company and notice of assignment was given to all effected franchisees.

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MADABOLIC FRANCHISE SYSTEM, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

NOTE 8 – FRANCHISING

In general, the Company updates and/or revises franchise agreements on an annual basis and, as a result, the agreements with individual franchisees may vary. Currently, the franchise agreement provides that franchisees must pay the initial franchise fee, which may be up to \$35,000 for a single franchised outlet

Under the current standard franchise agreement, each franchisee is required (i) to pay a royalty of 6% of their monthly gross revenue, (ii) to contribute 1% of gross revenues (which may increase up to 3%) for brand and system development fund fee and (iii) to pay up to \$1,000 monthly for cooperative advertising fee. These funds are managed by the Company and are primarily used to create advertising content and purchase digital and television advertising on a national level. The franchise agreement also requires franchisees to spend at least 5% of its monthly gross revenue on local advertising and promotions.

Franchisees are generally granted the right to operate an outlet in a particular location, typically providing for a 10-year initial term, with an opportunity to enter into one or more renewal franchise agreements subject to certain conditions; such as a renewal fee equal to 25% of the current initial franchise fee. The Company recognizes renewal fees in income when a renewal agreement becomes effective.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Consulting Agreements

On August 1, 2019, the Company entered into a Franchise Consulting Agreement with ZGrowth Partners, LLC (ZPL), a related party by common ownership. ZPL will (i) develop and implement franchise marketing plan and strategies; (ii) assist and establish franchise recruiting process from initial lead generation through final execution; and (iii) assist in all other franchise operational aspects. The Company shall pay \$10,000 monthly to ZPL plus commission fee equal to 50% of the franchise fee for each franchise sold.

Employment Agreements

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Concept Officer ("CCO") of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a "Renewal Term") unless written notice of non-renewal is delivered from either party. During the term of the agreement, CCO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CCO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the "Franchise Sales Bonus") to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

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MADABOLIC FRANCHISE SYSTEM, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and

For the Period from June 19, 2019 (Inception) to December 31, 2019

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Employment Agreements

On July 1, 2019, the Company entered into an Employment Agreement with one of its parent company members to serve as Chief Training Officer (“CTO”) of the Company for an initial term of three years unless earlier terminated pursuant to the terms of the agreement. On August 1, 2022, and on each subsequent anniversary thereafter, the agreement shall automatically renew and extend for a period of 12 months (each such 12-month period being a “Renewal Term”) unless written notice of non-renewal is delivered from either party. During the term of the agreement, CTO will be entitled to a base salary at the annualized rate of \$75,000 per year for the first five years and \$100,000 per year for the next five years. CTO will be paid a three percent (3%) commission of the franchise fee the Company receives for each single unit sold (the “Franchise Sales Bonus”) to be paid within thirty (30) days after the Company receives the franchise fee, or portion of the franchise fee, in good funds.

NOTE 10 – SUBSEQUENT EVENTS

Date of management review – The Company has evaluated subsequent events through April 21, 2021, the date of which the financial statements were available to be issued. Through that date, management has determined that the Company did not have any material recognizable or non-recognizable subsequent events.

California

Michigan

South Dakota

Hawaii

Minnesota

Virginia

Illinois

New York

Washington

Indiana

North Dakota

Wisconsin

Maryland

Rhode Island

Dated: _____, 202__

FRANCHISOR: _____

Madabolic Franchise System, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

[_____]

By: _____

Name: _____

Title: _____

EXHIBIT "G"-2

~~EXHIBIT "G" EXHIBIT "A"~~
~~TO DISCLOSURE DOCUMENT~~
~~FRANCHISEE DISCLOSURE QUESTIONNAIRE~~

~~[See Attached]~~

MAY NOT BE SIGNED OR USED IF FRANCHISEE RESIDES WITHIN, OR THE FRANCHISED BUSINESS WILL BE LOCATED WITHIN, A FRANCHISE REGISTRATION STATE¹

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know Madabolic Franchise System, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Madabolic franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes___ No___ 1. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
- Yes___ No___ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes___ No___ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes___ No___ 4. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
- Yes___ No___ 5. Did you receive the Franchise Disclosure Document at least 14 calendar days before signing any agreement relating to the franchise (other than an NDA) or paying any money?
- Yes___ No___ 6. Did you receive a complete execution copy of the Franchise Agreement at least seven (7) calendar days before you signed it?
- Yes___ No___ 7. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes___ No___ 8. Have you discussed the benefits and risks of developing and operating a Madabolic franchise with an existing Madabolic franchisee?
- Yes___ No___ 9. Do you understand the risks of developing and operating a Madabolic franchise?
- Yes___ No___ 10. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?
- Yes___ No___ 11. Do you understand that you must satisfactorily complete the initial training course before we will allow your franchised business to open or consent to a transfer?
- Yes___ No___ 12. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Madabolic franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes___ No___ 13. Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise

¹ Registration states include California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

~~Disclosure Document?~~

~~Yes__ No__ 14. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Madabolic franchise will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?~~

~~Yes__ No__ 15. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the Madabolic business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?~~

~~YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.~~

~~_____
Signature of Franchise Applicant~~

~~_____
Signature of Franchise Applicant~~

~~_____
Name (please print)~~

~~_____
Name (please print)~~

~~Dated _____~~

~~Dated _____~~

~~_____
Signature of Franchise Applicant~~

~~_____
Signature of Franchise Applicant~~

~~_____
Name (please print)~~

~~_____
Name (please print)~~

~~Dated _____~~

~~Dated _____~~

~~EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):~~

EXHIBIT "H"
TO DISCLOSURE DOCUMENT

GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (this “Agreement”) is made as of _____, 202__ (the “Effective Date”) by _____, a(n) _____ (“you”) and each individual holding a direct or indirect ownership interest in you (collectively “Owner”) in favor of Madabolic Franchise System, LLC, a Delaware limited liability company (“us,” and together with you and Owner, the “Parties”).

~~WHEREAS, we~~ Background

- A. We signed a Franchise Agreement with you, dated _____, 202__ (the “Franchise Agreement”) pursuant to which we granted you the right to own and operate a Madabolic ~~facility;~~ business.
- B. ~~WHEREAS, you~~ You have notified us of your desire to transfer the Franchise Agreement and all rights related thereto, or an ownership interest in the franchisee entity, to a transferee, [**enter into a successor franchise agreement**] and we have consented to such transfer [**agreed to enter into a successor franchise agreement**]; ~~and~~.
- C. ~~WHEREAS, as~~ As a condition to our consent to the transfer [**your ability to enter into a successor franchise agreement**], you and Owner have agreed to execute this Agreement upon the terms and conditions stated below.
- D. ~~NOW, THEREFORE, in~~ In consideration of our consent to the transfer [**our entering into a successor franchise agreement**], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, you and Owner hereby agree as ~~follows;~~ set forth below.

Agreement

1. ~~Release.~~ Release. Owner, you, and each of your officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the “Franchisee Parties”), hereby release, acquit and forever discharge us, any and all of our past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, shareholders, members, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the “Franchisor Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which any of the Franchisee Parties may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, directly or indirectly arising out of or relating to the execution and performance (or lack thereof) of the Franchise Agreement or the offer, sale or acceptance of the franchise related thereto (including, but not limited to any disclosures and representations made in connection therewith). The foregoing release shall not be construed to apply with respect to any obligations contained within this Agreement.
2. ~~California Law.~~ California Law. You and Owner hereby express your intention to release all existing claims, whether known or unknown, against the Franchisor Parties. Accordingly, you and Owner hereby waive ~~Section §~~ 1542 of the California Civil Code, which provides the following:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

[Section 2 only applies for California franchisees; otherwise it is omitted]

3. ~~Washington Franchise Law.~~ Washington Franchise Law. ~~This Agreement~~ The General Release does not apply with

respect to claims arising under the Washington Franchise Investment Protection Act, ~~chapter~~ RCW 19.100 ~~RCW~~, or the rules adopted thereunder ~~in accordance with RCW 19.100.220(2)~~.

[Section ~~2~~3 only applies for Washington franchisees; otherwise it is omitted]

4. ~~4.~~ Nondisparagement. Each of the Franchisee Parties expressly covenant and agree not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Franchisor Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Franchisor Parties, the business conducted by any of the Franchisor Parties or the reputation of any of the Franchisor Parties. For purposes of clarity, the obligations in this Section apply to all methods of communications, including the making of statements or representations through direct verbal or written communication as well as the making of statements or representations on the Internet, through social media sites or through any other verbal, digital or electronic method of communication. The obligations in this Section also prohibit the Franchisee Parties from indirectly violating this Section by influencing or encouraging third parties to engage in activities that would constitute a violation of this Section if conducted directly by a Franchisee Party.
5. ~~4.~~ Representations and Warranties. You and Owner each represent and warrant that: ~~(i)~~ (ia) [Insert franchisee entity name] is duly authorized to execute this Agreement and perform its obligations hereunder; ~~(ii)~~ (ib) neither you nor Owner has assigned, transferred or conveyed, either voluntarily or by operation of law, any of their rights or claims against any of the Franchisor Parties or any of the rights, claims or obligations being terminated or released hereunder; ~~(iii)~~ (ic) you and Owner have not and shall not ~~(a)~~ (ai) institute or cause to be instituted against any of the Franchisor Parties any legal proceeding of any kind, including the filing of any claim or complaint with any state or federal court or regulatory agency, alleging any violation of common law, statute, regulation or public policy premised upon any legal theory or claim whatsoever relating to the matters released in this Agreement or ~~(b)~~ (bii) make any verbal, written or other communication that could reasonably be expected to damage or adversely impact any Franchisor Party's reputation or goodwill; and ~~(iv)~~ (id) the individuals identified as Owners on the signature pages hereto together hold 100% of the legal and beneficial ownership interests in [Insert franchisee entity name].
6. ~~5.~~ Miscellaneous.
 - (a) ~~(a)~~ The Parties agree that each has read and fully understands this Agreement and that the opportunity has been afforded to each Party to discuss the terms and contents of said Agreement with legal counsel and/or that such a discussion with legal counsel has occurred.
 - (b) ~~(b)~~ This Agreement shall be construed and governed by the laws of the State of North Carolina.
 - (c) ~~(c)~~ In the event that it shall be necessary for any Party to institute legal action to enforce, or for the breach of, any of the terms and conditions or provisions of this Agreement, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.
 - (d) ~~(d)~~ All of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective current and future directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns.
 - (e) ~~(e)~~ This Agreement contains the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and is in lieu of all prior and contemporaneous agreements, understandings, inducements and conditions, expressed or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. ~~This Agreement may not be modified except in a writing signed by each of the Parties.~~
 - (f) ~~(f)~~ If one or more of the provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair

any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

- (g) ~~(g)~~ The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the transactions contemplated hereby.
- (h) ~~(h)~~ This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one document.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

FRANCHISEE:

By: _____

Name: _____

Its: Title: _____

FRANCHISE OWNERS:

Name: _____

Name: _____

Name: _____

EXHIBIT "I"
TO DISCLOSURE DOCUMENT
MULTI-STATE ADDENDA

~~[See Attached]~~

MULTI-STATE ADDENDA

~~The following are additional disclosures for the Franchise Agreement of Madabolic Franchise System, LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.~~

FOR THE STATE OF CALIFORNIA

~~The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.~~

- ~~1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the disclosure document.~~
- ~~2. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.~~
- ~~3. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.~~
- ~~4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).~~
- ~~5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.~~
- ~~6. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.~~
- ~~7. The franchise agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.~~
- ~~8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.~~
- ~~9. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).~~
- ~~10. The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information.”~~
- ~~11. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.~~

~~12. All fees referenced in Item 5 of this Disclosure Document are subject to deferral pursuant to order of the State of California. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.~~

~~FOR THE STATE OF ILLINOIS~~

~~A. You must sign a general release in order to renew or transfer your franchise. Any such release must comply with the provisions of the Illinois Franchise Disclosure Act (the "Act").~~

~~B. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Franchise Agreement and Supplemental Agreements may provide for arbitration to take place outside of Illinois.~~

~~5.1. C. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.~~

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

~~6.1. E. Illinois requires inclusion of the following additional risk factor:~~

~~"2. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails."~~

~~7.1. F. Item 7 of the FDD is amended to add the following footnote to the table relating to the "Insurance" row:~~

~~"This is an estimate for the various types of insurance a franchisee will need including comprehensive general liability insurance, professional liability insurance, tenant's liability insurance, worker's compensation insurance and employer's liability insurance as required by law and any other insurance that we specify in the Manual from time to time. The amount is an estimate for 3 month's premium and would be paid directly to the insurance carriers in a lump sum before the start of franchise operations."~~

~~G. All fees referenced in the Franchise Agreement are subject to deferral pursuant to order of the Illinois Attorney General's Office based upon their review of our financial condition as reflected in our financial statements. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.~~

~~FOR THE STATE OF INDIANA~~

~~In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:~~

~~1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.~~

The Franchise Agreement and Supplemental Agreements

EXHIBIT "G"-3

FRANCHISE RESALE AGREEMENT

[See Attached]

FRANCHISE RESALE AGREEMENT

This Franchise Resale Agreement (the “Agreement”) is entered into as of [_____], 202[____] (the “Effective Date”) between Madabolic Franchise System, LLC, A Delaware limited liability company (“we” or “us”) and [_____], a(n) [_____] (“you” and together with us, the “Parties”).

BACKGROUND

- A. On [_____], 202[____], the Parties entered into a Madabolic Franchise Agreement (the “Franchise Agreement”), pursuant to which we granted you the right, license and obligation to develop, open and operate the Madabolic facility located at [_____] (your “Madabolic Business”).
- B. You have notified us that you desire to sell the Madabolic Business and you have requested our assistance in effectuating the sale and transfer of the Madabolic Business.
- C. We have agreed to assist you in your efforts to sell the Madabolic Business subject to the terms and conditions set forth in this Agreement.

AGREEMENT

- 1. **Background Recitals.** The statements made in the Recitals above are true and accurate and are incorporated herein.
- 2. **Defined Terms.** Any capitalized term that is not defined herein shall have the meaning ascribed to it in the Franchise Agreement.
- 3. **Term.** The term of this Agreement (the “Term”) begins on the Effective Date and expires on the expiration or earlier termination of the current term of the Franchise Agreement. If the Parties renew the term of the Franchise Agreement, then the Parties may (but need not) renew the Term of this Agreement upon mutually agreeable terms and conditions.
- 4. **Engagement.** You hereby engage us to provide franchise brokerage services during the Term on a non-exclusive basis. We hereby accept the engagement and agree to assist you in your efforts to: (a) locate one or more qualified buyers for your Madabolic Business; and (b) sell your Madabolic Business to a qualified buyer that we approve as meeting our minimum qualifications and eligibility requirements for a franchisee. You agree that we may offer (and publicly list) your Madabolic Business for sale at any price equal to or greater than \$[_____].
- 5. **Sales Assistance.** During the Term, we agree to provide reasonable assistance in connection with your efforts to sell your Madabolic Business. We will utilize our current franchise recruiting system and our internal and external franchise sales network (our “Franchise Recruitment Program”) in an effort to identify qualified candidates to purchase your Madabolic Business. We shall pre-qualify all leads to ensure they meet our minimum qualifications and eligibility requirements for franchisees. We do not represent or guaranty that our efforts to identify a qualified buyer willing to purchase your Madabolic Business will be successful. Under no circumstances will we have any liability to you based on the services we render pursuant to this Agreement.
- 6. **Your Obligations.** We will expend valuable time and resources attempting to market and sell your Madabolic Business. For this reason, you may not refuse any purchase offer that we present to you for a purchase price of at least \$[_____]. However, you will have an opportunity to negotiate a higher price after we introduce the potential buyer to you. You agree to cooperate with us in good faith and provide all reasonable assistance and information we request in order to effectuate the purposes of this Agreement and facilitate the sale of your Madabolic Business. You agree to promptly provide all potential buyers with full access to your books and records for due diligence purposes. Throughout the Term, you agree to remain in full compliance with all terms of the Franchise Agreement. You understand that all terms in the Franchise Agreement governing transfer of your Madabolic Business (including payment of

the transfer fee) shall apply to any sale of your Madabolic Business notwithstanding the execution of this Agreement.

7. **Purchase Agreement.** We assume no responsibility for preparing or negotiating the asset or stock purchase agreement between you and the buyer. You and the buyer are solely responsible for preparing and negotiating the asset or stock purchase agreement pursuant to which you will transfer ownership of your Madabolic Business to the buyer.

8. **Fees and Costs.** If either (a) you sell your Madabolic Business to a buyer solicited through our Franchise Recruitment Program or (b) we materially assist you in your efforts to sell your Madabolic Business to a buyer solicited by you or an unaffiliated third party, then you agree to pay us 10% of the total sales price for the Madabolic Business (the "Service Fee"). The sales price shall be deemed to include the fair market value of any goods, services or other non-monetary consideration the buyer (or any other person) furnishes to you in full or partial consideration for the purchase of the Madabolic Business. You must pay us the Service Fee in one lump sum concurrently with the closing of the sale of your Madabolic Business to the buyer. The Service Fee shall be in addition to: (a) any transfer fee imposed under the Franchise Agreement; and (b) any commissions we pay to a third party in connection with the sale that the Franchise Agreement requires you to reimburse to us.

9. **Indemnification.** Your indemnification obligation under the Franchise Agreement shall extend to and apply with respect to any Losses and Expenses we incur as a result of or in connection with: (a) your breach of this Agreement; or (b) your discussions, negotiations or other relationship with any potential buyer solicited through the Franchise Recruitment Program, including your breach of any agreement between you and such buyer.

10. **No Liability.** You hereby agree to hold harmless, and not assert any claims against, us, our affiliates, any of our (or our affiliates') owners, officers, employees or other representatives, or any member of our Franchise Recruitment Program, in connection with any dispute or disagreement between you and any prospective or actual buyer of your Madabolic Business.

11. **Default & Termination.** If you breach any obligation under this Agreement and fail to cure the breach within 10 days after notice from us, we may immediately terminate this Agreement upon notice to you and pursue any and all remedies available to us under this Agreement, the Franchise Agreement, at law or in equity. Your default under this Agreement constitutes a default under the Franchise Agreement. Similarly, your default under the Franchise Agreement constitutes a default under this Agreement.

12. **Effect of Expiration or Termination.** Upon expiration of the Term, we have no further responsibility or obligation to assist you with the sale of your Madabolic Business unless otherwise agreed to by both Parties in writing. If, following the expiration or termination of this Agreement, you sell your Madabolic Business to any person: (a) who was initially solicited through our Franchise Recruitment Program during the Term of this Agreement; and/or (b) with respect to whom we provided material assistance in connection with your sales efforts during the Term of this Agreement, then you agree to pay us the Service Fee in §8 notwithstanding the prior termination or expiration of this Agreement.

13. **Miscellaneous.**

(a) **No Waiver.** By executing this Agreement, we shall not be deemed to have: (a) waived or impaired any right, power or option granted to us under the Franchise Agreement; or (b) waived or consented to any default or breach by you under the Franchise Agreement.

(b) **Effect on Franchise Agreement.** All terms, conditions, covenants and representations set forth in the Franchise Agreement shall remain in full force and effect during the Term of this Agreement.

(c) **Binding Nature.** This Agreement shall be binding upon the Parties hereto and their respective heirs, personal representatives, successors and assigns.

- (d) Time of Essence. Time is of the essence of this Agreement and of every term, covenant and condition hereof.
- (e) Headings. The headings in this Agreement are for convenience only and ~~are amended to provide that such agreements will not to~~ be construed as a part of this Agreement or in any way defining, limiting or amplifying the provisions hereof.
- (f) Governing Law. This Agreement shall be governed by, construed and enforced under the laws of the State of North Carolina.
- (a)(g) Dispute Resolution. Any dispute between the Parties relating to this Agreement shall be resolved in accordance with the ~~laws of the State of Indiana~~ dispute resolution procedures set forth in the Franchise Agreement, all of which are incorporated herein by this reference.

~~2.1. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.~~

~~3.1. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.~~

~~4.1. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:~~

~~Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.~~

~~At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.~~

~~5.1. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.~~

FOR THE STATE OF MARYLAND

~~1. The following is added to the **Special Risks to Consider About This Franchise** page:~~

~~“**6. Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.”~~

~~2. ITEM 5 of the Disclosure Document is amended to add the following:~~

~~“Fee Deferral~~

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

~~2. ITEM 17 of the Disclosure Document is amended to add the following:~~

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

~~A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.~~

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

~~In the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.~~

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

~~3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

FOR THE STATE OF MINNESOTA

~~A. Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.~~

~~B. We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.~~

~~5.1. C. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, chapter 80C, or your rights to any procedure, forum, or remedies provided for by the~~

~~laws of the jurisdiction. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J) which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond is required.~~

~~D. We will comply with Minnesota Statute Section 80C.12, Subd. 1(g) which requires that we protect your right to use the trademarks, service marks, trade names, logos or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.~~

~~E. We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.~~

~~6.1.F. 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 franchisee.~~

~~G. Items 5 and 7 of this Disclosure Document are amended to include the following:~~

~~“All fees referenced are subject to deferral pursuant to order of the State of Minnesota. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.”~~

FOR THE STATE OF NEW YORK

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

~~INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.~~

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

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

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

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

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

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

~~4. The following is added to the end of the "Summary" sections of Item 17(e), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":~~

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

~~5. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":~~

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

~~6. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":~~

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

FOR THE STATE OF RHODE ISLAND

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

* Also, see the Rhode Island Addendum that is attached to the franchise agreement for additional information.

FOR THE STATE OF VIRGINIA

~~2.1. A. ITEM 17 of the Disclosure Document is amended to add the following:~~

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

~~3.1. B. ITEM 17(t) is amended to delete the language contained in the Summary column and replace it with the following:~~

~~"Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document."~~

~~4.1. C. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee/area developer to surrender any right given to him under the applicable agreement.~~

~~5.1. D. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee/area developer to surrender any rights given to him under the applicable agreement, that provision may not be enforceable.~~

~~6.1. E. Virginia requires inclusion of the following additional risk factors:~~

~~3. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.~~

~~4. The franchisee will be required to make an estimated initial investment ranging from \$308,754 to \$603,077. This amount exceeds the franchisor's stockholder's equity as of December 31, 2021, which is (\$314,199)."~~

~~F. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.~~

WASHINGTON

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

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

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

~~of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

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

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

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

~~All fees referenced in Item 5 of this Disclosure Document are subject to deferral pursuant to order of the State of Washington. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.~~

(h) Entire Agreement; Modification. This Agreement constitutes the entire agreement and understanding between the Parties regarding the subject matter hereof. This Agreement may not be modified except in a writing signed by both Parties.

(i) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document.

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

“FRANCHISOR”

Madabolic Franchise System, LLC

By: _____

Name: _____

Title: _____

“FRANCHISEE”

[_____]

By: _____

Name: _____

| Title: _____

~~EXHIBIT "J"~~ EXHIBIT "H"

TO DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	June 15, 2023 (amended December 4, 2023)
Hawaii	
Illinois	April 28, 2023 (amended November 22, 2023)
Indiana	May 10, 2023 (amended November 23, 2023)
Maryland	August 4, 2023 (amended December 1, 2023)
Michigan	August 16, 2023 (amended November 16, 2023) <u>(amended April 19, 2024)</u>
Minnesota	August 7, 2023 (amended December 8, 2023)
New York	August 17, 2023 (amended December 7, 2023)
North Dakota	
Rhode Island	
South Dakota	
Virginia	May 10, 2023 (amended November 22, 2023)
Washington	<u>January 24, 2024</u>
Wisconsin	May 10, 2023 (amended November 22, 2023)

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.

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~~EXHIBIT "K"~~ EXHIBIT "I"

TO DISCLOSURE DOCUMENT

RECEIPTS

[See Attached]

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Madabolic Franchise System, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Madabolic Franchise System, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in **EXHIBIT "A"** to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

Albert Mendoza; 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038; (760) 855-7525

Brandon Cullen 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038; (704) 661-7205

Kirk Dewaele 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038; (704) 771-6906

Rick Del Sontro*, 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038 (202) 345-3420

* Not licensed to sell franchises in Washington.

Issuance Date: April 19, 2024 (amended April 30, 2024)

Madabolic Franchise System, LLC's agent to receive service of process is listed in **EXHIBIT "A"** to this Disclosure Document (for franchise registration states) or **EXHIBIT "B"** to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

EXHIBIT "A" List of State Administrators and Agents for Service of Process
EXHIBIT "B" Agent for Service of Process
EXHIBIT "C" Franchise Agreement
EXHIBIT "D" Table of Contents of the confidential Brand Standards Manual
EXHIBIT "E" List of Franchisees
EXHIBIT "F" Financial Statements of Madabolic Franchise System, LLC
EXHIBIT "G" Other Agreements
EXHIBIT "G"-1 State Addenda
EXHIBIT "G"-2 General Release
EXHIBIT "G"-3 Franchise Resale Agreement
EXHIBIT "H" State Effective Dates
EXHIBIT "I" Receipts

Print Name

(Signature) Prospective Franchise Owner

Date

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Madabolic Franchise System, LLC)

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Madabolic Franchise System, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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- ___ Rick Del Sontro*, 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038 (202) 345-3420

* * Not licensed to sell franchises in Washington.

Issuance Date: April ~~20, 2023~~ 19, 2024 (amended ~~November 16, 2023~~ April 30, 2024)

Madabolic Franchise System, LLC's agent to receive service of process is listed in ~~EXHIBIT "B" to this Disclosure Document.~~ EXHIBIT "A" to this Disclosure Document (for franchise registration states) or EXHIBIT "B" to this Disclosure Document (for all other states).

I received a Franchise Disclosure Document that included the following Exhibits:

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- ~~EXHIBIT "A"~~ EXHIBIT "A" List of State Administrators and Agency ~~ts~~ ts for Service of Process
- ~~EXHIBIT "B"~~ EXHIBIT "B" Agent for Service of Process
- ~~EXHIBIT "C"~~ EXHIBIT "C" Franchise Agreement
- ~~EXHIBIT "D"~~ EXHIBIT "D" Table of Contents of the confidential Brand Standards Manual
- ~~EXHIBIT "E"~~ EXHIBIT "E" List of Franchisees
- ~~EXHIBIT "F"~~ EXHIBIT "F" Financial Statements of Madabolic Franchise System, LLC
- ~~EXHIBIT "G"~~ EXHIBIT "G" ~~Franchisee Disclosure Questionnaire~~ Other Agreements
- ~~EXHIBIT "H"~~ EXHIBIT "G"-1 State Addenda
- ~~EXHIBIT "I"~~ EXHIBIT "G"-2 General Release
- ~~EXHIBIT "J"~~ EXHIBIT "G"-3 Franchise Resale Agreement
- ~~EXHIBIT "K"~~ EXHIBIT "H" State Effective Dates
- ~~EXHIBIT "L"~~ EXHIBIT "I" Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Madabolic Franchise System, LLC [→](#))

~~RECEIPT~~

~~This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language.~~

~~Read this Disclosure Document and all agreements carefully. If Madabolic Franchise System, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.~~

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- ~~___ Kirk Dewaele, 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038; (704) 771-6906~~
- ~~___ Rick Del Sontro*, 42490 Garfield Rd., Suite 202, Clinton Township, Michigan 48038 (202) 345-3420~~

~~*Not licensed to sell franchises in Washington.~~

~~Issuance Date: April 20, 2023 (amended November 16, 2023)~~

~~Madabolic Franchise System, LLC's agent to receive service of process is listed in EXHIBIT "B" to this Disclosure Document.~~

~~I received a Franchise Disclosure Document that included the following Exhibits:~~

- ~~EXHIBIT "A" List of State Administrators and Agency for Service of Process~~
- ~~EXHIBIT "B" Agent for Service of Process~~
- ~~EXHIBIT "C" Franchise Agreement~~
- ~~EXHIBIT "D" Table of Contents of the confidential Brand Standards Manual~~
- ~~EXHIBIT "E" List of Franchisees~~
- ~~EXHIBIT "F" Financial Statements of Madabolic Franchise System, LLC~~
- ~~EXHIBIT "G" Franchisee Disclosure Questionnaire~~
- ~~EXHIBIT "H" General Release~~
- ~~EXHIBIT "I" Multi State Addenda~~
- ~~EXHIBIT "J" State Effective Dates~~
- ~~EXHIBIT "K" Receipts~~

Print Name

Date

(Signature) Prospective Franchise Owner

~~(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Madabolic Franchise System, LLC.)~~