

FRANCHISE DISCLOSURE DOCUMENT



Gym Consulting, LLC
a California limited liability company
d.b.a. My Gym Enterprises
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The franchisee will establish, develop and operate a center in a building (a "Fixed Center") and/or a business providing services and products to places like schools and day care centers (a "Mobile Business") (collectively and individually, a "My Gym Business"), which emphasizes children's physical education by teaching pre-gymnastics, tumbling, fine and gross motor skills, sports skills, group interactive activities (including games and relays) and stretching, in a bright and cheery atmosphere using a warm and caring staff.

The total investment necessary to begin operation of a Large Model Fixed Center franchise ranges from ~~\$184,400~~\$240,800 to ~~\$292,200~~\$385,000. This includes \$57,500 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Small Model Fixed Center franchise ranges from \$111,700 to \$183,700. This includes \$26,250 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Mobile Business franchise ranges from \$36,750 to \$79,250. This includes \$25,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenience for you. To discuss the availability of disclosures in different formats, contact Michael Chalovich, Gym Consulting, LLC, at 15000 Ventura Boulevard, Suite 523, Sherman Oaks, California 91403 and 818-907-6966 ext. 116.

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. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov 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 25~~May 13, 2023-2024

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 My Gym 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 My Gym 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 C.

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

Special Risks to Consider About *This Franchise*

Certain states require 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 arbitration and/or litigation only in California. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in California than in your own state.
2. **Inventory Control.** You must make inventory purchases of at least \$8,000 for a Fixed Center and \$4,000 for a Mobile Business each year, even if you do not need that much. Your inability to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.
3. **Mandatory Minimum Payments.** For a mobile franchise, you must make minimum royalty payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **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.

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

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW

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

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS 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 FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

- (i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
- (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
- (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
- (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

* * * *

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

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UN-AUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS 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 NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE
670 G. MENNEN WILLIAMS BUILDING
LANSING, MICHIGAN 48913

NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS.

**GYM CONSULTING, LLC
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Exhibits

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

The Franchisor

Gym Consulting, LLC, d/b/a My Gym Enterprises (“we”, “us”, or “our”) is a California limited liability company. We were previously known as Gym Consulting, Inc. (a California corporation), and we converted to a limited liability company in October 2014. We conduct our business under the name My Gym Enterprises, and marks “My Gym” and “My Gym Children’s Fitness Center.” We do not conduct business under any other name. We maintain our principal place of business at 15300 Ventura Boulevard, Suite 523, Sherman Oaks, California 91403.

We franchise the right to operate a My Gym Business, through either a Fixed Center or Mobile Business format. We have been offering franchises for Fixed Centers since February 1995, and franchises for Mobile Businesses since July 2006. We do not conduct any other business activity and we do not offer franchises for any other lines of business.

Outside the United States, as of December 31, ~~2022~~2023, there are My Gym franchises in Australia, Brazil, China, Canada, Hong Kong, Japan, Oman, Qatar, Saudi Arabia, Singapore, Taiwan, Thailand, Tunisia, Turkey, ~~United Arab Emirates~~, United Kingdom and Vietnam on terms that are different than those described in this Disclosure Document. As discussed below, Mega Education Inc., a minority owner in us, is the franchisor of My Gym Businesses in the Asia region.

Our agents for services of process are disclosed in Exhibit D to this Disclosure Document.

Our Parents, Predecessors, and Affiliates

Our parent is Gym Consulting Holding, Inc., a California corporation incorporated in October 2014. Its principal place of business is at 15300 Ventura Boulevard, Suite 523, Sherman Oaks, California 91403. It has not offered My Gym franchises or franchises in any other line of business.

As of April 2015, we sold our trademark rights in the Asia region to Mega Education Inc. (“Mega”), a Samoan corporation owned and controlled by the owners of our master franchisee for China. Our franchise agreements and master franchise agreements for the Asia region were transferred to Mega, and Mega also became a minority owner in us.

We do not have any predecessors that need to be disclosed in this Disclosure Document.

Our affiliate, RBMBT, LLC, a California limited liability company formed on August 30, 2022, operates 34 children’s fitness centers in California. These centers are authorized to use our trademarks, but do not pay us any royalty fees; however, they do contribute to the Marketing Fund at the same rate as franchisees. Their locations are disclosed in Exhibit E of this Disclosure Document. RBMBT, LLC has never offered franchises in any line of business, and does not provide products or services to our franchisees.

Certain former and current executives of ours operate 8 children’s fitness centers in California. These centers are authorized to use our trademarks, but do not pay us any royalty fees or advertising contributions for the Marketing Fund (as defined below). Their locations are disclosed in Exhibit E of this Disclosure Document. In addition, Bill Caplin, one

of the former executives that operate such centers, has an exclusive right to continue to develop such centers in Santa Monica, California.

The Franchises Offered

We offer to enter into Franchise Agreements ("Franchise Agreements") with qualified corporations and persons ("you") that wish to establish and operate My Gym Businesses. (In this Disclosure Document, "you" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the "franchisee.")

In January 2019, we entered into a Development Agreement with Momentum Franchising, LLC ("Momentum Franchising"), for the states of Connecticut, Maine, Massachusetts, New Hampshire and Vermont. Under the Development Agreement, Momentum Franchising is permitted to solicit, screen and evaluate individuals and entities to become our franchisees to operate My Gym Businesses within the area described above. At this time, we do not plan to enter into any additional Development Agreements within the United States.

Fixed Centers

If you enter into a Fixed Center Franchise Agreement, you will operate a Fixed Center in a building that bears our trade dress (interior, exterior, or both) at an agreed-upon location (the "Premises"). A Fixed Center will ordinarily be located in strip shopping centers, malls, and light industrial or commercial streets with heavy traffic. If you do not have a site for the Fixed Center when you sign the Franchise Agreement, you must select a site in accordance with the Fixed Center Franchise Agreement, subject to our approval.

We offer two types of Fixed Centers through the Fixed Center Franchise Agreement – a "Large Model Fixed Center" and a "Small Model Fixed Center." A Small Model Fixed Center will have a square footage of approximately 1,500 to 2,000 square feet, with a target market of children who are 5 years of age and under and a total population of 75,000 or less. A Large Fixed Center will have square footage of approximately 2,500 to 3,000 square feet, with a target market of children of up to 10 years of age and a total population of 75,000 or greater.

Mobile Businesses

If you enter into a Mobile Business Franchise Agreement, you will operate a Mobile Business, which provides Services and Products (as defined below) to Institutional Facilities and the customers located in such Institutional Facilities. "Institutional Facilities" include, among other things: hotels; airports; federal, state or local government facilities (including military bases); hospitals and other health-care facilities; recreational facilities; schools, colleges and other academic facilities; daycare centers; and seasonal facilities. You will transport the equipment and bring Services and Products to the Institutional Facilities by vehicles that have been approved by us as satisfying our then-current standards and specifications, with the logos as specified by us and additional identification of you (the "My Gym Vehicles"). Currently, we only require that you use a four-door passenger car.

Mobile Business Authorization Addendum

If you are a Fixed Center franchisee, you may sign the Mobile Business Authorization Addendum (Exhibit B) to allow a Mobile Business to be operated within your Territory (as defined below). (A Mobile Business is not otherwise allowed under your existing Fixed

Center Franchise Agreement.) If you sign the Mobile Business Authorization Addendum, we will, in exchange for certain services that you provide to the Mobile Business franchisee within your Territory, pay you 20% of the royalty fees that we receive from the Mobile Business franchisee.

In this Disclosure Document, the term "My Gym Business" is used to refer to both Fixed Centers and Mobile Businesses.

My Gym Businesses feature the presentation of various programs and activities, including pre-gymnastics, tumbling, fine and gross motor skills, sport skills, stretching, and group interactive activities – including games and relays ("Services"). My Gym Businesses may also include the sale of equipment, clothing, toys and other items to customers ("Products").

My Gym Businesses are characterized by our system (the "My Gym System"), which include distinctive and uniform business formats, signs, equipment, layouts, systems, methods, designs and marketing and advertising standards and formats.

We sell or lease equipment and related items, and may provide additional services, to our franchisees.

You must operate your My Gym Business in accordance with our standards and procedures, as set out in our Confidential Operating Manuals (the "Manuals"). We will provide you with access to the Manuals for the duration of the Franchise Agreement. We may provide the Manuals to you through an extranet or other electronic means. In addition, we will grant you the right to use our marks, including the mark "My Gym," "My Gym Children's Fitness Center" and any other trade names and marks that we designate in writing for use with the System (the "Marks").

During the term of the Franchise Agreement, you must, at all times, develop, maintain and operate your My Gym Business in compliance with all My Gym System standards, which may be modified from time to time.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your My Gym Business. For example, you may need to obtain real estate permits (such as zoning or conditional use permits), real estate licenses, and operational licenses. While in general, most states do not require a license to operate children's physical fitness businesses, many states, cities, and counties have laws that regulate fitness center contracts, operations, and licenses, and may require that you make certain guarantees of your financial commitment to customers (such as posting a bond or a standby letter of credit), install certain equipment, and comply with other requirements. In some states, exemption from licensing and other requirements associated with operating day care centers may depend on the children's parents being present during the time when the child is at the children's fitness business. We may provide you with some information; however, you should independently research your need to hold any licenses (including any licenses applicable to operation of a day care center) before you sign any binding documents or making any investment. We strongly advise you to research the availability and costs of these and other licenses and requirements before making any commitments and/or any investment. You should consult with your attorney

and local, state and federal government agencies before making any investment or commitments to determine all legal requirements.

Competition

We believe the market for children's fitness centers is developing in the United States. Our market is primarily children, generally ages 3 months through 13 years, along with the children's parents or other custodians. Our competitors include providers of children's physical fitness activities which include gymnastics, martial arts, dance, tumbling, sports and other activities. For example, our competitors include franchised, chain and independent commercial providers, day care centers, after school programs, recreation and park departments and others.

ITEM 2 **BUSINESS EXPERIENCE**

Unless otherwise indicated, the location of the employment is Sherman Oaks, California.

President, Chief Executive Officer, Secretary and Director Cory Bertisch
Mr. Cory Bertisch has been with us since our inception in 1994, and has been our President and Chief Executive Officer since January 1998. Mr. Cory Bertisch is related to Mr. Jamie Bertisch; they are brothers.

Chief Financial Officer and Director Jamie Bertisch
Mr. Jamie Bertisch has been our Chief Financial Officer since our inception in 1994. Mr. Jamie Bertisch is related to Mr. Cory Bertisch; they are brothers.

Director James (Jun Jun) Liu
Mr. Liu has been our Director since April 2015. He has been the Chief Executive Officer of Mega Education Inc. since May 1, 2014. Since January 2019, Mr. Liu has also been the Chief Executive Officer of Da Lian Mei Ji Mu Education and Technology Co. Ltd. (a public company listed in the Shenzhen Stock Exchange). Beginning in June 2008, Mr. Liu has also been the Chief Executive Officer of Gym Enterprise Asia Pacific Limited (a Hong Kong company) and its affiliate Beijing Meijiemu Education and Technology Co., Ltd. (a Chinese company), our master franchisee for China. Mr. Liu is located in Beijing, China.

Chief Operating Officer Michael Chalovich
Mr. Chalovich has been with us since January 1997, and has been our Chief Operating Officer since January 2000.

Executive Vice President - Training Edwin Chavez
Mr. Chavez has been our Executive Vice President for Training since 1997.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Unless otherwise specifically noted below, all fees described in this Item 5 are non-refundable.

Initial Franchise Fee

Fixed Centers

If you sign a Fixed Center Franchise Agreement, upon signing of the agreement you must pay us an initial franchise fee of \$25,000 if you are establishing a Small Model Fixed Center, or \$55,000 if you are establishing a Large Model Fixed Center. The initial franchise fee for a Fixed Center will be fully earned when paid, and must be paid in one lump-sum amount. It is not refundable in consideration of administrative and other expenses incurred by us in granting the franchise and for our lost or deferred opportunity to franchise others, except that the initial franchise fee for a Fixed Center will be refunded to you, less the amount of \$5,000 in consideration for our costs and expenses in providing site selection and other initial services to you, if, after your reasonable efforts: (1) you are unable to obtain a site for your Fixed Center within 3 months after signing the agreement; or (2) you are unable to obtain necessary financing for the establishment of your Fixed Center within 3 months after signing the agreement.

At times, when entering into additional Fixed Center Franchise Agreements with existing franchisees, we may offer discounts (up to 50%) off the initial franchise fee due under the new Fixed Center Franchise Agreement. Such discounts depend on the length of time since such existing franchisees signed their first Franchise Agreement with us, the number of years in operation, and the number of My Gym Businesses that they have in operation. Such discounts are not offered to new franchisees. We did not enter into any such agreements with existing franchisees in ~~2022~~[2023](#).

Mobile Businesses

If you sign a Mobile Business Franchise Agreement, you must pay us an initial franchise fee of \$25,000 upon signing of the agreement. The initial franchise fee for a Mobile Business will be fully earned when paid, and must be paid in one lump-sum amount. It is not refundable under any circumstances in consideration of administrative and other expenses incurred by us in granting the franchise and for our lost or deferred opportunity to franchise others.

Fixed Center and Mobile Business for the Same Territory

If you sign both a Fixed Center Franchise Agreement (for a Large Model Fixed Center) and a Mobile Business Franchise Agreement for the same territory, whether in sequence or at the same time, the total initial franchise fee due under both agreements will be \$55,000. Therefore, if you sign the Fixed Center Franchise Agreement first and have paid us \$55,000, you will not be required to pay us the initial franchise fee under the Mobile Business Franchise Agreement; if you sign the Mobile Business Franchise Agreement first and have

paid us \$25,000, you will only be required pay \$30,000 under the Fixed Center Franchise Agreement.

If you sign both a Fixed Center Franchise Agreement (for a Small Model Fixed Center) and a Mobile Business Franchise Agreement for the same territory, whether in sequence or at the same time, the total initial franchise fee due under both agreements will be \$40,000. Therefore, if you sign the Fixed Center Franchise Agreement first and have paid us \$25,000, you will be required to pay us \$15,000 as the initial franchise fee under the Mobile Business Franchise Agreement; if you sign the Mobile Business Franchise Agreement first and have paid us \$25,000, you will only be required to pay \$15,000 under the Fixed Center Franchise Agreement.

Purchase of Designated Equipment

Prior to opening of your My Gym Business, you must purchase from us or a supplier approved by us, at your expense, the Designated Equipment. The "Designated Equipment" is equipment that we designate you to use in the operation of your My Gym Business, which currently includes physical fitness equipment, computers and software. In addition, for Fixed Centers, the Designated Equipment also includes cash registers, the front desk and diaper table. If you purchase the Designated Equipment from us, the estimated cost would be ~~from \$37,500 to \$42,500~~ \$63,000 plus shipping, insurance and installation for a Large Model Fixed Center, \$28,000 to \$34,000 for a Small Model Fixed Center, and \$1,750 to \$4,000 for a Mobile Business. These amounts are not refundable.

If you sign a Fixed Center Franchise Agreement, and you elect to purchase the Designated Equipment from us, you must pay us an equipment deposit of \$10,000 at the time of signing the agreement. You must pay us the remaining amount in a lump sum at the time of opening your Fixed Center. The equipment deposit will be refunded only if your Fixed Center Franchise Agreement is terminated and part of your initial franchise fee is refunded under the circumstances as discussed above.

Pre-Opening Advertising/Marketing

If you sign a Fixed Center Franchise Agreement, for the 180-day period before the opening of your My Gym Business, you must spend an amount designated by us (currently, ~~\$12,000~~ \$25,000 for a Large Model Fixed Center and \$8,500 for a Small Model Fixed Center) on a pre-opening advertising/marketing program. We may require you to pay these amounts directly to vendors approved by us, or to deposit such amounts with us and we will expend them on your behalf. We may furnish advice and guidance to you with respect to the program, which you must follow.

Enterprise Software

Before you open your My Gym Business, you will be required to purchase from us MGM 3.0, which is the enterprise software that you will use to operate your My Gym Business. This software will assist you to track all client transactions, schedule classes and birthday parties. It also performs certain aspects of our marketing campaigns. Currently, the initial fee for this software is \$2,500 for a Large Model Fixed Center and \$1,250 for a Small Model Fixed Center.

**ITEM 6
OTHER FEES**

TYPE OF FEE (NOTE 1)		AMOUNT (NOTE 2)	DUE DATE	REMARKS
Royalty Fees (Note 3)	Fixed Center – Large Model	7% of Gross Volume	On or before the 25th day of each month	Gross Volume means all revenue from the sale of memberships or similar rights to use the My Gym Business’ facilities or equipment, programs, and any ongoing, upgrade, and/or renewal fees, all Services, Products, and other items and all other income of every kind and nature related to the My Gym Business, including but not limited to proceeds of any business interruption insurance policies, whether for cash, credit or otherwise (and regardless of collection in the case of credit), but not including sales and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities.
	Fixed Center –Small Model	8% of Gross Volume		
	Mobile Business	7% of Gross Volume But no less than: \$125/month for first 12 months then \$250/month thereafter (Note 4)		
Transfer Fee	Fixed Center – Large or Small Model	\$15,000	At time of transfer	We may require that this fee be deposited with us on a non-refundable basis on your notification to us of the proposed transfer and prior to our undertaking any review, drafting of documents or other activities.
	Mobile Business	\$7,500		
Marketing Fund		Up to 1% of Gross Volume	On or before the 25th day of each month	(Note 5)
Regional Ad Fund		Not presently charged.	If charged in the future, will be due on or before the 25th day of each month	(Note 5)
Music Licensing Fee		As required by the music licensor; currently \$500 <u>700</u> per year.	On February 1 of each year	The amount is required by the music licensor (e.g., BMI, ASCAP, SESAC) for the rights to play non-public domain music in your operation of the My Gym Business.

TYPE OF FEE (NOTE 1)	AMOUNT (NOTE 2)	DUE DATE	REMARKS
Enterprise Software (MGM 3.0) Monthly Fee	currently \$ 200 320/month	As incurred	(Note 6)
Minimum Purchase Requirements	Fixed Center: \$8,000 per year; Mobile Business: \$4,000 per year	At time of purchase	You must purchase from us or our affiliates, on an annual basis, the minimum amount of products, which will be used with the programs of the My Gym Business and/or for retail sale.
Late Fees and Interest on Overdue Payments	\$25 late fee, plus interest of 18% per annum.	On demand	Payable only on overdue amounts or report, from the date when originally due. (Note 7)
Audit Expenses	Costs of audit. (Note 8)	On demand	Payable upon determination of non-compliance. If audit is due to failure to furnish reports or reveals an understatement of Gross Volume greater than 7%, you will reimburse us for costs of the audit. You will also pay us late fees and interest on the underpayment.
Additional Assistance and Guidance	\$250/person per day plus expenses of our representative	On demand	On-site visits requested by you.
Optional Training	Reasonable fee; currently \$1,000 per person	Payable at the time of training	You and your managers and employees may attend any additional training programs offered by us from time to time which we designate as optional. We may charge a reasonable fee for any optional training programs. You shall be responsible for your own expenses and those of your employees who attend any such training programs.
Web-based employee training	Not presently charged.	As incurred	In the future, we may require you to enroll each of your employees in our web-based training program. We may charge a fee for this program.
Supplier Testing	Actual costs (Note 9)	As incurred	If you want to buy products from an unapproved supplier, and we wish to inspect and test that proposed supplier's products, you (or the proposed supplier) may have to reimburse us for the out-of-pocket costs that we incur in inspecting and testing the proposed supplier.

TYPE OF FEE (NOTE 1)	AMOUNT (NOTE 2)	DUE DATE	REMARKS
Securities Offering Fee	\$5,000 or our actual expenses, whichever is greater.	On demand	If you decide to engage in a securities offering of the shares of your franchisee entity, we will review your proposed offering materials; you must reimburse us for the costs and expenses (such as legal and accounting fees) associated with our review of your proposed offering; you also must indemnify us (see below).
Relocation Fee	\$2,500	On demand	If you wish to relocate the premises of your Fixed Center, you must obtain our prior written approval and pay us a relocation fee of \$2,500. We may reject any proposal to relocate outside of your Territory for any reason or no reason.
Indemnification	Will vary under circumstances	As incurred	You must indemnify and hold us harmless from all fines, suits, claims, loss, damages, costs, fees and/or other expense of any kind connected with any act and/or omission of yours.
Costs and Attorneys' Fees	Will vary under circumstances	On demand	You must pay us all damages, costs, and expenses, including reasonable attorneys' fees, if: (1) the agreement is terminated based on your default; (2) the costs are incurred by us subsequent to the termination or expiration of the Franchise Agreement in obtaining injunctive or other relief for the enforcement of your post-term obligations; or (3) the costs are incurred by us in enforcing any covenants in the Franchise Agreement.

Notes to Item 6 Table:

1. All fees are non-refundable, and are imposed and collected by us. These fees are uniformly imposed on all franchisees.
2. The maximum and minimum fixed dollar amounts are subject to adjustment, up or down, depending on changes in the Index. The term "Index" means the Consumer Price Index (1982-84=100: all items; CPI-U; all urban consumers) published by the U.S. Bureau of Statistics (or if the Index is no longer published, a successor index that we reasonably specify in the Manuals or otherwise in writing). We will not make adjustments to fixed dollar amounts more than once a year and we will not make any adjustment at all during the first two years after you sign the Franchise Agreement.
3. You must pay your Royalty Fees and Advertising Contribution on or before the 25th day of each month. We have the right to require you to make these payments by EFT (electronic fund transfer). If EFT payments are no longer possible, we reserve the right to require payment by other reasonable commercial means.

4. If you operate a Mobile Business for a territory, you will pay a Royalty Fee of 7% of the Gross Volume of the Mobile Business, subject to a minimum Royalty Fee payment of \$125 per month during your first 12 months of operation, a minimum Royalty Fee of \$250 per month after that for the term of the agreement.
5. Your Advertising Contribution will be paid to the Marketing Fund, or to any Regional Ad Fund to which you belong, or on local advertising and promotion, in proportions that we designate from time to time, in our sole discretion. Currently, we require that you contribute \$200/month to the Marketing Fund, and spend the remaining balance on local advertising and promotion. No Regional Ad Funds currently exist although we reserve the right to create Regional Ad Funds at our discretion. Periodically, we will determine what proportion of the Advertising Contribution you must contribute to the Marketing Fund, contribute to a Regional Ad Fund; and spend on local advertising and promotion. No matter the manner in which the Advertising Contribution is split, the total amount that you must pay or spend will not exceed 1% of your Gross Revenue; therefore, we estimate that you will pay less than 1% of your Gross Revenue to the Regional Ad Fund. We will cause all My Gym Businesses owned by us to make Advertising Contributions to the Marketing Fund or to Regional Ad Funds on the same basis as our franchisees. If Regional Ad Funds are created, My Gym Businesses owned by us will have the same voting power in relation to fees imposed by Regional Cooperatives as our franchisees.
6. We require you to purchase MGM 3.0 from us, which is the enterprise software that you will use to operate your My Gym Business. This software will assist you to track all client transactions, schedule classes and birthday parties. It also performs certain aspects of our marketing campaigns.
7. Interest starts to accrue when your payment was initially due. Interest rates and late fee will not exceed any maximum rate permitted by law.
8. If we conduct an audit for which you must reimburse us, we will ask you to reimburse us only for our out-of-pocket costs (such as accounting and legal fees), as well as interest. While audit costs are typically expected to be in the range of \$2,000 to \$10,000, we cannot estimate the audit expenses that we might incur (and that you might have to reimburse us for), since these costs will vary, for example, depending upon how you keep your books and records, how much work our accountants must do to find and go through your books, and the degree to which you cooperate with the auditors.
9. If you want to buy products or services from an unapproved supplier, and we wish to inspect and test that proposed supplier's products or services, you (or the proposed supplier) may have to reimburse us for our out-of-pocket costs such as hiring a third party to inspect the proposed supplier. While the cost of conducting these tests is typically expected to be in the range of \$2,000 to \$10,000, the costs may be higher if for example the product being tested is to be ingested by a customer (for example, a vitamin tablet) or if it is a service (for example, providing acupuncture) that requires us to engage in special testing of the proposed supplier.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A Single Small Model Fixed Center

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (Note 1)	\$25,000	Lump sum	Upon signing of the Franchise Agreement	Us
Apparel and Promotional Items (Note 2)	\$7,200	As agreed	Before opening	Approved Suppliers
Advertising and Promotion (Note 3)	\$8,500	As agreed	Before opening	Suppliers
Travel and Living Expenses While Training (Note 4)	\$0 to \$3,000	Lump sum	Before opening	Airlines, Hotels, Restaurants, etc.
Real Estate and Improvements (Note 5)	\$23,000 to \$46,000	As agreed	Before opening; monthly thereafter	Landlord, Suppliers
Equipment (Note 6)	\$25,000 to \$50,000	Lump sum	Before opening	Us, Approved Suppliers
Signs (Note 8)	\$2,000 to \$4,000	Lump sum	Before opening	Suppliers
Opening Inventory (Note 9)	\$1,000 to \$1,500	Lump sum	Before opening	Us, Suppliers
Insurance (Note 10)	\$2,000 to \$5,000	Lump sum	Before opening	Insurance Providers
Computer Hardware and Software (Note 11)	\$4,500 to \$5,500	Lump Sum	Before opening	Suppliers; Us
Miscellaneous Costs (Note 12)	\$3,500 to \$8,000	As agreed	Before opening	Suppliers
Additional Funds (Three Months) (Note 13)	\$10,000 to \$20,000	As agreed	As Incurred	Us, Suppliers, Landlord, etc.
Totals	\$111,700 to \$183,700			

A Single Large Model Fixed Center

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (Note 1)	\$55,000	Lump sum	Upon signing of the Franchise Agreement	Us
Apparel and Promotional Items (Note 2)	\$7,200 <u>7,600</u>	As agreed	Before opening	Suppliers
Advertising and Promotion (Note 3)	\$12,000 <u>25,000</u>	As agreed	Before opening	Suppliers
Travel and Living Expenses While Training (Note 4)	\$0 to \$5,500	Lump sum	Before opening	Airlines, Hotels, Restaurants, etc.
Real Estate and Improvements (Note 5)	\$30,000 <u>50,000</u> to \$75,000 <u>150,000</u>	As agreed	Before opening; monthly thereafter	Landlord, Suppliers
Equipment (Note 6)	\$40,000 to \$60,000 <u>63,000</u>	Lump sum	Before opening	Us, Suppliers
Signs (Note 8)	\$1,700 to \$4,500	Lump sum	Before opening	Suppliers
Opening Inventory (Note 9)	\$3,000 to \$5,000	Lump sum	Before opening	Us, Suppliers
Insurance (Note 10)	\$2,000 to \$5,000 <u>7,000</u>	Lump sum	Before opening	Insurance Providers
Computer Hardware and Software (Note 11)	\$4,500 to \$5,500	Lump Sum	Before opening	Suppliers; Us
Miscellaneous Costs (Note 12)	\$4,000 to \$7,500	As agreed	Before opening	Suppliers
Additional Funds (Three Months) (Note 13)	\$25,000 to \$50,000	As agreed	As Incurred	Us, Suppliers, Landlord, etc.
Totals	\$184,400 <u>240,800</u> to \$292,200 <u>385,000</u>			

A Single Mobile Business

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (Note 1)	\$25,000	Lump sum	Upon signing of the Franchise Agreement	Us
Apparel and Promotional Items (Note 2)	\$500 to \$750	As agreed	Before Opening	Suppliers
Travel and Living Expenses While Training (Note 4)	\$500 to \$1,500	Lump sum	Before Opening	Airlines, Hotels, Restaurants, etc.
Equipment (excluding vehicle) (Note 6)	\$2,500 to \$4,000	Lump sum	Before Opening	Us, Suppliers
Vehicle (Note 7)	\$0 to \$25,000	As agreed	Before Opening	Suppliers
Insurance (Note 10)	\$1,750 to \$2,500	Lump sum	Before opening	Insurance Providers
Computer Hardware and Software (Note 11)	\$2,500 to \$4,500	Lump sum	Before Opening	Suppliers; Us
Miscellaneous Costs (Note 12)	\$1,000 to \$7,000	As agreed	Before Opening	Suppliers
Additional Funds (Three Months) (Note 13)	\$3,000 to \$9,000	As agreed	As Incurred	Us, Suppliers, Landlord, etc.
Totals	\$36,750 to \$79,250			

Notes to Item 7 Charts:

Except as described below and elsewhere in this Disclosure Document, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third party suppliers.

1. **INITIAL FRANCHISE FEE.** You must pay the initial franchise fee upon signing the Franchise Agreement. The initial franchise fee is only partially refundable under the Fixed Center Franchise Agreement, and is not refundable under any circumstance under the Mobile Business Franchise Agreement.
2. **APPAREL AND PROMOTIONAL ITEMS.** Before the opening of your My Gym Business, you must purchase apparel (including the Mymo character costume), promotional items and

other items from approved suppliers. These items are designed by us, and we will assist you in ordering your first shipment.

3. ADVERTISING AND PROMOTION. This advertising and promotion will be done in the 180-day period prior to the opening of your My Gym Business. The minimum requirement under the Fixed Center Franchise Agreement is to spend ~~\$12,000~~ \$25,000 for a Large Model Fixed Center and \$8,500 for a Small Model Fixed Center.
4. TRAVEL AND LIVING EXPENSES WHILE TRAINING. We do not charge you (or your Managing Owner) or your Center Manager a fee to attend our initial training program. The provided estimate is for traveling expenses for two persons attending the initial training. The costs you incur will vary depending upon factors such as the distance traveled, mode of transportation, meals, lodging, other miscellaneous expenses, and the number of persons who will attend training. The lower end assumes that you live near the training location and will commute daily to the training location for the initial training program.
5. REAL ESTATE AND IMPROVEMENTS. If you do not already own an adequate space, you must lease or purchase the land and building for a Fixed Center. Typical locations include areas surrounded by a community of families with young children and in areas with other child-gearred businesses. Small Model Fixed Centers generally occupy 1,500 to 2,000 square feet and Large Model Fixed Centers generally occupy 2,100 to 3,000 square feet. We estimate rent will cost between \$2,200 to \$4,600 for a Small Model Fixed Center and ~~\$3,000~~ \$5,000 to ~~\$7,000~~ \$15,000 per month for a Large Model Fixed Center, but such rent amounts can vary widely and are dependent upon factors such as size, location, demand, general economic conditions and condition of the premises. The numbers presented include first and last month's rent, fixtures and tenant improvements (including estimated costs for exterior signage and interior graphics). Landlords may demand additional amounts as a security deposit. In some circumstances, landlords may be willing to assume or finance portions of some of these costs. These figures also include estimated costs for exterior signage and interior graphics.

If you decide to purchase the property for the location of your Fixed Center, you will incur additional costs that we cannot estimate.

Estimated lease costs are based on the following existing assumptions for the lease area:

- Exterior and interior demising partitions are full height insulated walls to underside of roof structure and ready to receive paint.
- At least 1 restroom is in full compliance with all state, federal and local laws and codes.
- Main entry and exit doors are in full compliance with all state, federal and local laws and codes.
- All existing construction is in compliance with all state, federal and local laws and codes.
- Exterior construction, e.g., path of travel, handicapped signs and parking lot striping meets all state, federal and local laws and codes.
- The interior concrete floor is level (1/8 inch in 10 feet) and ready for floor covering.

- Existing area is ready for construction without demolition.
 - All plumbing, electrical and mechanical fixtures and outlets are in good working order.
 - The roof covering, exterior walls and windows are free of leaks; (j) the glass and glazing are tempered at all existing doors and windows below 4 feet above the finished floor.
 - The lease area has 100% HVAC with a minimum of one ton for each 400 square feet.
 - Each HVAC unit has a 7-day programmable thermostat.
 - All utilities (e.g. gas, water, electrical) are separately metered for the exclusive use of the lease area.
 - Telephone service is readily available in the lease area.
 - The lease area is free from structural columns in the gym area.
6. EQUIPMENT. You can purchase the Designated Equipment from us, or from third-party approved suppliers. The Designated Equipment for Fixed Centers currently includes physical fitness equipment, cash registers, TV, the front desk and diaper table. The Designated Equipment for Mobile Businesses currently includes physical fitness equipment.
7. VEHICLE. If you operate a Mobile Business, you also need to have a My Gym Vehicle. Currently, our only requirement is that you have at least a four-door passenger car. You may use your own car for your Mobile Business, which will not cause you to incur an additional initial investment cost. If you need to purchase a My Gym Vehicle in order to operate your Mobile Business, the cost will vary, depending on the make, model, and model year of the vehicle purchased. The cost could be higher than the estimate provided here, depending on your personal choice of vehicle.
8. SIGNS. The cost of signs will vary from location to location depending on lease requirements, ordinances and restrictions, traffic patterns, competition, and related factors. In addition, other considerations such as zoning ordinances, as well as historical and architectural design standards may affect your costs (both in terms of materials as well as professional fees that you will incur to get approval of your proposed signs). We will provide assistance to you in designing your signs; the final design must be submitted to us for our review and approval. You will directly pay the person who makes your signs.
9. OPENING INVENTORY. Opening inventory currently includes office supplies, small appliances, cleaning and diaper room supplies, and birthday party supplies.
10. INSURANCE. The estimate is for the premiums that you will have to pay for your first year's coverage. Some portion of your insurance premiums may be refundable under certain circumstances. Discuss this aspect with your insurance broker or provider.
11. COMPUTER HARDWARE AND SOFTWARE. The estimates assume that you will buy a Windows-based personal computer that is capable of running Microsoft Office software, and that you will purchase the required enterprise software, MGM 3.0, from us.
12. MISCELLANEOUS COSTS. You will incur various miscellaneous costs before your My Gym Business opens for business, including, for example, security deposits, utility

costs, optional accounting system set-up and an initial listing of your My Gym Business' information on our website.

You must register your business with the local, city or county along with a fictitious name and other requirements of your local or state government. You must obtain business licenses and permits that are required by local, municipal, county, and state regulations. Licenses and permits fees are paid to governmental authorities before starting business.

The estimate also includes legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, and the rates that they charge.

13. ADDITIONAL FUNDS. We recommend that you have additional funds available during the start-up phase of your franchise. These amounts are our estimates of the amount needed to cover your expenses for a three-month period from the date you open for business. These figures do not include sums necessary for living or personal expenses nor payments for your debt service. These figures include estimated employees' salaries. This estimate also assumes three months' rent (after opening), based on the factors listed in Note 5 above. Our estimate is based on information received from our franchisees, and our own experience.

Your actual costs may vary considerably, depending, for example, on factors such as local economic conditions; the local market for the My Gym Business; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; as well as your management and training experience, skill, and business acumen.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To ensure that the highest degree of quality and service is maintained, you must operate the My Gym Business in strict conformity with the methods, standards, and specifications that we may require in the Manuals or otherwise in writing.

In operating your My Gym Business, you must meet the following requirements (among others):

- You must maintain in sufficient supply, and use and sell, only those Services, Products, items, merchandises, materials, and supplies that meet our written standards and specifications;
- You may not use or offer any non-conforming items without our specific prior written consent.
- You may only offer or sell items, products, and services that we have expressly approved for sale in writing.
- You must offer and sell all the Services, Products, items, and merchandises (using the methods, standards and techniques) that we specify.
- You may not make any changes to the Services, Products, items, or merchandises offered at the My Gym Business without our prior written approval.
- You may not deviate from our standards and specifications without our prior written consent.
- You must stop offering and selling any Services, Products, items, or merchandises of which we disapprove (even if we previously had approved them).
- If you propose to deviate (or you do depart from) our standards and specifications, whether or not we have approved the deviation, the deviation will become our property.
- You will have sole discretion as to the prices to be charged to customers for products and services; but, if we have established a maximum price on a particular product or service, you may charge any price for that product or service but only up to and including the maximum price that we established.

Approved Suppliers

If you establish a Fixed Center, you must purchase and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we specify. You must refrain from installing or permitting to be installed on or about the Fixed Center premises, without our prior written

consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting our standards and specifications.

If you establish a Mobile Business, you must use vehicles that are approved by us as satisfying our standards and specifications, with logos as specified by us and additional identifications of you. In addition, you must purchase, at your expense, all equipment and signs as we specify; and to refrain from using any equipment, signs, or other items not previously approved as meeting our standards and specifications.

You must purchase all exercise equipment, other equipment, supplies, materials, and other products used or offered for sale at the My Gym Business solely from suppliers (including manufacturers, distributors, and other sources):

- who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for those items
- who possess adequate quality controls and capacity to supply your needs promptly and reliably
- whose approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies
- who we have approved in writing before you make any purchases from that supplier (and so long as we have not later disapproved the supplier).

If you wish to buy any products (other than exercise equipment) from an unapproved supplier, you must first submit to us a written request for our approval. You may not buy from any supplier until, and unless, we have approved that supplier in writing. You will receive notification of supplier approval or disapproval within ninety days after we receive your written request for our approval as well as the other information we reasonably request in order to evaluate the proposed supplier. We will have the right to require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered either to us or to an independent laboratory that we designate for testing. You or the supplier will have to pay a charge not to exceed the actual cost of the inspection and the actual cost of the test. We may also require that the supplier comply with other requirements that we may deem appropriate (which may include payment to us or our designee of reasonable continuing inspection fees and administrative costs, as well as license fees). We reserve the right to re-inspect periodically the facilities and products of any approved supplier and if necessary to revoke our approval if the supplier fails to continue to meet any of our then-current criteria. We are not required to approve any particular supplier. We make available to prospective suppliers the standards and specifications that we deem to be confidential on a case-by-case basis and in appropriate detail for the proposed items.

We, or our designee, are approved suppliers (but not the only approved or designated supplier) for certain equipment, products, furniture, fixtures, signs, apparel, accessories and other items, including the Designated Equipment. The Designated Equipment is equipment that we designate you to use in the operation of your My Gym Business, which currently includes physical fitness equipment, computers and software. Prior to opening of your My Gym Business, you must purchase from us or a supplier approved by us, at your expense, the Designated Equipment. We are the only approved supplier for MGM 3.0, which is the enterprise software that you must use to operate your My Gym Business. No officer or director of us has any interest in any approved supplier.

You must purchase a minimum amount of products from us and/or our affiliates on an annual basis after the My Gym Business opens. For a Fixed Center, the annual minimum purchase is \$8,000; for a Mobile Business, the annual minimum purchase is \$4,000.

In the fiscal year ended December 31, ~~2022~~2023, our revenue from franchisees' required purchases and leases was \$~~987,510~~1,264,986 or approximately ~~18.521~~% of our total revenue of \$~~5,335,948~~6,023,745.

We estimate that the purchase of all exercise equipment, other equipment, supplies, materials, and other products used or offered for sale at the My Gym Business according to our standards and specifications will account for approximately 25% to 30% of the cost to establish a Fixed Center or a Mobile Business; and approximately 10% of your total operating expenses of a Fixed Center or a Mobile Business.

As of the date of this Disclosure Document, we do not have any purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers for the benefit of the My Gym System and franchisees. Currently, such arrangements include computer hardware and software, insurance, apparel, equipment, promotional items, printing and accounting. You may purchase these products through suppliers or through us.

We reserve the right to collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, "Allowances") offered to us or to our affiliates by manufacturers, suppliers and distributors based on your purchases of goods, equipment, and services. In our last fiscal year (~~2022~~2023), we did not receive any rebates from vendors. If we do receive Allowances, our current policy is to use these monies to compensate us for services rendered in connection with approving and overseeing vendor services. We may, however, in our discretion, elect to contribute a portion of these monies to the Marketing Fund.

We do not provide material benefits to a franchisee based on a franchisee's use of designated or approved sources, and you will not receive any material benefits for using designated or approved sources.

Computer System

We do not use a proprietary Computer System in our System. You must, however, use a Computer System that meets our standards and specifications.

Required Software

We require you to purchase MGM 3.0 from us, which is the enterprise software that you will use to operate your My Gym Business. This software will assist you to track all client transactions, schedule classes and birthday parties. It also performs certain aspects of our marketing campaigns.

Advertising

You may not use any advertising or promotional plans that we have not approved in writing. To obtain approval, you must send to us all proposed advertising plans and samples of proposed advertising materials. You are not required to obtain our approval of the prices you intend to charge. We will ordinarily provide you with our response (approval or disapproval) within fifteen days; but if we do not give our approval within fifteen days, we will have disapproved the proposed plans or materials.

Insurance

Your insurance policy must be issued by an issuer we approve, who among other things must have a current Best's rating of at least A-IX and must also be licensed to do business in the state in which the My Gym Business is located. All public liability and property damage policies must name us as additional named insured parties and must provide that each policy cannot be canceled without giving us sixty days' prior written notice. You must deliver to us a certificate of insurance showing that all required insurance is in full force and effect.

Fixed Centers

Under the Fixed Center Franchise Agreement, you must obtain and maintain the following insurance:

(a) commercial general liability insurance (including without limitation personal injury, advertising injury and property damage coverage), at least \$1,000,000 per occurrence, with an aggregate limit of at least \$2,000,000 for both bodily injury and property damage;

(b) workers' compensation in statutory limits regardless of whether you are exempt by statute; as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Fixed Center is located;

(c) property insurance providing coverage for "full replacement" cost for tenant improvements and equipment/general contents for \$75,000;

(d) minimum "loss of income" insurance of approximately \$100,000 or an Actual Loss Sustained form; and

(e) Accidental medical insurance (Accidental death: \$5,000; Accidental medical: \$10,000).

Mobile Businesses

Under the Mobile Business Franchise Agreement, you must obtain and maintain the following insurance:

(a) commercial general liability insurance (including without limitation personal injury, advertising injury and property damage coverage), at least \$1,000,000 per occurrence, with an aggregate limit of at least \$2,000,000 for both bodily injury and property damage;

(b) workers' compensation in statutory limits regardless of whether you are exempt by statute; as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Mobile Business is located;

(c) property insurance providing coverage for "full replacement" cost for tenant improvements and equipment/general contents for \$5,000;

(d) minimum "loss of income" insurance of approximately \$50,000 or an Actual Loss Sustained form;

(e) Accidental medical insurance (Accidental death: \$5,000; Accidental medical: \$10,000); and

(f) commercial automobile insurance policy for at least \$1,000,000 per occurrence.

Except as specified here, you are not required to purchase any other goods or services in accordance with our specifications or from approved suppliers.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and other items of this Disclosure Document.

OBLIGATION	SECTION IN FIXED CENTER FRANCHISE AGREEMENT	SECTION IN MOBILE BUSINESS FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	3.1, 3.2, and 3.3	Not Applicable	11
b. Pre-opening purchases/leases	3.2, 3.4, and 3.8	3.1 and 3.3	5, 7, and 8
c. Site development and other pre-opening requirements	3.5, 3.9 and 3.10	3.5	8 and 11
d. Initial and ongoing training	5.1	5.1	11
e. Opening	3.11	3.6	11
f. Fees	9 and 11.2	9 and 11.2	5 and 6
g. Compliance with standards and policies/Operations Manuals	5.3 and 10	5.3 and 10	8, 11 and 14
h. Trademarks and proprietary information	6	6	13 and 14
i. Restrictions on products/services offered	10.5,10.6 and 10.7	10.5,10.6 and 10.7	8 and 16
j. Warranty and customer service requirements	7.5	7.5	Not Applicable

OBLIGATION	SECTION IN FIXED CENTER FRANCHISE AGREEMENT	SECTION IN MOBILE BUSINESS FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
k. Territorial development and sales quotas	Not Applicable	Not Applicable	12
l. On-going product/service purchases	10.5,10.6 and 10.7	10.5,10.6 and 10.7	8
m. Maintenance, appearance and remodeling requirements	10.1, 10.2 and 10.5	10.1, 10.2 and 10.5	8
n. Insurance	10.10	10.9	7 and 11
o. Advertising	11	11	6, 7 and 11
p. Indemnification	7.4	7.4	6
q. Owner's participation/management/staffing	10.9	10.8	15
r. Records/Reports	12	12	6
s. Inspections/Audits	13	13	6 and 11
t. Transfer	14	14	6 and 17
u. Renewal	15	15	17
v. Post-Termination obligations	16	16	17
w. Non-Competition covenants	18.3	18.3	17
x. Dispute resolution	19	19	17
y. Taxes/permits	7.3	7.3	1

ITEM 10
FINANCING

We do not offer direct or indirect financing and do not guarantee your notes, leases or other 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.

Pre-Opening Obligations

Fixed Centers

Under the Fixed Center Franchise Agreement, before the Fixed Center opens, we will provide you with the following assistance and service:

1. If you do not already have a site for the Fixed Center when you sign the Fixed Center Franchise Agreement, we will grant you a Reserved Area as described in Exhibit A of the Fixed Center Franchise Agreement, within which you will obtain a location for the Fixed Center. (Fixed Center Franchise Agreement, Section 3.1).
2. If you will occupy the premises from which the Fixed Center is conducted under a lease or sublease, we will provide you with written approval of the lease. We will notify you of our written consent or disapproval of your proposed location within 30 days after we have received all the requested information about the proposed location. (Fixed Center Franchise Agreement, Section 3.1). We generally do not own the premises within which your Fixed Center will be leased.
3. We will provide you with demographic data regarding the Territory. (Fixed Center Franchise Agreement, Section 3.2).
4. We will provide the Designated Equipment at your expense, or you may have a contractor produce them for you based on our standards and specifications, subject to our prior written approval. We will, at your expense and on your behalf, order other equipment for use in your Fixed Center, or you may obtain such items from other sources, subject to our prior written approval and compliance with our standards and specifications. (Fixed Center Franchise Agreement, Section 3.2).
5. We will consult with you, implementing our expertise and advice, in the construction of your Center, including facility space plan options. (Fixed Center Franchise Agreement, Section 3.2).
6. We may, from time to time, issue specifications and other requirements for design, decoration, layout, equipment, furniture, fixtures and signs for My Gym Businesses (the "My Gym Design Standards"). These standard specifications will not necessarily meet the requirements of any federal, state or local law, code or regulation (such as those concerning the American with Disabilities Act ("ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities). Additionally, these standard specifications may not meet the requirements for (and they should not be used for) construction drawing or other documents that you may need to obtain permits or authorization to build your Fixed Center. You must adapt, at your expense, the standard plans and specifications to suit your Fixed Center location, subject to our approval. (Fixed Center Franchise Agreement, Section 3.4 and 3.7).

7. For the 180-day period before the opening of your Fixed Center, you must spend an amount designated by us of no less than \$8,500 (for a Small Model Fixed Center) or no less than ~~\$12,000~~ \$25,000 (for a Large Model Fixed Center) on a pre-opening advertising/marketing program. We may require you to pay these amounts directly to vendors approved by us, or to deposit such amounts with us and we will expend them on your behalf. We may furnish advice and guidance to you with respect to the program, which you must follow. (Fixed Center Franchise Agreement, Section 3.8).
8. We will inspect (either in person or through the use of digital pictures) and approve the Fixed Center for opening before it opens. You may not start operating the My Gym Business until you receive our approval to do so. (Fixed Center Franchise Agreement, Section 3.9).
9. We may send a representative to be present at the time of the opening of your Fixed Center. If we cannot provide our representative on the date that you propose to first open the Fixed Center for business, then you must reschedule your opening to a date on which our representative can attend. (Fixed Center Franchise Agreement, Sections 3.10).
10. We will train you (or, if you are an entity, one of your principals whom we have previously approved (the "Managing Owner")), and your full-time store manager of the Fixed Center (the "Center Manager") at a location that we designate. We will also train one additional employee that you designate for free. (Fixed Center Franchise Agreement, Sections 5.1).
11. We will provide you with access to the confidential operations manual (the "Manuals"). We may provide the Manuals to you through an extranet or other electronic means. (Fixed Center Franchise Agreement, Section 5.3).

We are not required by the Fixed Center Franchise Agreement to furnish any other service or assistance to you before the opening of your Fixed Center.

Mobile Businesses

Under the Mobile Business Franchise Agreement, before the Mobile Business opens, we will provide you with the following assistance and service:

1. We will provide you with demographic data regarding the Territory. (Mobile Business Franchise Agreement, Section 3.3).
2. We will provide the Designated Equipment at your expense, or you may have a contractor produce them for you based on our standards and specifications, subject to our prior written approval. We will, at your expense and on your behalf, order other equipment for use in your Mobile Business, or you may obtain such items from other sources, subject to our prior written approval and compliance with our standards and specifications. (Mobile Business Franchise Agreement, Section 3.3).
3. We may, from time to time, issue specifications and other requirements for design, decoration, layout, equipment, furniture, fixtures and signs for My Gym Businesses (the "My Gym Design Standards"). You must develop and operate your Mobile Business in accordance with My Gym Design Standards. (Mobile Business Franchise Agreement, Section 3.4).

4. We will train you (or, if you are an entity, your Managing Owner), and your Center Manager at a location that we designate. We will also train one additional employee that you designate for free. (Mobile Business Franchise Agreement, Sections 5.1).
5. We will provide you with access to the Manuals. We may provide the Manuals to you through an extranet or other electronic means. (Mobile Business Franchise Agreement, Section 5.3).

We are not required by the Mobile Business Franchise Agreement to furnish any other service or assistance to you before the opening of your Mobile Business.

Continuing Obligation

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your My Gym Business:

1. We will furnish guidance to you with respect to:
 - Specifications, standards and operating procedures utilized by My Gym Businesses and any modifications thereof.
 - Purchasing approved equipment, furniture, fixtures, signs, inventory, operating materials and supplies.
 - Developing and implementing local advertising and promotional programs.
 - Administrative, bookkeeping, accounting, inventory control and general operating and management procedures of My Gym Businesses.
 - Your establishing and conducting employee training programs at your My Gym Business.

Such guidance will, in our sole discretion, be furnished in the form of our Manuals, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at your My Gym Business. If requested by you, we will furnish additional guidance and assistance relative to the operation of your My Gym Business at per diem fees and charges established from time to time by us. If special training of your personnel or other assistance in operating your My Gym Business is requested by you and must take place outside our principal office, all expenses for such training, including our per diem charges and travel, meals and lodging expenses for our personnel, will be paid by you. (Franchise Agreement, Section 5.2)

2. We may, at any time during business hours, and without prior notice to you:
 - Inspect your My Gym Business as we deem necessary.
 - Remove samples of any items for testing and analysis.
 - Interview personnel and/or customers. (Franchise Agreement, Section 13.1).
3. We will review and have the right to approve or disapprove all advertising and promotional materials which you propose to use. (Franchise Agreement, Section 11.8).
4. We will administer the Marketing Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 11).

5. Although you will have sole discretion as to the prices to be charged to customers for products and services, we have established a maximum price on a particular product or service. You may charge any price for that product or service but only up to and including the maximum price that we have established. (Franchise Agreement, Section 10.5.2).

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the My Gym Business.

Advertising

As described in Item 6 above, for each month during the term of the Franchise Agreement, you will have to make an Advertising Contribution. The Advertising Contribution will be an amount up to 1% of Gross Volume of the prior month. The Advertising Contribution is paid to the Marketing Fund, to a regional advertising fund if one is established for your region (a "Regional Ad Fund"), or is spent by you directly on local advertising and promotion. We will cause all My Gym Businesses owned by us to make Advertising Contributions to the Marketing Fund on the same basis as our franchisees.

Periodically, we will determine what proportion of the Advertising Contribution you must contribute to the Marketing Fund, contribute to a Regional Ad Fund, and spend on local advertising and promotion. No matter the manner in which the Advertising Contribution is split, the total amount that you must pay or spend will not exceed 1% of your Gross Revenue (Section 11.2 of the Franchise Agreement); therefore, we estimate that the maximum contribution you will pay to the Regional Ad Fund will be 1% of your Gross Revenue.

Currently, each month, \$200 of the Advertising Contribution must be made to the Marketing Fund, and the remaining balance must be spent by you directly on local advertising and promotion. No Regional Ad Funds currently exist; therefore, no portion of your monthly contribution will be paid into a Regional Ad Fund.

The required contributions and expenditures are minimum requirements only and you may, and are encouraged to, expend additional funds for local advertising and promotion of a local nature which will focus on disseminating advertising directly related to your My Gym Business.

We do not have a franchisee advertising council.

The Marketing Fund

The Marketing Fund will be maintained and administered by us or our designee for such advertising, advertising-related, marketing and/or public relations programs, services and/or materials as we may deem necessary or appropriate to promote My Gym Businesses anywhere. The Marketing Fund will use such media and other elements as we think reasonably appropriate.

You will contribute to the Marketing Fund in the same manner as you pay the Royalty Fees. The Marketing Fund will be accounted for separately from our other funds, and will not be used to defray any of our general operating expenses, except for such salaries, administrative costs, overhead and other expenses as we may reasonably incur in activities related to the Marketing Fund. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and the Marketing Fund may borrow from us or other lenders to cover deficits of the Marketing Fund or cause the

Marketing Fund to invest any surplus for future use by the Marketing Fund. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by us and be furnished to you upon written request. We may, but are not required to, have financial statements of the Marketing Fund audited and any costs in connection therewith will be paid by the Marketing Fund. We have the right to cause the Marketing Fund to be incorporated or operated through an entity separate from us as we deem appropriate, and such successor entity will have all of our rights and duties relating to the Marketing Fund.

The Marketing Fund may be used to (among other things) pay costs of new product development, signage, preparing, producing, distributing and using marketing, advertising and other materials and programs. The Marketing Fund may also be used to administer national, regional and other marketing programs, purchase media and employ advertising, public relations and other agencies and firms. Also, the Marketing Fund may cover administrative and related expenses, and support public relations, market research and other advertising and marketing activities. The Marketing Fund may pay for expenses associated with any Franchisee Advisory Council(s), if those Councils, and such expenses, are approved by us. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on Products, Services, programs, or improvements, approved in advance by us, which we deem will promote general public awareness and favorable support for the My Gym System. A brief statement regarding the availability of information regarding the purchase of My Gym franchises may be included in advertising and other items produced and/or distributed using the Marketing Fund. We may arrange for services, goods and otherwise to be provided to the Marketing Fund by ourselves, any Affiliates, and our and/or their employees or agents. We may use the Marketing Fund to compensate and reimburse any of such persons or entities as we deem appropriate (including payment of commissions) and to compensate for administrative duties and other services or materials rendered to the Marketing Fund, provided that any compensation to us and/or any persons/entities owned, controlled and/or operated by us will not exceed 10% of the amounts in the Marketing Fund in any year. The Marketing Fund will not be used for advertising that is principally a solicitation for the sale of franchises.

The Marketing Fund may, as available, furnish you with marketing, advertising and promotional formats and sample materials and may charge the direct cost of producing them plus shipping and handling.

We will have no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are or will be proportionate or equivalent to the contributions to the Marketing Fund by My Gym Businesses operating in that geographic area. We will have no obligation to ensure that any My Gym Business will benefit directly or in proportion to its contribution to the Marketing Fund or from the development of advertising and marketing materials and/or programs, the placement of advertising or otherwise. We may maintain Marketing Fund assets in one or more accounts designated as "trust accounts" (or similarly designated), for purposes of protecting such assets from claims of third-party creditors or otherwise, but such designation and/or treatment will not operate to create any "trust," "fiduciary relationship" or similar special arrangement as to the Marketing Fund, its assets or otherwise.

Although the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies in the Marketing Fund have been expended for advertising and/or promotional purposes.

Our current policy is that if amounts are unspent in the Marketing Fund at fiscal year-end, those amounts are carried over by the Marketing Fund for expenditure in the following year.

For the fiscal year ending December 31, ~~2022~~2023, the Marketing Fund was spent as follows (all figures approximate):

Production	0 <u>6</u> %
Media Placement	41.7 <u>38</u> %
Administrative Expenses	58.3 <u>56</u> %

Advertising purchased under the Marketing Fund may be in any media and may be local, regional or national in scope. The source of advertising materials is generally expected to be an outside advertising agency.

Regional Ad Funds

We will have the right, as we see fit, to designate any geographical area for purposes of establishing a Regional Ad Fund for your region. Currently, however, no Regional Ad Funds exist. The purpose of a Regional Ad Fund is to conduct advertising campaigns for the My Gym Businesses located in that region.

If a Regional Ad Fund for your area is established before you begin to operate your My Gym Business, then when you open your My Gym Business, you must immediately join that Regional Ad Fund. If a Regional Ad Fund for your area is established after you begin to operate your My Gym Business, then you will have thirty days to join the new Regional Ad Fund. You will not have to become a member of more than one Regional Ad Fund. All My Gym Businesses (including those owned by us) in the area covered by a Regional Ad Fund will become members of that Regional Ad Fund, and will contribute at the same level as we prescribe. Contributions to the Regional Ad Fund will be counted towards the Advertising Contribution required under the Franchise Agreement.

The following provisions will apply to each Regional Ad Fund (if and when organized):

- Regional Ad Funds will be established, organized, and governed in the form and manner that we have approved in writing in advance. The members of a Regional Ad Fund will administer the cooperative; we will step in only to resolve disputes or as requested by the members of the cooperative. We suggest (but currently do not require) that the Regional Ad Funds operate from written bylaws open to review by all franchisees.
- Regional Ad Funds will be organized for the exclusive purpose of administering regional advertising programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.
- Regional Ad Funds may not use advertising, promotional plans, or materials without our prior written approval, as described below.
- You must submit your required contribution to the Regional Ad Fund by Wednesday of each week, based on the Gross Revenues for the preceding week. At the same time, you will have to submit the reports that we or the Regional Ad Fund require. We may require that your payments and reports to the Regional Ad Fund be made to us for distribution to the Regional Ad Fund.

We do not have the power to require the Regional Ad Fund to be changed, dissolved or merged. Regional Ad Funds will not be required to prepare annual or periodic financial statements.

Local Advertising and Promotion

Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved.

You may not use any advertising or promotional plans that we have not approved in writing. To obtain approval, you must submit to us all proposed advertising plans and samples of proposed advertising materials. You are not required to obtain our approval of the prices you intend to charge. We will ordinarily provide you with our response (approval or disapproval) within 15 days; but if we do not give our approval within 15 days, we will have disapproved the proposed plans or materials.

All copyrights in any advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents and, if necessary, require your independent contractors to sign the documents, that we deem reasonably necessary to implement this provision. (These requirements, as well as those in the prior two paragraphs, also apply to any Regional Ad Funds.)

We may make available to you from time to time, at your expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, flyers, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising and promotion.

You must conduct advertising in connection with the "Grand Opening" of your Fixed Center, in accordance with our specifications for that program. For the 180-day period before the opening of your Fixed Center, you must spend an amount designated by us (currently, \$8,500 for a Small Model Fixed Center, and \$12,000 for a Large Model Fixed Center) on a pre-opening advertising/marketing program. We may require you to pay these amounts directly to vendors approved by us, or to deposit such amounts with us and we will expend them on your behalf. We may furnish advice and guidance to you with respect to the program, which you must follow.

As used in the Franchise Agreement, the term "local advertising and promotion" refers to only the direct costs of purchasing and producing advertising materials (such as camera-ready advertising and point of sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. "Local advertising and sales promotion" does not, however, include any of the following:

- Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons.
- Charitable, political, or other contributions or donations to organizations that we have not approved in writing.
- The value of discounts provided to consumers.

Websites

As used in the Franchise Agreement, the term "Website" is defined to mean one or more documents that can be accessed through the Internet. Websites are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used. As a result, if you are permitted to operate your own website, then the time period for approval of that proposed Website is the same as the time period for approval of "advertising," which is 15 days. Unless you receive our prior written approval, you may not establish, or permit any other party to establish a Website relating in any manner at all to the My Gym Business or referring to the Marks.

We do not anticipate granting approval to allow individual franchisees to operate a Website on their own. We may provide (but are not obligated to do so) one or more references or web pages within our Website.

Should we ever approve in writing a separate Website for you (subject to our right to review and approve any proposed advertising, as described above, under "Local Advertising and Promotion"), then in connection with that Website, the Franchise Agreement provides the following:

- We may require you to have electronic links only to our Website.
- You may not establish or use any Website without our prior written approval.
- Before establishing any Website, you must submit to us a sample of the Website format and information in the form and manner that we may reasonably require.
- In addition to any other applicable requirements, you must comply with our standards and specifications for Websites (which we may issue periodically).
- If you propose any material revision to the Website or any of the information contained in the Website, you must submit each proposed revision to us for our prior written approval. Since the Website is considered "advertising," the time period for our approval is the same as for "advertising," which is 15 days.

Computer Systems

You must obtain, install, and use the Computer System that we require. The term "Computer System" as used in the Franchise Agreement means communications, computer systems, and hardware to be used by, between, or among My Gym Businesses, including:

- Back office and point of sale systems, data audio, video and voice storage, retrieval, and transmission systems for use at My Gym Businesses, and between and among your My Gym Businesses and us and you.
- Cash register systems; (c) physical, electronic, and other security systems.
- Printers and other peripheral devices.
- Archival back-up systems.
- Internet access mode (for example, your telecommunications connection) and speed.

You must also obtain, install, and use the computer software programs, accounting system software that we require from vendors we approve, which may be us or our affiliate ("Required Software"), including the required enterprise software, MGM 3.0 (for which we are the only approved supplier). We are not obligated to provide or assist you to obtain the Computer System and the Required Software. We estimate that your cost for acquiring the Computer System will be approximately \$2,000 to \$3,000, and the current cost of the Required Software is an initial payment of \$2,500, with a \$80 monthly fee (for a Large Model Fixed Center) or an initial payment of \$1,250, with a \$80 monthly fee (for a Small Model Fixed Center). You must implement and periodically make upgrades and other changes to the Computer System and Required Software as we may reasonably request in writing. There is no contractual limitation on the frequency and cost of your obligation to upgrade

Currently, we require that you use a Windows-based personal computer that is capable of running Microsoft Office software. You can obtain a Windows-based personal computer that is capable of running Microsoft Office software from any computer suppliers.

Other than these standards, we do not impose any requirements or specifications for computer hardware or software for the My Gym Business. We reserve the right to approve your email address or require you to use an e-mail address that we assign to you for e-mail sent for business purposes.

We reserve the right to download sales and other data from your computer. There is no contractual limitation on our right to receive this information, and we have independent access to the information generated and stored on your Computer System. We reserve the right to require you to bring any computer hardware and software, related peripheral equipment, as well as the cash register system, into conformity with our then-current standards for new My Gym Businesses. The cost to upgrade the hardware and maintain or upgrade the software depends on our future needs, as well as technological developments, none of which we can predict at this time.

You are not required to obtain a service contract to cover upgrades and updates, enhancements, and telephone support for any other required software and hardware components of the Computer System. We estimate that the annual cost of maintenance for your Computer System and Required Software will be approximately \$1,200.

Manuals

Our Manuals are electronically-based, and do not have a traditional table of contents. We estimate that if the Manuals were to be physically printed, they would comprise approximately 142 physical pages. The list of subjects covered by our Manuals appears at Exhibit G.

Site Selection

If you sign a Fixed Center Franchise Agreement, you must submit to us a completed site approval form and we will have 30 days after receipt of the completed form to approve or disapprove the site. The factors we will evaluate in considering whether to approve a site include general location and neighborhood, traffic patterns, parking, size, physical characteristics of any existing buildings, lease terms and our demographic analysis. You must acquire or lease, at your expense, a location for the Fixed Center at a site that we have approved within 3 months after signing the Fixed Center Franchise Agreement (the "Site Selection Period").

If a site has not already been chosen for your Fixed Center, we will grant you a Reserved Area as described in Exhibit A of the Fixed Center Franchise Agreement. A "Reserved Area" is an area in which, during the Site Selection Period, we will not license others to operate a My Gym Business, or open a My Gym Business to be owned by us. You acknowledge that other franchisees may be seeking sites at which to operate a My Gym Business within the Site Selection Area. Time is of essence. If you do not acquire, lease, or sublease a site for a My Gym Center within the Site Selection Period (or if we cannot agree on a site), it shall constitute a default under the Franchise Agreement, upon which we may terminate the Franchise Agreement upon notice to you without affording you any opportunity to cure.

If your lease or sublease for your Fixed Center expires or terminates, if the Premises are damaged, condemned or otherwise rendered unusable, or if, in your and our judgment, there is a change in the character of the location of the Premises sufficiently detrimental to its business potential to warrant its relocation, you may relocate your Fixed Center, subject to our approval of the new premises. Any relocation will be at your sole expense and we may require the execution of general releases of any and all claims, known or unknown.

Opening Period

We estimate that the typical length of time between the signing of the Franchise Agreement the opening of your My Gym Business ranges from 5 to 9 months. Factors affecting this length of time (and which may extend it beyond the range given) can include ability to obtain a lease, financing, building permits, zoning compliance and/or variances, local ordinances, weather conditions which might affect construction, shortages, delayed installation of equipment, fixtures and signs, and how soon you begin training.

Training

If you operate a Fixed Center, we will furnish to you (or the Managing Owner) and the Center Manager a pre-formal training program and a formal training program. You (or the Managing Owner) and your Center Manager must successfully complete, to our satisfaction, a pre-formal training program and a formal training program.

If you operate a Mobile Business, we will furnish to you (or the Managing Owner) and the Center Manager a formal training program, and we may, in our discretion, provide you (or the Managing Owner) and the Center Manager a pre-formal training program. You (or the Managing Owner) and your Center Manager must successfully complete, to our satisfaction, a formal training program.

The My Gym Business shall be under the active full-time management of the Center Manager who has been trained by us; except that if such Center Manager ceases active full-time management of the My Gym Business, you shall train a replacement (whom we may disapprove if we have a reasonable objection) in accordance with our training program.

You (or the Managing Owner) and the Center Manager will attend additional and/or refresher training programs conducted at your My Gym Business or other location(s) specified by us which we designate as mandatory, including national and regional conferences, conventions and meetings, and your other employees may be required to attend mandatory training programs presented by us at your Center. You and your managers and employees may attend any additional training programs offered by us from time to time which we designate as optional. We may charge a reasonable fee for any optional training programs. You shall be responsible for your own expenses and those of your employees who attend any such training programs and/or conventions.

We reserve the right to require you to enroll each of your employees in our web-based training program, when developed, for which there may be a charge per employee. If web-based training is required, you shall pay the fees for such training on a monthly basis, as incurred by your employees.

The cost of all training instructions and required materials shall be borne by us, except as otherwise described above. All other expenses incurred in connection with training, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by you.

Our pre-formal training program lasts approximately 7 days, and our formal training program lasts approximately 19 days. We offer our formal training programs mainly at our Encino, Pasadena, Valencia and Toluca Lake My Gym Business locations. Our pre-formal training may be located at any of those locations or we may offer it at an existing My Gym Business near you.

In general, the training includes classroom and in the gym training and the subject matter covers on-floor training, teaching methods, birthday parties, game skills and sports, gymnastics, computer training and safety procedures, communication and record keeping skills, administrative and other operational skills. We place importance on developing the "hands-on" skills necessary to operate a My Gym Business and becoming familiar with the methods and equipment used in My Gym Businesses.

Training is typically available at the beginning of every month and you can normally start within 30 days, based on availability, after you sign the Franchise Agreement and pay the initial franchise fee. The formal training period usually takes place 2 months before the projected open house date. The pre-formal training may take place any time before then.

All of our trainings are conducted by Mr. Edwin Chavez. Mr. Chavez has been with us since 1997. He worked in a My Gym and another Children's Fitness Center prior to joining us. Mr. Chavez has experience with the "How To's" of children's gymnastics, and the administration of various training functions. He also has experience in relation to the development of instruction materials such as manuals, video tapes, audio compact discs, picture books and program ingredient materials.

Pre-Formal Training Program:

First, you will receive the following information packet, including: My Gym Program Outlines, A Day at My Gym, Secrets of Success, Sample Phone Call Script. Other subjects covered in pre-formal training include: Dietary/health, Exercise/Fitness, Gymnastics, CPR and Safety, Computer and Child Care.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Time in Operational My Gym Business	0	7 days minimum (Note 1)	California. (Mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you.)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Tiny Tykes	0	2 classes	California. (Mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you.)
Waddlers Gymsters Terrific Tots Mighty Mites Whiz Kids Champions Super Tumblers	0	4 classes (Note 2)	California. (Mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you.)
1-2 year birthday party 3-4 year birthday party 5-9 year birthday party	0	1 birthday party (Note 3)	California. (Mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you.)

Notes:

1. Total time spent in pre-formal training, encompassing all the classes you will review.
2. You must review 4 classes of each of the listed age groups.
3. You must attend 1 birthday party for each of the listed age groups.

Formal Training Program:

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Observe Classes (Note 1)	9.5	0	California (mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you), or via an online video communications platform such as Zoom.
Class Meetings (Note 2)	17.0	0	California (mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you), or via an online video communications platform such as Zoom.

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
On Floor Training (Note 3)	n/a	77.0	California (mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you), or via an online video communications platform such as Zoom.
Private Training (Note 4)	30.5	0	California (mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you), or via an online video communications platform such as Zoom.
Misc. Training (Note 5)	10.0	0	California (mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you), or via an online video communications platform such as Zoom.
View Training Tapes	12.5	0	California (mainly at our Encino, Pasadena, Toluca Lake and Valencia My Gym Business locations or we may offer it at an existing My Gym Business near you), or via an online video communications platform such as Zoom.

Notes:

1. You will be observing several different classes while they are in session.
2. Question and answer sessions after observations in addition to various topic discussion.
3. On floor teaching progressing from assistant to running the class/birthday party.
4. Learn a variety of games, skills and gymnastics outside of scheduled classes.
5. Such as computers, equipment set-up, bookkeeping.

ITEM 12 **TERRITORY**

For either a Fixed Center or a Mobile Business, 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.

Fixed Centers

You will be permitted to operate your Fixed Center at the Premises described in the Franchise Agreement. You may not relocate your Fixed Center to another location without our prior written approval. If you seek to relocate, the site at which you relocate may not be located within any other franchisee's protected territory, and will be subject to any restrictions contained in any other franchisee's Franchise Agreement as well as in leases for other Fixed Centers that may impose other restrictions on you.

You will operate your Fixed Center within a Territory, which will typically be a circle with its center at the front door of your Fixed Center, and the circle will have a radius stated in the Franchise Agreement (or, if you don't have a site chosen at the time the Fixed Center Franchise Agreement is signed, the radius will be determined after you have selected your site and we have approved that site). We intend to provide you with a Territory that will include a minimum of 7,500 children of thirteen years old or younger (as we determine using data from the U.S. Census Bureau), which typically will be a circle with a radius of 1-7 miles. The radius of your Territory will be smaller in urban centers, where there may be a high concentration of residential and working populations.

During the term of the Fixed Center Franchise Agreement, we will not operate or license a third party to operate, a Fixed Center to be located inside the Territory, or to operate or license a third party to operate, a Mobile Business to provide Services and Products to Institutional Facilities located inside the Territory, provided that you (and each Affiliate) do not at any time commit any default under any obligations to us and/or any Affiliate (whether arising under the Franchise Agreement or otherwise). We retain all other rights and may, among other things, on any terms and conditions we deem advisable, and without giving you any compensation:

- (a) use and to license others to use, the My Gym System and the Marks for the operation of Fixed Centers at any location outside the Territory, or Mobile Businesses providing Services and Products to any Institutional Facilities outside the Territory, despite the proximity such businesses may have to the Territory;
- (b) establish, and license others to establish, Fixed Centers at any Institutional Facility within or outside the Territory, despite the proximity such businesses may have to the Territory (the term "Institutional Facility" includes, among other things: hotels; airports; federal, state or local government facilities (including military bases); hospitals and other health-care facilities; recreational facilities; schools, colleges and other academic facilities; daycare centers; and seasonal facilities);
- (c) acquire and after that operate any businesses or centers of any kind, whether located within or outside the Territory despite the proximity of such business(es) or center(s) may have to the Premises (except that we shall not do so from a Fixed Center operating under the Marks located in the Territory);
- (d) use and license the use of the Marks and other marks in connection with the operation of centers at any location, which centers and marks may be the same as,

similar to, or different from the My Gym Businesses and Marks despite the proximity of such centers' proximity to the Premises (except that we shall not do so from a My Gym Business operating under the Marks located in the Territory); and/or

- (e) sell and distribute any Products and Services, directly or indirectly, or license others to sell and distribute any Products and Services, directly or indirectly, from any location or to any purchaser, through any channel of distribution (including sales made to and services provided to purchasers in the Territory through supermarkets, retail establishments, mail order, independent distributors, phone order, and on the Internet, and/or sales to delivery customers), except that we shall not do so from a My Gym Business operating under the Marks located in the Territory. We need not pay any compensation to you for soliciting or accepting orders inside the Territory.

So long as you comply with the Fixed Center Franchise Agreement, continuation of your Territory does not depend upon any other conditions. If you become in default of any of your obligations to us or any Affiliate, we may, upon written notice to you, reduce, eliminate or otherwise modify your territorial rights.

Reserved Area

If a site has not already been chosen for your Fixed Center when you sign the Fixed Center Franchise Agreement, we will grant you a Reserved Area. During the Site Selection Period, we will not license others to operate a My Gym Business, or open a My Gym Business to be owned by us, within the Reserved Area. You acknowledge that other franchisees may be seeking sites at which to operate a My Gym Business within the Site Selection Area. Time is of the essence. If you do not acquire, lease, or sublease a site for a My Gym Center within the Site Selection Period, it will constitute a default under the Fixed Center Franchise Agreement.

Mobile Businesses

You will be permitted to operate your Mobile Business within the Territory described in the Franchise Agreement. You can only offer and sell Services and Products to the Institutional Facilities (and the customers located therein) that are located within the Territory. The Territory will typically be a circle with a radius stated in the Mobile Business Franchise Agreement. We intend to provide you with a Territory that will include a minimum of 7,500 children of thirteen years old or younger (as we determine using data from the U.S. Census Bureau), which typically will be a circle with a radius of 1-7 miles. The radius of your Territory will be smaller in urban centers, where there may be a high concentration of residential and working populations.

During the term of the Mobile Business Franchise Agreement, we will not operate or license a third party to operate, a Mobile Business to provide Services and Products to Institutional Facilities located inside the Territory, provided that you (and each Affiliate) do not at any time commit any default under any obligations to us and/or any Affiliate (whether arising under the Franchise Agreement or otherwise). We retain all other rights and may, among other things, on any terms and conditions we deem advisable, and without giving you any compensation:

- (a) use and to license others to use, the My Gym System and the Marks for the operation of Mobile Businesses to service any Institutional Facilities located outside the Territory, despite the proximity such businesses may have to the Territory;

- (b) establish, and license others to establish, Fixed Centers at any locations, within or outside the Territory, despite the proximity such businesses may have to the Territory;
- (c) acquire and after that operate any businesses or centers of any kind, whether located within or outside the Territory despite the proximity of such business(es) or center(s) may have to the Premises (except that we shall not do so from a Mobile Business operating under the Marks located in the Territory);
- (d) use and license the use of the Marks and other marks in connection with the operation of centers at any location, which centers and marks may be the same as, similar to, or different from the Mobile Businesses and Marks despite the proximity of such centers' proximity to the Premises (except that we shall not do so from a Mobile Business operating under the Marks located in the Territory); and/or
- (e) sell and distribute any Products and Services, directly or indirectly, or license others to sell and distribute any Products and Services, directly or indirectly, from any location or to any purchaser, through any channel of distribution (including sales made to and services provided to purchasers in the Territory through supermarkets, retail establishments, mail order, independent distributors, phone order, and on the Internet, and/or sales to delivery customers), except that we shall not do so by selling and distributing Products or Services to Institutional Facilities located in the Territory from a Mobile Business operating under the Marks. We need not pay any compensation to you for soliciting or accepting orders inside the Territory.

So long as you comply with the Fixed Center Franchise Agreement, continuation of your Territory does not depend upon any other conditions. If you become in default of any of your obligations to us or any Affiliate, we may, upon written notice to you, reduce, eliminate or otherwise modify your territorial rights.

You may not intentionally target market within the Territory of another My Gym Business. You understand that there might be instances where individual My Gym Businesses will advertise in the same publication or other media format at the same time, in the same issue or otherwise.


If you operate a Fixed Center, and you sign the Mobile Business Authorization Addendum, you will allow the operation of one or more Mobile Businesses by us or by our franchisee(s) in your Territory. You will provide certain services to the Mobile Business franchisee, and in return, we will pay you 20% of the royalty fees that we receive from the Mobile Business franchisee who operates within your Territory.

You will not have any options or rights of first refusal to acquire additional franchises within the Territory, Reserved Area or any contiguous geographic areas.

You may offer and sell Services and Products only face-to-face to customers, at your Fixed Center, or within the territory of your Mobile Business. You may not sell Services or Products by use of other means, such as the Internet, catalog, direct mail, and toll-free numbers.

ITEM 13
TRADEMARKS

You will be licensed by the Franchise Agreement to use our Marks, including the principal marks described in the chart below.

Mark	Registration No.	Registration Date
MY GYM	2,137,562	February 17, 1998 (renewed February 17, 2008 and February 25, 2018)
MY GYM CHILDREN’S FITNESS CENTER – DESIGN PLUS WORDS, LETTERS AND/OR NUMBERS: 	2,773,194	October 14, 2003 (renewed October 11, 2013)

The above-listed registrations appear on the Principal Register of the U.S. Patent and Trademark Office (“**USPTO**”). We intend to file, when due, an affidavit of use and an affidavit of incontestability, as well as a renewal application, for the marks listed above.

There are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the My Gym Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Marks in this state or elsewhere.

You must promptly notify us of any suspected infringement of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, or your right to use, the Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks.

If we undertake the defense or prosecution of any litigation concerning the Marks, you must sign any documents and agree to do the things as may, in our counsel’s opinion, be necessary to carry out that defense or prosecution, such as becoming a nominal party to any legal action. Unless the litigation is the result of your use of the Marks in a manner

inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out of pocket costs in doing these things (although you will still be responsible for the salary costs of your employees) and we will bear the costs of any judgment or settlement. However, if the litigation results from your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, then you will have to reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Proprietary Marks or for you to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. We will not have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

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

Patents and Copyrights

We do not own any current or pending patents that are material to the franchise being offered.

Effective as of December 17, 2002, we received copyright registrations for designs of eight of the My Gym Gang characters. The copyright registrations were obtained for the designs of the characters "Bapi" (Reg. No. VA 1-174-913), "The Backwater Boyz" (Reg. No. VA 1-174-914), "Conchita Cheetah" (Reg. No. VA 1-174-915), "Harry" (Reg. No. VA 1-174-916), "Mymo" (Reg. No. VA 1-174-917), "Lionel" (Reg. No. VA 1-174-918), "Wag" (Reg. No. VA 1-174-919), and "Sheila" (Reg. No. VA 1-174-920). In addition, we have a copyright for MY GYM CHILDREN'S FITNESS CENTER Logo, registered June 4, 2012, Reg. No. VA 1-831-419. These copyright registrations are valid for 95 years from the year of its first publication or 120 years from the year of its creation, whichever expires first; they are not subject to renewal. The Manuals describe the manner in which you may use the designs of these characters.

We own common law copyrights in the Manuals, advertising materials and website, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement. As described in the Franchise Agreement, if we require, you must immediately modify or discontinue using the copyrighted materials. We will have no obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Except as described above, there are no currently effective determinations of the USPTO, Copyright Office, or any court concerning any copyright. There are no currently effective agreements from which we derive our rights in the copyrights which could limit your use thereof. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. The Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials.

We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manuals. We will allow you access to our Manuals, which we have the right to provide in any format we choose (online or other electronic means), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Manuals, any other manuals we create (or that we approve) for use with the My Gym Business, and the information contained in the Manuals. You must use all reasonable efforts to maintain this information as secret and confidential. You may never duplicate, record, or otherwise reproduce the Manuals and the related materials, in whole or in part (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark), nor may you otherwise let any unauthorized person have access to these materials. The Manuals will always be our sole property.

We may periodically revise the contents of the Manuals, and you must make corresponding revisions to your copy of the Manuals and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manuals, our master copy of the Manuals (maintained at our home office) will be controlling.

Confidential Information

"Confidential Information" includes the following categories:

- Information regarding the development, operation and franchising of My Gym Businesses.
- Marketing programs for My Gym Businesses.
- Knowledge of specifications for and suppliers of certain materials, equipment, furniture and fixtures for My Gym Businesses.
- Methods, procedures and techniques for preparing, marketing and presenting the Products and Services.
- Information regarding the Products and Services authorized for sale, lease or rental from My Gym Businesses.

Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed "confidential" for purposes of the Franchise Agreement. Exceptions are information that you can demonstrate came to your attention prior our informing you of such information, information that, at or after the time of our providing you with such information, had become or later becomes a part of the public domain, through publication or communication by others. In any dispute between you and us involving any question as to whether or not certain information is, in fact, confidential and/or proprietary to us, the burden of proof and the burden of going forward will be on you.

You will not use, communicate, or divulge the Confidential Information in any business or capacity other than the operation of your My Gym Business. You will maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of the Franchise Agreement. You must adopt and implement all reasonable procedures prescribed

from time to time by us to prevent unauthorized use, disclosure of or access to the Confidential Information.

We and those we designate will have the right to use all ideas, methods, and other information either relating to a My Gym Business or that would be usable in a My Gym Business that are developed by you and/or your employees. We have no obligation to compensate you, and we have no other obligation to you or your employees for the development of such ideas or methods.

In addition, upon our request, you must require your principals (that is, any person or entity that owns a direct or indirect interest in you), general managers, and supervisors to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the My Gym Business. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants.

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

You (or a Center Manager) must devote full time and energy to the management of the My Gym Business. We have the right to approve the Center Manager, who must also be successfully trained in accordance with our training program. We do not require the Center Manager to own an equity interest in you, if you are a business entity. All persons that later serve as a Center Manager will also be subject to our approval and must also be successfully trained under with our training program. You may not engage in any business or other activities that conflict with your obligations under the Franchise Agreement.

The Franchise Agreement does not require you or your Managing Owner to participate personally in the direct operation of the My Gym Business, although we encourage and recommend active participation by you. As noted in Item 14, upon our request, you must require your principals, general managers, and supervisors to sign confidentiality agreements. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the My Gym Business. These agreements must be in a form that we find acceptable. Under the Franchise Agreement, if you are an entity or partnership, then the owners of a beneficial interest in the entity or partners must sign a guarantee.

Except as noted above, there are no other restrictions that you must place on your manager.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only products (including "Products," as explained in Item 1 of this Disclosure Document) and services (including "Services" as also explained in Item 1 of this Disclosure Document) that conform to our standards and specifications (which are described in Item 8 above). We have the right, without limit, to change the types of authorized products and services.

You may only sell Products to customers that do not resell them. You may only offer and sell products face-to-face with customers. You may not sell products by use of other means, such as the Internet, catalog, direct mail, and toll-free numbers.

You will offer and sell rights of access to the Fixed Center or using the Services of a Mobile Business ("Membership(s)"). All Memberships must be documented by a written Membership Agreement. When selling Memberships, you may only use the form of Membership Agreement that we provide. You will be responsible for making any modifications that may be needed so that the form of Membership Agreement that we provide to you complies with applicable law in your area, but you may not make any modifications to the Membership Agreement without our prior written consent. Any Membership Agreement that has been modified without our prior written consent is void.

We may modify the types and terms of memberships to be offered by My Gym Businesses, terminate your right to offer certain types of Memberships, and/or approve or require other types of memberships for sale.

You must meet the standards that we may periodically establish regarding Memberships. These standards may regulate, among others things: the form of Membership Agreement; the conditions under which a member may transfer his or her Membership from one My Gym Business to another; the allocation of the proceeds of Memberships among the My Gym Businesses at which that member uses facilities and services; admission to your My Gym Business of members who bought Memberships elsewhere and admission of members of your My Gym Business to other My Gym Businesses; use and acceptance of coupons, passes, and certificates; and group accounts and group Memberships (as well as discounts).

We may periodically establish additional policies regarding Memberships. These rules are needed to obtain the efficient participation of My Gym Businesses in the My Gym System and to protect the goodwill and brand image. You must comply with our policies, such as those regarding payment terms for Memberships and other revenue.

We may contact any member of any My Gym Business at any time we wish, for any purpose. If a member of the My Gym Business contacts us and makes a complaint, we reserve the right to address that complaint in order to preserve our reputation and prevent damage to the brand. If we refund money to the complaining person, you will have to reimburse us for those amounts.

We, or our authorized representative, will have the right, during regular business hours, or other times that may be mutually agreed upon with you, to inspect all Membership Lists and related documents and records. Upon reasonable request, you must provide us, in the format that we require, all Membership information and records for your My Gym Business (both active and inactive) including members' names, addresses and telephone numbers (collectively, the "Membership Lists"). We will be the sole owner of the Membership Lists. You may not use the Membership List for any purpose other than for operating your My Gym Business (for example, you cannot distribute, in any manner, the Membership Lists to any third party).

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FIXED CENTER FRANCHISE AGREEMENT	SECTION IN MOBILE BUSINESS FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	1.2.20	1.2.18	12 years
b. Renewal or extension of the term	15.1	15.1	If you have complied with all agreements, you may renew for another 12-year term.
c. Requirements for franchisee to renew or extend	15.1	15.1	Notice, satisfaction of monetary obligations, upgrade, compliance with Franchise Agreement, release, sign new Franchise Agreement that may contain materially different terms and conditions than the original agreement, and others.
d. Termination by franchisee	Not Applicable	Not Applicable	Not Applicable (subject to state law)
e. Termination by franchisor without cause	Not Applicable	Not Applicable	Not Applicable
f. Termination by franchisor with cause	16.1, 16.2 and 16.3	16.1, 16.2 and 16.3	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds. Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.
g. "Cause" defined-curable defaults	16.3	16.3	All defaults not included under §§ 16.1 and 16.2 of the Franchise Agreement.
h. "Cause" defined-non-curable defaults	16.1 and 16.2	16.1 and 16.2	Bankruptcy, abandonment, conviction of felony, and others. However, under the U.S. Bankruptcy Code, we may not be allowed to terminate the agreement merely because you make a bankruptcy filing.
i. Franchisee's obligations on termination/non-renewal	17	17	Cease operating the My Gym Business, payment of amounts due, and others.

PROVISION	SECTION IN FIXED CENTER FRANCHISE AGREEMENT	SECTION IN MOBILE BUSINESS FRANCHISE AGREEMENT	SUMMARY
j. Assignment of contract by franchisor	14.1	14.1	No restriction on our right to assign; on transfer we have no continuing obligations.
k. "Transfer" by franchisee-defined	14.2	14.2	Includes transfer of any interest in the Franchise Agreement or business or controlled corporation.
l. Franchisor's approval of transfer by franchisee	14.3 and 14.4	14.3 and 14.4	We have the right to approve transfers.
m. Conditions for franchisor's approval of transfer	14.3 and 14.4	14.3 and 14.4	Release, payment of transfer fee, and others.
n. Franchisor's right of first refusal to acquire franchisee's business	14.5	14.5	We can match all offers.
o. Franchisor's option to purchase franchisee's business	17.9	17.9	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at your cost or fair market value.
p. Death or disability of franchisee	14.6, 14.7 and 14.8	14.6, 14.7 and 14.8	Your estate must transfer your interest in the My Gym Business to a third party we have approved.
q. Non-competition covenants during the term of the franchise	18.2, 18.3 and 18.4	18.2, 18.3 and 18.4	Includes prohibition on engaging in any other business which is the same or similar to the My Gym Business and others.
r. Non-competition covenants after the franchise is terminated or expires	18.2, 18.3 and 18.4	18.2, 18.3 and 18.4	Includes a 24 month prohibition similar to "q" (above) within 10 miles of the Territory, and also within 10 miles of the territory of any other My Gym Businesses that is then operating under the System.

PROVISION	SECTION IN FIXED CENTER FRANCHISE AGREEMENT	SECTION IN MOBILE BUSINESS FRANCHISE AGREEMENT	SUMMARY
s. Modification of the agreement	22.4	22.4	Modifications must be in writing and signed by all parties. Manuals are subject to change by us and you must promptly comply using reasonable means.
t. Integration/merger clause	22.4	22.4	Only the terms of the Franchise 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.
u. Dispute resolution by arbitration or mediation	19.1	19.1	Except for certain claims, all disputes resolved through mediation/arbitration in California; waiver of jury trial and punitive damages (subject to state law).
v. Choice of forum	19.3	19.3	California, or where our then-current headquarters is located (subject to state law).
w. Choice of law	19.19	19.19	California; but the non-compete covenant will be governed by the law of the state where your My Gym Business is located, if it is not enforceable under the California law (subject to state law).

ITEM 18
PUBLIC FIGURES

We do not currently use any public figure to promote our franchise. We reserve the right to use public figures in the future.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure

Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mr. Michael Chalovich at 15300 Ventura Blvd. Suite 523, Sherman Oaks, California 91403 or (818) 907-6966 ext. 116, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years ~~2020~~2021 to ~~2022~~2023

(Please review this table in conjunction with the notes following the charts.)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	176	169	-7
<u>Franchised</u>	2021	169	166	-3
	2022	166	163	-3
Company-Owned	2020 <u>2023</u>	0 <u>163</u>	0 <u>161</u>	0 <u>-2</u>
<u>Company-Owned</u>	2021	0	0	0
	2022	0	3	+3
Total Outlets	2020 <u>2023</u>	176 <u>163</u>	169 <u>164</u>	-7 <u>+1</u>
<u>Total Outlets</u>	2021	169	166	-3
	2022	166	166	0
	<u>2023</u>	<u>163</u>	<u>161</u>	<u>-2</u>

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For years ~~2020~~2021 to ~~2022~~2023

(Please review this table in conjunction with the notes following the charts.)

State	Year	Number of Transfers
CALIFORNIA	2020	2
<u>CALIFORNIA</u>	2021	2
	2022	2
CONNECTICUT	2020 <u>2023</u>	1 <u>2</u>
<u>ILLINOIS</u>	2021	0
	2022	0
FLORIDA	2020	1
	2021	0
	2022	0
ILLINOIS	2020	0
	2021	0
	2022	1

State	Year	Number of Transfers
MINNESOTA	2020 <u>2023</u>	0
<u>MINNESOTA</u>	2021	1
	2022	0
NEVADA	2020	±
	2021 <u>2023</u>	0
	2022	0
NEW YORK	2020	±
<u>NEW YORK</u>	2021	0
	2022	0
PENNSYLVANIA	2020 <u>2023</u>	0 <u>3</u>
<u>PENNSYLVANIA</u>	2021	0
	2022	1
TEXAS	2020 <u>2023</u>	0
<u>TEXAS</u>	2021	0
	2022	2
VIRGINIA	2020 <u>2023</u>	0
<u>VIRGINIA</u>	2021	1
	2022	0
WASHINGTON	2020 <u>2023</u>	0
<u>WASHINGTON</u>	2021	0
	2022	1
TOTALS	2020 <u>2023</u>	6 <u>0</u>
<u>TOTALS</u>	2021	4
	2022	7
	<u>2023</u>	<u>5</u>

**Table No. 3
Status of Franchised Outlets
For years ~~2020~~2021 to ~~2022~~2023**

(Please review this table in conjunction with the notes following the charts.)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations <u>Terminations</u>	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
ALABAMA	2020			±		0	0	0
	2021			0		0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
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		2022			0	0	0	0	0	0	0
ARIZONA	2020	±			±	0	0	0	0	0	2

<u>ARIZONA</u>	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
CALIFORNIA	2020 2020 2023	462	0	0	0	0	30	432
<u>CALIFORNIA</u>	2021	43	1	0	0	0	1	43
	2022	43	0	0	0	3*	2	38
COLORADO	2020 2020 2023	338	0	0	0	0	0	338
<u>COLORADO</u>	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
CONNECTICUT	2020 2020 2023	63	0	0	0	0	01	62
<u>CONNECTICUT</u>	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
FLORIDA	2020 2020 2023	236	0	0	0	0	10	226
<u>FLORIDA</u>	2021	22	0	0	0	0	3	19
	2022	19	1	0	0	0	0	20
GEORGIA	2020 2020 2023	120	0	01	0	0	0	119
<u>GEORGIA</u>	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
HAWAII	20 20 <u>20</u> <u>23</u>	2	0	0	0	0	0	2
<u>HAWAII</u>	20 21	2	0	0	0	0	1	1
	20 22	1	0	0	0	0	1	0
ILLINOIS	20 20 <u>20</u> <u>23</u>	6 <u>0</u>	0	0	0	0	0	6 <u>0</u>
<u>ILLINOIS</u>	20 21	6	0	0	0	0	0	6
	20 22	6	1	0	0	0	0	7
INDIANA	20 20 <u>20</u> <u>23</u>	2 <u>7</u>	0	0	0	0	0	2 <u>7</u>
<u>INDIANA</u>	20 21	2	0	0	0	0	0	2
	20 22	2	0	0	0	0	0	2
KANSAS	20 20 <u>20</u> <u>23</u>	2	0	0	0	0	0	2
<u>KANSAS</u>	20 21	2	1	0	0	0	0	3
	20 22	3	0	0	0	0	0	3
KENTUCKY	20 20 <u>20</u> <u>23</u>	1 <u>3</u>	0	0	0	0	0	1 <u>3</u>
<u>KENTUCKY</u>	20 21	1	0	0	0	0	0	1
	20 22	1	0	0	0	0	0	1
MARYLAND	20 20 <u>20</u> <u>23</u>	10 <u>1</u>	0	0	0	0	0	10 <u>1</u>
<u>MARYLAND</u>	20 21	10	0	0	0	0	0	10

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2022	10	0	0	0	0	0	10
MASSACHUSETTS	2020 2020 2023	8 <u>10</u>	0	0	0	0	0	8 <u>10</u>
<u>MASSACHUSETTS</u>	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
MINNESOTA	2020 2020 2023	1 <u>8</u>	0	0	0	0	0	1 <u>8</u>
<u>MINNESOTA</u>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MISSOURI	2020 2020 2023	1 <u>0</u>	0	0	0	0	0 <u>1</u>	1 <u>0</u>

		2021			0	0	0	0	0	0	0	0
		2022			0	0	0	0	0	0	0	0

NEBRASKA	2020 2020 2021	1	0	0	0	0	0	1
	2021 2020 2022	1	0	0	0	0	0	1
	2022 2020 2023	1	0	0	0	0	0	1

NEVADA	2020		1			1	0	0	0	0	2
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<u>NEVADA</u>	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
NEW HAMPSHIRE	2020 2020 2023	1 <u>2</u>	0	0	0	0	0 <u>1</u>	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
NEW HAMPSHIRE	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NEW JERSEY	2020	11	0	0	0	0	3	8
	2021	8	0	0	0	0	0	8
NEW JERSEY	2022	8	0	0	0	0	0	8
	2020	168	10	0	0	0	0	178
NEW YORK	2021	17	0	0	0	0	1	16
	2022	16	0	0	0	0	0	16
NORTH CAROLINA	2020	51	10	0	0	0	0	61
	2021	6	0	0	0	0	0	6
NORTH CAROLINA	2022	6	0	0	0	0	1	5
	2020	15	0	0	0	0	1	14
OREGON	2021	2	0	0	0	0	0	2

		2022			0	0	0	0	0	0	0
OREGON	2020		1			1	0	0	0	0	2
	2021	2	0	0	0	0	0	2			
	2022	2	0	0	0	0	0	2			

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
PENNSYLVANIA	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5

SOUTH CAROLINA	2020			±	0	0	0	0	±	0
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SOUTH CAROLINA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
TENNESSEE	2020	1	0	0	0	0	0	1
TENNESSEE	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TEXAS	2020	7 1	0	0	0	0	10	6 1
TEXAS	2021	6	1	0	0	0	0	7
	2022	7	0	0	0	0	0	7
UTAH	2020	17	0 2	0	0	0	0	19
UTAH	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
VIRGINIA	2020	8 1	0	0	0	0	0	8 1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
VIRGINIA	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	1	7
WASHINGTON	2020 2020 2020 2023	27	0	0	0	0	0	27
WASHINGTON	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
TOTALS	2020 2020 2020 2023	176 <u>3</u>	50	0	0	0	120	169 <u>3</u>
Total	2021	169	3	0	0	0	6	166
	2022	166	5	0	0	3	5	163
	2020 2023	<u>163</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>161</u>

*These three California locations were required by us, and are now being operated by our affiliate RBMBT, LLC.

Table No. 4
Status of Company-Owned Outlets
For years ~~2020~~2021 to ~~2022~~2023

(Please review this table in conjunction with the notes that follow the charts.)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
CALIFORNIA	2020	0	0	0	0	0	0
CALIFORNIA	2021	0	0	0	0	0	0
	2022	0	0	3	0	0	3
Totals	2020 2023	0 <u>3</u>	0 <u>1</u>	0	0	0	0 <u>4</u>
Totals	2021	0	0	0	0	0	0
	2022	0	0	3	0	0	3
	2023	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>

Table No. 5
Projected Openings as of December 31, ~~2022~~2023

(Please review this table in conjunction with the notes that follow the charts.)

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	1	1	1
FLORIDA	<u>3</u>	<u>3</u>	<u>0</u>
INDIANA	1	1	0
NEW YORK	<u>1</u>	<u>1</u>	<u>0</u>
TEXAS	1	1	0
TOTALS UTAH	<u>3</u>1	<u>3</u>1	<u>1</u>0
VIRGINIA	<u>1</u>	<u>1</u>	<u>0</u>
TOTALS	<u>9</u>	<u>9</u>	<u>1</u>

Notes to the above charts:

1. States not listed had no activity for the time periods indicated.
2. As disclosed in Item 1, we started franchising Mobile Businesses in July 2006. The information for current franchisees who have Mobile Businesses only is disclosed in Exhibit E.
3. "Company-owned" refers to My Gym Businesses that we own (or that are owned by our affiliates). Company-owned My Gym Businesses are listed in Exhibit E.
4. As we disclosed in Item 1, there are 8 children's fitness centers that are operated under our trademark by certain former and current executives of ours. Please refer to [Exhibit E](#) for their locations.
5. As we disclosed in Item 1, there are ~~3~~4 children's fitness centers that are operated under our trademark by our affiliate. Please refer to Exhibit E for their locations.

The names, addresses, and telephone numbers of our franchisees as of December 31, ~~2022~~2023 are listed in Exhibit E.

Franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement as of December 31, ~~2022~~2023, or who have not communicated with us within 10 weeks of the date of this Disclosure Document are listed in Exhibit E. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

We do not know of any trademark-specific franchisee organization associated with the franchise system being offered. No independent franchisee organization has asked to be included in this Disclosure Document.

ITEM 21 **FINANCIAL STATEMENTS**

Our audited financial statements for our fiscal years ended December 31, ~~2022~~2023, December 31, ~~2021~~2022, and December 31, ~~2020~~2021, as well as our unaudited financial statements for the period ending March 31, ~~2023~~2024 are attached as Exhibit F to this Disclosure Document. Our fiscal year ends on December 31st of each year.

ITEM 22 **CONTRACTS**

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

Exhibit A-1: Fixed Center Franchise Agreement. Attached to the Fixed Center Franchise Agreement are the following exhibits: (A) Data Sheet; (B) Guarantee, Indemnification, and Acknowledgement; (C) List of Owners; (D) Authorization Agreement for ACH Payments (Direct Debits); (E) ADA Certificate; and (F) Non-Disclosure and Non-Competition Agreement

Exhibit A-2: Mobile Business Franchise Agreement. Attached to the Franchise Agreement are the following exhibits: (A) Data Sheet; (B) Guarantee, Indemnification, and Acknowledgement; (C) List of Owners; (D) Authorization Agreement for ACH Payments (Direct Debits); and (E) Non-Disclosure and Non-Competition Agreement

Exhibit B: Mobile Business Authorization Addendum.

Exhibit K: Franchisee Compliance Certification

ITEM 23 **RECEIPTS**

The last two pages of this Disclosure Document are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this Disclosure Document.

Remainder of page left blank intentionally.

EXHIBIT A-1

FIXED CENTER FRANCHISE AGREEMENT



**GYM CONSULTING, LLC
FRANCHISE AGREEMENT
(FIXED CENTER)**

Franchise Agreement Number: _____

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EXHIBITS

Exhibit A	Data Sheet
Exhibit B	Owner’s Guaranty
Exhibit C	List of Owners
Exhibit D	ADA Certification
Exhibit E	Authorization Agreement for ACH Payments (Direct Debit)
Exhibit F	Form of Non-Disclosure and Non-Competition Agreement Between Franchisee and Its Managers

GYM CONSULTING, LLC
FIXED CENTER FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is entered into as of _____ 20____, (the "**Effective Date**") between Gym Consulting, LLC, a California limited liability company with its principal office at 15300 Ventura Boulevard, Suite 523, Sherman Oaks, California 91403 ("**we**"), and _____, a [resident of] / [corporation organized in] / [limited liability company organized in] _____, and having offices at _____ ("**you**," or "**Franchisee**").

1. INTRODUCTION AND DEFINITIONS

1.1 Introduction. We have developed, and are continuing to develop, methods of operating children's physical fitness centers and programs involving the presentation of various programs and activities, including those covering pre-gymnastics, tumbling, fine and gross motor skills, stretching and sports skills, and which may include the sale of equipment, clothing, toys, food products and other items. Such businesses operate under the My Gym System and the Marks, and can be operated at fixed locations (the "**Fixed Centers**"), or from mobile vehicles to provide Services and Products to the Institutional Facilities and the customers located therein (the "**Mobile Businesses**"). Collectively, they are referred to in this Agreement as "My Gym Businesses." If you wish, and we approve you, to operate a Fixed Center or a Mobile Business, you must enter into a corresponding franchise agreement with us. This Agreement is for the operation of a single Fixed Center.

1.2 Definitions. For purposes of this Agreement, the following terms have the meanings listed below. Other terms used in this Agreement are defined and construed in the context in which they occur.

1.2.1 "Affiliate" - Any person, company or other entity which controls, is controlled by or is under common control with another person, company or entity, as well as any spouse, parent, child and/or sibling and any entity controlled by any spouse, parent, child and/or sibling.

1.2.2 "Business Judgment" - Business Judgment shall mean that we are allowed to exercise our judgment however we think is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way.

1.2.3 "Designated Equipment" - Equipment that meets our standards and specifications, and that we designate for you to use in the operation of your Fixed Center, currently including physical fitness equipment, cash registers, computers and software, the front desk and diaper table.

1.2.4 "Franchise" - The right to operate a single Fixed Center at a specific location accepted by us and pursuant to the terms and conditions of a Franchise Agreement.

1.2.5 "Franchisor-Related Parties" - We, and each and all of the following, whether past, current and/or future: each and all company(ies)/person(s) acting by, through, under, in concert, affiliated and/or associated in any way, with us, together with each and all of the partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees of us and/or any of the foregoing, as well as each and all of the successors and/or assigns of us and/or any of the foregoing.

1.2.6 "Gross Volume" - "Gross Volume" shall mean all revenue from the sale of memberships or similar rights to use your Fixed Center's facilities and programs, and any ongoing, upgrade, and/or renewal fees, all Services, Products, and other items and all other income of every kind and nature related to your Fixed Center, including but not limited to proceeds of any business interruption insurance policies, whether for cash, credit or otherwise (and regardless of collection in the case of credit), but not including sales and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities.

1.2.7 "Institutional Facility" - This term includes, among other things: hotels; airports; federal, state or local government facilities (including military bases); hospitals and other health-care facilities; recreational facilities; schools, colleges and other academic facilities; daycare centers; and seasonal facilities.

1.2.8 "Large Model Fixed Center" - A Fixed Center whose target market is children up to ten (10) years of age, and having a square footage of approximately 2,500 to 3,000 square feet.

1.2.9 "Managing Owner" - If you are a corporation, limited liability company, partnership, or limited liability partnership, you will designate an Owner as the Managing Owner, who has been approved by us to supervise the operation of your Fixed Center.

1.2.10 "Manuals" - One or more handbooks, manuals, bulletins and/or volumes, other written materials and video, audio and/or software media, (including materials distributed electronically or otherwise), regardless of title, containing (among other things) specifications, standards, policies and procedures prescribed from time-to-time by us and to be followed by you in connection with your operation, marketing or otherwise of your Fixed Center and your performance under this Agreement, including all goods and services to be sold and/or provided at or from your Fixed Center and/or in association with the Marks. The Manuals include all changes and supplements issued by us in the future, each of which you'll promptly comply with.

1.2.11 "Marks" - The trademarks, service marks and other commercial symbols now and/or in the future owned by or licensed to us and which we designate, from time to time, to be used to identify the services and/or products offered by My Gym Businesses, including the mark "My Gym," "My Gym Children's Fitness Center," the Trade Dress and certain associated logos.

1.2.12 "My Gym System" - The distinctive format and method of doing business now or in the future developed, used and/or modified by us in our reasonable discretion for the operation of a business specializing in children's physical fitness programs, including (but not limited to): (a) distinguishing characteristics related to the image, design, appearance, layout and color scheme of a My Gym Business; (b) design, style, color and other distinguishing characteristics of fixtures, showcases, signs and furnishings; (c) layout, design and selection of equipment, (d) specifications used in preparing Products and/or Services for sale; (e) methods used for selecting, purchasing, marketing, displaying and selling Products and/or Services; (f) operating, marketing and other systems, procedures and standards; (g) the standards of quality, service and cleanliness used in the operation of a My Gym Business; and (h) programs offered by a My Gym Business. We may modify any element of the My Gym System from time to time in our Business Judgment and with which you'll comply within a reasonable period of time.

1.2.13 "Owner" - Each person or entity that has a direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited

liability company or other legal entity. Each Owner and its interest are identified in Exhibit C to this Agreement, which may be amended by us upon notice thereof to you.

1.2.14 "Premises" - The location for your Fixed Center accepted by us pursuant to this Agreement as set forth in Exhibit A.

1.2.15 "Products" and "Services" - Products and Services designated by us from time to time for use, sale, lease, rental or to be otherwise used at or from My Gym Businesses, whether in association with the Marks or not.

1.2.16 "Reserved Area" - The geographical area described in Exhibit A to this Agreement.

1.2.17 "Similar Business" - Any establishment that now or in the future offers, sells, distributes, provides or is otherwise involved or deals with, whether at wholesale, retail or otherwise, children's physical fitness and/or related activities, including pre-gymnastics, tumbling, fine and gross motor skills, stretching and sports skills (including, exercise, sports, martial arts and/or dance), and/or provides any services and/or products (including, equipment, clothing, toys, food products and/or other items) now or in the future authorized by us to be offered at or from My Gym Businesses, or similar products, including any business awarding franchises or licenses to others to operate or be involved with any such business.

1.2.18 "Site Selection Period" - The period commences on the Effective Date and expires on (a) the end of three (3) months or (b) the date on which you purchase or lease the Premises subject to our approval, whichever is sooner.

1.2.19 "Small Model Fixed Center" - A Fixed Center whose target market is children five (5) years of age and under, and having a square footage of approximately 1,500 to 2,000 square feet.

1.2.20 "Term" - The term of this Agreement shall commence on the Effective Date, and shall expire at the end of twelve (12) years from the Effective Date, unless sooner terminated in accordance with the provisions hereof.

1.2.21 "Territory" - The geographical area described in Exhibit A to this Agreement.

1.2.22 "Trade Dress" - The design and image developed and owned by us for My Gym Businesses, as it currently exists and as it may be revised and further developed by us from time to time with reasonable discretion.

1.2.23 "your Fixed Center" - The Fixed Center that we license you to operate at the Premises pursuant to this Agreement, which may be a Small Model Fixed Center or a Large Model Fixed Center, as is designated on Exhibit A.

2. GRANT OF FRANCHISE

2.1 Grant. Subject to the provisions of this Agreement, we grant to you a Franchise to use the Marks and the My Gym System in the operation of your Fixed Center for the Term. Termination or expiration of this Agreement will constitute a termination or expiration of all of your rights and all of our obligations. You agree that you will at all times faithfully, honestly and diligently perform your obligations hereunder, and that you will continuously exert your best efforts to promote and enhance the business of your Fixed Center and the goodwill of the Marks. You will not conduct the business of your Fixed Center or use the

Marks from any location other than the Premises or for any purpose other than the operation of your Fixed Center in good standing and subject to a Franchise Agreement with us.

2.2 Territory. During the term of this Agreement, we will not operate or license a third party to operate, a Fixed Center to be located inside the Territory, or to operate or license a third party to operate, a Mobile Business to provide Services and Products to Institutional Facilities located inside the Territory, provided that you (and each Affiliate) do not at any time commit any default under any obligations to us and/or any Affiliate (whether arising under this Agreement or otherwise) and, in any event, subject to our rights as set forth in this Agreement, including the provisions of this Section. We retain all other rights and may, among other things, on any terms and conditions we deem advisable and without granting you any rights therein:

2.2.1 use and to license others to use, the My Gym System and the Marks for the operation of Fixed Centers at any location outside the Territory, or Mobile Businesses providing Services and Products to any Institutional Facilities outside the Territory, despite the proximity such businesses may have to the Territory;

2.2.2 acquire and thereafter operate any businesses or centers of any kind, whether located within or outside the Territory despite the proximity that such business(es) or center(s) may have to the Premises (except that we shall not do so from a Fixed Center operating under the Marks located in the Territory);

2.2.3 use and license the use of the Marks and other marks in connection with the operation of centers at any location, which centers and marks may be the same as, similar to, or different from the My Gym Businesses and Marks despite such centers' proximity to the Premises (except that we shall not do so from a Fixed Center operating under the Marks located in the Territory); and/or

2.2.4 sell and distribute any Products and Services, directly or indirectly, or license others to sell and distribute any Products and Services, directly or indirectly, from any location or to any purchaser, through any channel of distribution (including sales made to and services provided to purchasers in the Territory through supermarkets, retail establishments, mail order, independent distributors, phone order, and on the Internet, and/or sales to delivery customers), except that we shall not do so from a Fixed Center operating under the Marks located in the Territory.

2.3 Modification of Territorial Rights Upon Default. If you become in default of any of your obligations to us or any Affiliate we may, upon written notice to you, reduce, eliminate or otherwise modify your territorial rights.

2.4 Cross-Marketing. You may not intentionally target market within the exclusive territory of another My Gym Business. You understand that there might be instances where individual My Gym Businesses will advertise in the same publication or other media format at the same time, in the same issue or otherwise.

3. DEVELOPMENT AND OPENING OF YOUR CENTER

3.1 Site Selection.

3.1.1 If a site has not already been chosen for your Fixed Center, we will grant you a Reserved Area. During the Site Selection Period, we will not license others to operate a Fixed Center, or open a Fixed Center to be owned by us, within the Reserved Area. You acknowledge that other franchisees may be seeking sites at which to operate a Fixed Center within the Site Selection Area. Time is of essence. If you do not acquire, lease, or sublease a site for a My Gym Business within the Site Selection Period, that shall constitute a default under this Agreement.

3.1.2 If you will occupy the premises from which your Fixed Center is conducted under a lease or sublease, you shall, prior to the execution thereof, submit such lease to us for our written approval. Our approval of the lease or sublease may be conditioned upon inclusion of the provisions in Section 3.3 hereof.

3.1.3 Before executing a lease and after the execution of the Franchise Agreement, you shall submit to us, in the form specified by us, a completed site approval form prescribed by us, and such other information or materials as we may reasonably require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We shall have thirty (30) days after receipt of such information and materials from you to approve or disapprove, in our Business Judgment, the proposed site as the location for your Fixed Center. If we do not approve a proposed site by written notice to you within said thirty (30) days, such site shall be deemed disapproved by us.

3.1.4 Once your proposed site is approved by us, the site will constitute the "Premises" in Exhibit A. You further acknowledge and agree that you will no longer have any rights to the Reserved Area after our approval of your proposed site. Any location must be mutually acceptable to you and us. We will provide you with site selection assistance as we may deem advisable in the circumstances. If you wish to relocate the Premises of your Fixed Center, you must obtain our prior written approval and pay us a relocation fee of Two Thousand Five Hundred Dollars (\$2,500). You acknowledge and agree that we may reject any proposal to relocate outside of your Territory for any reason or no reason.

3.1.5 You acknowledge and agree that specific street location is not a significant factor in the possible success of your Fixed Center. We cannot and do not guarantee success for any location, nor shall any location recommendation or approval made by us be deemed a representation that any particular location is available for use as a Fixed Center. You understand and agree that without our ability to limit our liability with respect to such matters as set forth in this Agreement and otherwise, we would not be willing to grant a franchise to you or to be involved in any way in assisting you in such matters.

3.2 Our Pre-Opening Assistance. We'll provide you with assistance in the following areas in connection with the location and establishment of your Fixed Center:

3.2.1 We will assist you and consult with you in negotiating the lease for your Fixed Center.

3.2.2 We will provide you with demographic data regarding the Territory.

3.2.3 We will provide the Designated Equipment at your expense, or you may have a contractor produce them for you based on our standards and specifications, subject to our prior written approval.

3.2.4 We will, at your expense and on your behalf, order other equipment for use in your Fixed Center, or you may obtain such items from other sources, subject to requirements as set forth in Section 10.6 hereof, including our prior written approval and compliance with our standards and specifications.

3.2.5 We will consult with you, implementing our expertise and advice, in the construction of your Fixed Center, including facility space plan options.

3.2.6 We will act as a consultant to your hired architect and/or contractor.

3.3 Lease Conditions. Our approval of the lease or purchase agreement shall be conditioned upon inclusion in the lease or purchase agreement of terms acceptable to us, and we shall have the right to require inclusion of any or all of the following provisions, which will:

3.3.1 Allow us the right to elect to take an assignment of the leasehold interest upon termination or expiration of our rights under this Agreement;

3.3.2 Require the lessor to provide us with a copy of any notice of deficiency under the lease sent to you, at the same time as notice is given to you (as the lessee under the lease), and which grants us the right (but not obligation) to cure any of your deficiencies under the lease within fifteen (15) business days after the expiration of the period in which you had to cure any such default should you fail to do so;

3.3.3 Recognize your right to display and use the Marks in accordance with the specifications required by the Manuals, subject only to the provisions of applicable law;

3.3.4 Require that the Premises be used solely for the operation of your Fixed Center; and

3.3.5 State that any default under the lease shall constitute a default under the Franchise Agreement, and any default under the Franchise Agreement shall constitute a default under the lease.

3.4 My Gym Design Standards. From time to time we may issue specifications and other requirements for design, decoration, layout, equipment, furniture, fixtures and signs for My Gym Businesses (the "**My Gym Design Standards**"). You acknowledge and agree that the My Gym Design Standards are an integral part of the My Gym System and that your Fixed Center will be developed, constructed, designed and operated in accordance with our My Gym Design Standards.

3.5 Preparing the Site. You agree that, promptly after obtaining possession of the approved site for your Fixed Center, you shall do all of the following things:

3.5.1 cause to be prepared and submit for approval by us a description of any modifications to our My Gym Design Standards at the site leased or purchased for that purpose, provided that you may modify our My Gym Design Standards only to the extent required to comply with all applicable ordinances, building codes and permit requirements and with prior notification to and written approval from us;

3.5.2 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

3.5.3 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including but not limited to the specifications provided by us in writing, whether in the Manuals or otherwise);

3.5.4 complete the construction and/or remodeling, equipment, fixture, furniture and sign installation and decorating of your Fixed Center in full and strict compliance with plans and specifications for your Fixed Center that we has approved in writing, as well as all applicable ordinances, building codes and permit requirements;

3.5.5 obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and

3.5.6 otherwise complete development of and have your Fixed Center ready to open and commence the conduct of its business in accordance with Section 3.9 below.

3.6 Use of the Premises. You may use the Premises only for the purpose of operating your Fixed Center and for no other purpose. You shall not co-brand or permit any other business to operate at said locations without our prior written approval.

3.7 Construction or Renovation. In connection with any construction or renovation of your Fixed Center, and before starting any such construction or renovation, you shall comply, at your own expense, to our satisfaction, with all of the following requirements:

3.7.1 You shall employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary plans and specifications for site improvement and construction of your Fixed Center based upon prototype design and image specifications furnished by us in the Manuals. Our approval shall be limited to conformance with our My Gym Design Standards and shall not relate to your obligations with respect to any federal, state and local laws, codes and regulations including, without limitation, the applicable provisions of the Americans with Disabilities Act (the "**ADA**") regarding the construction, design and operation of your Fixed Center, which subjects shall be your sole responsibility.

3.7.2 You shall comply with all federal, state and local laws, codes and regulations, including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of your Fixed Center. If you receive any complaint, claim, or other notice alleging a failure to comply with the ADA, you agree to provide us with a copy of such notice within five (5) days after receipt thereof.

3.7.3 In connection with any standard layout and equipment plans that we provide to you, you acknowledge that such specifications do not meet and are not meant to address the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the ADA and/or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a Fixed Center, compliance with all of which shall be your responsibility and at your expense. You shall adapt, at your expense, the standard specifications to your Fixed Center, subject to our approval, which will not be unreasonably withheld, provided that such plans and specifications conform to our general criteria. You

understand and acknowledge that we have the right to modify the My Gym Design Standards as we deem appropriate from time to time.

3.7.4 You shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to your location. After having obtained such approvals and clearances, you shall submit to us for our approval final plans for construction based upon the preliminary plans and specifications. Our review and approval of plans shall be limited to review of such plans to assess compliance with our My Gym Design Standards, including such items as Trade Dress, presentation of Marks, and the provision to the potential customer with certain Products and Services that are central to the functioning of your Fixed Center. We shall not review nor shall any approval be deemed to include your compliance with federal, state, or local laws and regulations, including the ADA, and you acknowledge and agree that compliance with such laws is and shall be your sole responsibility. Once approved by us, such final plans shall not thereafter be changed or modified without our prior written permission. Any such change made without our prior written permission shall constitute a material default under this Agreement and we may withhold our authorization to open your Fixed Center for business until the unauthorized change is rectified (or reversed) to our reasonable satisfaction.

3.7.5 You shall obtain all permits and certifications required for the lawful construction and operation of your Fixed Center and shall certify in writing to us that all such permits and certifications have been obtained.

3.7.6 You shall employ a qualified licensed general contractor who is reasonably acceptable to us to construct your Fixed Center and to complete all improvements. You shall obtain and maintain in force during the entire period of construction the insurance required under Section 10.10 below; and you shall deliver to us such proof of such insurance as we shall require.

3.8 Pre-Opening Advertising/Marketing. For the 180-day period before the opening of your Fixed Center, you must spend an amount designated by us (of no less than the amount set forth in Exhibit A to this Agreement) on a pre-opening advertising/marketing program, subject to Section 11.8 below. We may require you to pay these amounts directly to vendors approved by us, or to deposit such amounts with us and we will expend them on your behalf. We may furnish advice and guidance to you with respect to the program, which you must follow.

3.9 Pre-Opening Inspection. We will inspect and approve the Fixed Center for opening before it opens. You may not start operating the Fixed Center until you receive our approval to do so.

3.10 Pre-Opening. Before opening for business, You shall comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the pre-opening advertising/marketing program), the Manuals, and/or otherwise specified by us in writing. Within thirty (30) days after your Fixed Center first opens for business, You must give us a full written breakdown of all costs associated with the development and construction of your Fixed Center, which must be in such form as we may reasonably find acceptable or as it may otherwise reasonably require. Additionally, before opening your Fixed Center, and after any renovation, you shall execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit D, to certify to us that your Fixed Center and any proposed renovations comply with the ADA.

3.11 Opening. You shall not open your Fixed Center for business without our prior written approval. You shall provide at least thirty (30) days' prior notice to us of the date on which you propose to first open your Fixed Center for business. If we cannot provide our representative on the date that you propose to first open your Fixed Center for business, then you shall reschedule such opening to a date on which our representative can be in attendance; provided, that we will not permit any such rescheduling to unreasonably delay opening of your Fixed Center.

3.12 Relocation of Your Center. If your lease or sublease for your Fixed Center expires or terminates, if the Premises are damaged, condemned or otherwise rendered unusable, or if, in your and our judgment, there is a change in the character of the location of the Premises sufficiently detrimental to its business potential to warrant its relocation, you may relocate your Fixed Center, subject to our approval of the new premises in our Business Judgment. Any such relocation will be at your sole expense and we may require the execution of general releases of any and all claims, known or unknown, against Franchisor-Related Parties.

4. TECHNOLOGY

4.1 Computer Systems and Required Software.

4.1.1 We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among My Gym Businesses, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at My Gym Businesses, between or among My Gym Businesses, and between and among you and us; (b) printers and other peripheral devices; (c) archival back-up systems; and (d) internet access mode (e.g., form of telecommunications connection) and speed (collectively, the "**Computer System**").

4.1.2 We shall have the right, but not the obligation, to develop or have developed, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which you shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you shall install; (c) the tangible media upon which such you shall record data; and (d) the database file structure of your Computer System.

4.1.3 You shall install and use the Computer System and Required Software.

4.1.4 You shall implement and periodically make upgrades and other changes to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**").

4.1.5 You shall afford us unimpeded access to your Computer System and Required Software as we may request, in the manner, form, and at the times requested by us. We shall have the right at any time to retrieve and use such data and information from your Computer System and Required Software that we deem necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other to the greatest practical extent, you agree to comply with our standards and specifications for all items associated with your Computer System and Required Software, and with respect to Computer Upgrades, and to otherwise operate your Computer System in accordance with our standards and specifications.

4.2 Data. All data provided by you, uploaded to our system from your system, and/or downloaded from your system to our system is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. In addition, all other data created or collected by you in connection with the My Gym System, or in connection with your operation of your Fixed Center (including but not limited to consumer and transaction data), is and will be owned exclusively by us during the Term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and solely for your use in connection with the rights granted under this Agreement.

4.3 Privacy. We may, from time to time, specify in the Manuals or otherwise in writing the information that you shall collect and maintain on the Computer System installed at your Fixed Center, and you shall provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to or derived from your Fixed Center (including without limitation data pertaining to or otherwise about My Gym Business customers) is and shall be our exclusive property, and we hereby grants a royalty-free non-exclusive license to You to use said data during the term of this Agreement.

4.3.1 You shall abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").

4.3.2 You shall comply with our standards and policies pertaining to the privacy of consumer, employee, and transactional information. If there is a conflict between the Privacy Laws and our standards and policies, you shall: (a) comply with the requirements of the Privacy Laws; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies within the bounds of the Privacy Laws.

4.3.3 You shall not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.

4.4 Telecommunications. You shall comply with our requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet.

4.5 Extranet. We have established an Extranet (but are not required to maintain an Extranet). If we do establish an Extranet, then you shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of your Fixed Center. The Extranet may include, without limitation, the Manuals, training other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You shall purchase and maintain such computer software and hardware (including but not limited to telecommunications capacity) as may be required to connect to and utilize the Extranet.

4.6 Websites. Unless otherwise approved in writing by us, you shall not establish a separate Website, but shall only have one or more references or webpage(s), as designated and approved in advance by us, within our Website (the term "**Website**" is defined to mean

a group of related documents that can be accessed through a common internet address). However, if we approve, in writing, a separate Website for you (which we are not obligated to approve), then each of the following provisions shall apply:

4.6.1 You specifically acknowledge and agree that any Website owned or maintained by or for the benefit of you shall be deemed "advertising" under this Agreement, and will be subject to (among other things) our approval as set forth in Section 11.8 hereof.

4.6.2 You shall not establish or use any Website without our prior written approval.

4.6.3 Before establishing any Website, you shall submit to us, for our prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta tags) in the form and manner we may reasonably require;

4.6.4 You shall not use or modify such Website without our prior written approval as to such proposed use or modification.

4.6.5 In addition to any other applicable requirements, you shall comply with the standards and specifications for Websites that we may periodically prescribe in the Manuals or otherwise in writing.

4.6.6 If required by us, you shall establish such hyperlinks to our Website and others as we may request in writing.

4.7 Online Use of Marks and E-mail Solicitations. You shall not use the Marks or any abbreviation or other name associated with us and/or the My Gym System as part of any of your e-mail address, domain name, and/or other identification in any electronic medium. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining our written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) your plan for transmitting such advertisements.

4.8 No Outsourcing without Prior Written Approval. You shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of your obligations without our prior written approval therefore. Our consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that is reasonably provided by us. The provisions of this Section 4.8 are in addition to and not instead of any other provision of this Agreement.

4.9 Changes to Technology. The parties acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the My Gym System; and you agree that you shall abide by those reasonable new standards established by us as if this Section 4 were periodically revised by us for that purpose.

4.10 E-Mail Communication. You acknowledge and agree that exchanging information with us by e-mail is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of e-mail for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail

to exchange information, you authorizes the transmission of e-mail by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "**Official Senders**") to you during the term of this Agreement.

4.10.1 In order to implement the terms of this Section 4.10, you agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally designate for the purpose of communicating with us; (b) you will cause your officers, directors, and employees (as a condition of their employment or position with You) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of e-mails to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the time that such person works for or is affiliated with you; and (c) you will not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the term of this Agreement.

4.10.2 The consent given in this Section 4.10 shall not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

4.11 Social Media. You must comply with the standards and procedures we develop for the My Gym System, in the manner directed by us, with regard to your authorization to use, and use of, blogs, common social networks (such as "Facebook", "Google+" and "Myspace"), professional networks (such as "Linked-In"), live blogging tools (such as "Twitter"), virtual worlds, file, audio and video sharing sites and other similar social networking media or tools that in any way references the Marks, the My Gym System or any Fixed Centers and/or Mobile Businesses.

5. TRAINING; GUIDANCE; MANUALS

5.1 Training.

5.1.1 We will furnish to you (or the Managing Owner) and one designated management employee of yours (the "**Center Manager**"), and you (or the Managing Owner) and your Center Manager must successfully complete, to our satisfaction, a pre-formal training program and a formal training program.

5.1.2 The Center shall be under the active full-time management of your Center Manager who has been trained by us as provided in Section 5.1.1; except that if such Center Manager ceases active full-time management of your Fixed Center, you shall train a replacement (whom we may disapprove if we have a reasonable objection) in accordance with our training program.

5.1.3 You (or the Managing Owner) and your Center Manager will attend additional and/or refresher training programs conducted at your Fixed Center or other location(s) specified by us which we designate as mandatory, including national and regional conferences, conventions and meetings, and your other employees may be required to attend mandatory training programs presented by us at your Fixed Center. You and your managers and employees may attend any additional training programs offered by us from time to time which we designate as optional. We may charge a reasonable fee for any optional training programs. You shall be responsible for your own expenses and those of your employees who attend any such training programs and/or conventions.

5.1.4 We reserve the right to require you to enroll each of your employees in our web-based training program, when developed, for which there may be a charge per

employee. If web-based training is required, you shall pay the fees for such training on a monthly basis, as incurred by its employees, at the times and in the manner set forth in Section 9.4 hereof.

5.1.5 The cost of all training instructions and required materials shall be borne by us, except as otherwise described above in this Section 5.1. All other expenses incurred in connection with training, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by you.

5.2 Guidance and Assistance. We will furnish guidance to you with respect to: (1) specifications, standards and operating procedures utilized by My Gym Businesses and any modifications thereof; (2) purchasing approved equipment, furniture, fixtures, signs, inventory, operating materials and supplies; (3) developing and implementing local advertising and promotional programs; (4) administrative, bookkeeping, accounting, inventory control and general operating and management procedures of My Gym Businesses; and (5) your establishing and conducting employee training programs at your Fixed Center.

Such guidance will, in our sole discretion, be furnished in the form of our Manuals, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at your Fixed Center. If requested by you, we will furnish additional guidance and assistance relative to the operation of your Fixed Center at per diem fees and charges established from time to time by us. If special training of your personnel or other assistance in operating your Fixed Center is requested by you and must take place at your Fixed Center, all expenses for such training, including our per diem charges and travel, meals and lodging expenses for our personnel, will be paid by you.

5.3 Manuals. During the term of the Franchise, we will loan you (or allow you electronic or other access to) one copy of the Manuals, containing mandatory and suggested specifications, standards and operating procedures prescribed from time to time by us for a My Gym Business and information relative to your obligations hereunder. We can modify any aspect of the Manuals, the My Gym System, or specifications, standards, policies and procedures of My Gym Businesses, to, among other things, specify brands, types and/or models of equipment which must be used by you in the operation of your Fixed Center, to specify changes in the Products and Services used and/or offered by you, and/or to specify changes in the decor, format, image, products, services, operations or otherwise of a My Gym Business. You will promptly and continuously comply with all provisions of, and additions/deletions/changes to, the Manuals. You have no expectation that the Manuals (and the My Gym System) will not be changed over time and you and we, in fact, anticipate that such changes will take place, in response to competitive challenges, commercial opportunities and otherwise. You will keep your copy of the Manuals current by immediately inserting all modified pages and destroying or returning to us all superseded material. Any such additions/deletions/changes will take precedence over all prior communications and in the event of a dispute, the master Manuals maintained at our office shall control. The provisions of the Manuals as modified from time to time by us and communicated to you constitute provisions of this Agreement and are binding upon you. The Manuals contain proprietary information of ours and you agree to keep the Manuals and information contained therein confidential at all times during and after the Term of this Agreement. Except for those portions of the Manuals that we designate, in writing, as appropriate for copying and use at your Fixed Center, you shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. The Manuals shall at all

times remain our sole property, and shall at all times be kept in a secure place on the Premises.

5.4 Delegation of Our Duty. You acknowledge and agree that any designee, employee, or agent of ours may perform any duty or obligation imposed on us by this Agreement, as we may direct.

6. MARKS

6.1 Our Representations. We represent with respect to the Marks that:

6.1.1 We are the owner of all right, title, and interest in and to the Marks.

6.1.2 We have taken and will take all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Marks.

6.2 Your Agreement. With respect to your use of the Marks, you agree that:

6.2.1 You shall use only the Marks designated by us, and shall use them only in the manner authorized and permitted by us; all items bearing the Marks shall bear the then-current logo.

6.2.2 You shall use the Marks only for the operation of your Fixed Center, or in marketing approved by us for your Fixed Center.

6.2.3 Unless we otherwise direct you, in writing, to do so, you shall operate and advertise your Fixed Center only under the names "My Gym" and "My Gym Children's Fitness Center" without prefix or suffix.

6.2.4 During the term of this Agreement and any renewal of this Agreement, you shall identify yourself (in a manner reasonably acceptable to us) as the owner of your Fixed Center in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of your Fixed Center as we may designate in writing.

6.2.5 Your right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

6.2.6 You shall not use the Marks to incur any obligation or indebtedness on our behalf.

6.2.7 You shall not use the Marks as part of your corporate or other legal name, or as part of any e-mail address, domain name, or other identification of yours in any electronic medium.

6.2.8 You shall execute any documents as we deem necessary to obtain protection for the Marks or to maintain their continued validity and enforceability.

6.2.9 With respect to litigation involving the Marks, the parties agree that:

(a) You shall promptly notify us of any suspected infringement of the Marks, any known challenge to the validity of the Marks, or any known challenge to our

ownership of, or your right to use, the Marks licensed hereunder. You acknowledge that we shall have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. We shall also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks.

(b) If you have used the Marks in accordance with this Agreement, we shall defend you at our expense against any third party claim, suit, or demand involving the Marks arising out of your use thereof. If you have not used the Marks in accordance with this Agreement, we will defend you, at your expense, against such third party claims, suits, or demands. You shall promptly notify us of any suspected unauthorized use of, or any challenge to the validity or ownership of the Marks, or our right to use and to license others to use, or your right to use, the Marks licensed hereunder. You acknowledge that we have the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Marks, including any settlement thereof. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things, except that you shall bear the salary costs of your employees, and we shall bear the costs of any judgment or settlement. To the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, you shall reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including without limitation attorney's fees, as well as the cost of any judgment or settlement.

(c) If we undertake the defense or prosecution of any litigation relating to the Marks, you shall execute any and all documents and do such acts and things as may, in the opinion of our counsel, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action.

6.3 Your Acknowledgements. You expressly understand and acknowledge that:

6.3.1 We are the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them.

6.3.2 The Marks are valid and serve to identify the My Gym System and those who are authorized to operate under the My Gym System.

6.3.3 Neither you nor any Owner of you shall directly or indirectly contest the validity or our ownership of the Marks, nor shall you, directly or indirectly, seek to register the Marks with any government agency, except with our express prior written consent.

6.3.4 Your use of the Marks does not give you any ownership interest or other interest in or to the Marks, except the license granted by this Agreement.

6.3.5 Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the My Gym System or the Marks.

6.3.6 The right and license of the Marks granted hereunder to you is non-exclusive, and we thus have and retain the rights, subject to Section 2.2 of this Agreement, among others:

(a) To use the Marks ourselves in connection with selling Products and Services and other items;

(b) To grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees;

(c) To develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to you.

6.4 Change to Marks. We reserve the right to substitute different Marks for use in identifying the My Gym System and the businesses operating thereunder if our currently owned Marks no longer can be used, or if we, exercising its right to do so, determine that substitution of different Marks will be beneficial to the My Gym System. In such circumstances, the use of the substituted marks shall be governed by the terms of this Agreement.

7. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

7.1 Independent Contractors. You and we agree that neither this Agreement nor anything else creates a fiduciary or agency relationship between you and us; that you shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purposes whatsoever. You will identify yourself as a My Gym Business franchisee and will place such other notices of independent ownership on such forms, business cards, stationery, advertising, signs and other materials as we may require from time to time. Subject to the requirements of this Agreement and the Manuals, you will have complete operational control of your business, including the right to hire and fire each employee.

7.2 No Liability for Acts of Other Party. You will not use any of the Marks or My Gym System in a manner that may result in our liability for any indebtedness or obligations of yours, nor in any way not expressly authorized herein, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Fixed Center or otherwise.

7.3 Taxes. We shall have no liability for any taxes, whether levied upon you, your Fixed Center or your property, or upon us, in connection with the sales made or business conducted by you.

7.4 Indemnification. You must be solely responsible for any damage, loss or other claims arising out of your operations and/or ownership of your Fixed Center and you shall indemnify and hold us harmless from all fines, suits, claims, loss, damages, costs, fees and/or other expense of any kind connected with any act and/or omission of yours.

7.5 No Warranty. With respect to any equipment, products, services, goods or supplies provided by us, the Franchisor-Related Parties and/or any person/company affiliated in any way with and/or referred by us, other than specific written warranties expressly provided in connection with such items, such items are provided without any warranties by us or any Affiliate, nor do there exist any express or implied warranties on the part of us or any

Affiliate as to the design, condition, capacity, performance or any other aspect of such items or their material or workmanship. All warranty or other responsibility with respect to any Designated Equipment, Products and/or Services or other items will be those of the manufacturers only.

Neither we nor any of the Franchisor-Related Parties, any supplier designated by us will have any liability with respect to any claims against us, any of the Franchisor-Related Parties, and/or any supplier designated by us, with respect to any failures, errors or otherwise, of or by any Computer System, Required Software, or otherwise, whether or not provided or specified by us, any of the Franchisor-Related Parties or any supplier.

8. CONFIDENTIAL INFORMATION

8.1 Confidential Information. "Confidential Information" includes the following categories: (1) information regarding the development, operation and franchising of My Gym Businesses; (2) marketing programs for My Gym Businesses; (3) knowledge of specifications for and suppliers of certain materials, equipment, furniture and fixtures for My Gym Businesses; (4) methods, procedures and techniques for preparing, marketing and presenting the Products and Services; and (5) information regarding the Products and Services authorized for sale, lease or rental from My Gym Businesses. Any and all information, knowledge, know-how, and techniques which we designate as confidential shall be deemed confidential for purposes of this Agreement, except information which you can demonstrate came to your attention prior to disclosure thereof by us; or which, at or after the time of disclosure by us to you, had become or later becomes a part of the public domain, through publication or communication by others. In any dispute between you and us involving any question as to whether or not certain information is, in fact, confidential and/or proprietary to us, the burden of proof and the burden of going forward will be on you.

8.2 Non-Disclosure of Confidential Information. You will: (1) not use, communicate, or divulge the Confidential Information in any business or capacity other than the operation of your Fixed Center; (2) maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of this Agreement; and (3) adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information.

8.3 Our Ownership of Improvements. We and those we designate will have the perpetual right to use all ideas, methods, and other information relating to a My Gym Business or which would be usable therein that are conceived or developed by you and/or your employees, without compensation or other obligation.

8.4 Breach of Confidentiality. You acknowledge that any failure to comply with the requirements of this Section 8 will cause us irreparable injury, and you agree to pay all court costs and reasonable attorney's fees incurred by us in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 8.

9. FEES

9.1 Initial Franchise Fee. You shall pay us an initial franchise fee as set forth in Exhibit A (the "**Initial Franchise Fee**") upon the signing of this Agreement. If you are signing this Agreement for a Large Model Fixed Center, and you have already signed a Mobile Business Franchise Agreement for the same Territory, and paid us the initial franchise fee of Twenty-Five Thousand Dollars (\$25,000) under the Mobile Business Franchise Agreement, the Initial Franchise Fee due under this Agreement will be Thirty Thousand Dollars

(\$30,000). If you are signing this Agreement for a Small Model Fixed Center, and you have already signed a Mobile Business Franchise Agreement for the same Territory, and paid us the initial franchise fee of Twenty-Five Thousand Dollars (\$25,000) under the Mobile Business Franchise Agreement, the Initial Franchise Fee due under this Agreement will be Fifteen Thousand Dollars (\$15,000). The Initial Franchise Fee has been fully earned by us upon signing of this Agreement and is entirely nonrefundable (as are all amounts paid to us and/or any Affiliate) in consideration of administrative and other expenses incurred by us in granting this Franchise and for our lost or deferred opportunity to franchise others; provided, however, that the Initial Franchise Fee shall be refunded to you, less the amount of Five Thousand Dollars (\$5,000) in consideration for our costs and expenses in providing site selection and other initial services to you, if: (1) you are unable to obtain the Premises within the Site Selection Period after your reasonable efforts; or (2) you are unable to obtain necessary financing for the establishment of your Fixed Center within three (3) months after Effective Date after your reasonable efforts.

9.2 Equipment Deposit. If you elect to purchase the Designated Equipment from us, you must pay us a deposit of Ten Thousand Dollars (\$10,000) (the "**Equipment Deposit**") upon the signing of this Agreement. The Equipment Deposit will be applied towards your purchase of the Designated Equipment from us, and the full amount to be paid for the Designated Equipment shall be due upon the opening of your Fixed Center. The Equipment Deposit shall be refundable only if the Initial Franchise Fee is partially refunded under the situations described under Section 9.1 hereof.

9.3 Royalty Fee. For each calendar month (or other period as specified by us in our Business Judgment), you shall:

9.3.1 pay us a continuing royalty fee in an amount equal to a percentage of the Gross Volume of your Fixed Center, which percentage is set forth in Exhibit A ("**Royalty Fee**"); and

9.3.2 report to us in writing (or electronically) the Gross Volume of your Fixed Center (a "**Sales Report**").

9.4 Minimum Purchase. For each consecutive 12-month period starting from the date that your Fixed Center opens, you must purchase from us or our Affiliates for a minimum amount of Products, which shall be Eight Thousand Dollars (\$8,000).

9.5 Due Date. All payments required by Sections 9.3 and 11.2 hereof based on the Gross Volume for the preceding month, and the Sales Report required by Section 9.3 for the Gross Volume for the preceding month, shall be paid and submitted so as to be received by us by the twenty-fifth (25th) day of each month.

9.5.1 You shall deliver to us any and all reports, statements and/or other information required, at the time and in the format reasonably requested by us. You shall establish an arrangement for electronic funds transfer or deposit of any payments required under Sections 9 or 11 of this Agreement.

9.5.2 You agree to sign and return to us our current form of "Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit E, and you shall comply the payment and reporting procedures specified by us in the Manuals.

9.5.3 You expressly acknowledge and agree that your obligations for the full and timely payment of Royalty Fees and Advertising Contributions (and all other amounts

provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon your generation and receipt of Gross Volume.

9.5.4 You agree that you shall not, for any reason, delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims you may allege against us, the Marketing Fund, the Regional Ad Fund or others. You shall not, on grounds of any alleged non-performance by us or others, withhold payment of any fee, including without limitation Royalty Fees or Advertising Contributions, nor withhold or delay submission of any reports due hereunder including but not limited to Sales Reports.

9.6 Interest and Late Fees on Overdue Payments and/or Reports. Any payment or report not actually received by us (or the appropriate advertising fund) on or before such due date shall be deemed overdue. If any payment is overdue, you shall pay us, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of eighteen percent (18%) per year, or the maximum rate permitted by law, whichever is less. In addition, a late fee of Twenty-five Dollars (\$25) will be assessed (but not to exceed any legal limitations).

Entitlement to such interest and late fee shall be in addition to any other remedies we may have, and shall not constitute our agreement to accept payments after they are due or any commitment to extend credit to, or otherwise finance your operation of, your Fixed Center. If you fail to pay any amounts (including any electronic draft returns, returns for insufficient funds or otherwise), or fail to deliver any report when due, that failure can constitute grounds for termination of this Agreement, in spite of the provisions of this Section.

9.7 Payment for Non-Public Domain Music. On February 1 of each year (or such other date as specified by us), you will pay us such amount as required the music licensor (e.g., BMI, ASCAP, SESAC) for the rights to play non-public domain music. Currently, this amount is Five Hundred Dollars (\$500) per year.

9.8 CPI Index. The parties agree that all fixed dollar amounts set out in this Agreement are subject to adjustment, up or down, depending on changes in the Index. For the purpose of this Agreement, the term "Index" is agreed to mean the Consumer Price Index (1982-84=100: all items; CPI-U; all urban consumers) published by the U.S. Bureau of Labor Statistics (or if the Index is no longer published, a successor index that we may reasonably specify in the Manuals or otherwise in writing). Adjustments to fixed dollar amounts set out in this Agreement shall be made no more than once each year by us, in writing, and the first such adjustment shall not be made until at least two (2) years after the date of this Agreement.

10. CENTER IMAGE AND OPERATION

10.1 Image; Upgrading. You will faithfully follow the My Gym System and Manuals, as revised by us from time to time. You acknowledge that presentation of the My Gym System's image is of vital importance and you will regularly upgrade your Fixed Center to our then-current standards, provided that no upgrade will be required during the first (1st) year after you Center opens for business. Starting on your second (2nd) year of operation, the cost of any required upgrade will not exceed Five Thousand Dollars (\$5,000) per year, provided that point-of-sale system upgrades are not subject to any of the foregoing limitations.

10.2 Use of your Fixed Center. You shall use the Premises solely for the operation of your Fixed Center; shall keep your Fixed Center open and in normal operation for such hours and days as we may from time to time specify in the Manuals or as we may otherwise approve in writing; and shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining our written consent

10.3 Health and Safety Ratings. You shall meet and maintain the highest health standards and ratings applicable to the operation of your Fixed Center. You shall furnish to us, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over your Fixed Center.

10.4 Sanitation and Repair of your Fixed Center. You shall at all times maintain your Fixed Center in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as we may reasonably direct.

10.5 Conformity with Standards. To ensure that the highest degree of quality and service is maintained, you shall operate your Fixed Center in strict conformity with such methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing. You agree:

10.5.1 To maintain in sufficient supply, and to use, sell and/or provide at all times only such Services, Products, items, merchandises, materials, and supplies as conform to our written standards and specifications, and to refrain from deviating from such standards and specifications by the use or offer of any non-conforming items without our specific prior written consent.

10.5.2 To sell or offer for sale only such Services, Products, programs, items, and merchandises as have been expressly approved for sale in writing by us; to sell or offer for sale all the Services, Products, programs, items, and merchandise employing the standards and techniques, as specified by us; to refrain from making any changes to the Services, Products, programs, items, and/or merchandises offered at your Fixed Center without our prior written approval; to refrain from any deviation from our standards and specifications, without our prior written consent; and to discontinue selling and offering for sale any Services, Products, programs, items, or merchandises which we may, in our Business Judgment, disapprove in writing at any time. If you deviate or propose to deviate from our standards and specifications, whether or not such deviation is approved by us, such deviation shall become the property of us. With respect to the offer and sale of all Services, Products, programs, items, and merchandises, you shall have sole discretion as to the prices to be charged to customers; provided that if we have imposed a maximum price on a particular product or service, you may charge any price for such product or service up to and including the maximum price set by us.

10.5.3 To purchase and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we shall specify; and to refrain from installing or permitting to be installed on or about the Premises, without our prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting our standards and specifications.

10.5.4 To refrain from installing or permitting to be installed any vending machine, game or coin operated device, unless specifically approved in writing, in advance, by us.

10.6 Purchasing. In order to ensure uniformity of quality, high standards of presentation, child safety and consumer acceptance and satisfaction, you must only use in your operation of, and offer at, your Fixed Center those brands, types and/or models of Designated Equipment, Products, furniture, fixtures, signs, apparel, accessories and other items as are acceptable to us and which are purchased only from suppliers designated by us, which may include and/or be limited to us and/or our Affiliates. If you desire to purchase any items from an unapproved supplier, you shall submit to us a written request for such approval, and have such supplier acknowledge in writing that you are an independent entity from us and that we are not liable for debts incurred by you. We shall have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at our option, either to us or to an independent, certified laboratory designated by us for such testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by you or the supplier. We may also require that the supplier comply with such other reasonable requirements as we may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs. We reserve the right, at our option, to reinspect the facilities and products of any such approved supplier and to revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If, in providing services to you, any third party may obtain access to Confidential Information as provided in Section 8 hereof, we may require, as a condition of approval of such provider, the execution of covenants of non-disclosure, non-solicitation and non-competition in a form satisfactory to us. We will not unreasonably withhold consent to a supplier proposed by you, but may do so if we in our Business Judgment thinks it is important to the preservation of the My Gym System and standards.

10.7 Specifications, Standards and Procedures. You agree that the operation of your Fixed Center, continuously in compliance with our high standards, is vitally important to us and other My Gym franchisees and is a vital element in the possible success of your Fixed Center, the My Gym Businesses of other franchisees and of us and that a lack of uniform high standards can place all My Gym Business operators at a competitive disadvantage and in a position of business risk. Accordingly, you will operate your Fixed Center, and use the Marks, in prompt, continuous and full compliance with the My Gym System and the Manuals, as each is modified by us from time to time in our Business Judgment, and you will promptly comply with each such modification.

10.8 Compliance with Laws. You will secure and maintain in force, in your name, all required licenses, permits and certificates relating to the operation of your Fixed Center and will operate your Fixed Center in full compliance with all applicable laws, ordinances and regulations. You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates in any way to you and/or your Fixed Center.

10.9 Management and Staffing of Your Center. Your Center will, at all times, be personally managed on a full-time basis by you (or the Managing Owner), your Center Manager, or otherwise a person who has successfully completed all training required by us and approved by us.

You will perform background checks on all personnel having contact with children and/or customers. We will require your employees to enter into confidentiality agreements to maintain our Confidential Information. We may provide you with assistance or advise in

the hiring and training process as we deem necessary. You hereby acknowledge and agree that our such assistance, advice and recommendations shall not in any manner whatsoever relieve you from your sole obligations to comply with applicable law, and that we shall not be liable for any such assistance, advice or recommendation. You acknowledge that you will make the final decision regarding the staffing of your Fixed Center.

10.10 Insurance.

10.10.1 Prior to the commencement of any activities or operations pursuant to this Agreement, you shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at your expense, the following insurance policy or policies in connection with your Fixed Center or other facilities on premises, or by reason of the construction, operation, or occupancy of your Fixed Center or other facilities on premises. Such policy or policies shall be written by an insurance company or companies reasonably satisfactory to Franchisor, having a current Best's rating of at least A-IX and licensed to do business in the state in which your Fixed Center is located, and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manual or otherwise in writing), the following:

(a) commercial general liability insurance (including without limitation personal injury, advertising injury and property damage coverage), at least \$1,000,000 per occurrence, with an aggregate limit of at least \$2,000,000 for both bodily injury and property damage;

(b) workers' compensation in statutory limits regardless of whether you are exempt by statute; as well as such other disability benefits type insurance as may be required by statute or rule of the state in which your Fixed Center is located;

(c) property insurance providing coverage for "full replacement" cost for tenant improvements and equipment/general contents for \$75,000;

(d) minimum "loss of income" insurance of approximately \$100,000 or an Actual Loss Sustained form; and

(e) Accidental medical insurance (Accidental death: \$5,000; Accidental medical: \$10,000).

10.10.2 All policies listed in Section 10.10.1 above (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manual. In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to us in the manner provided in Section 21 below.

10.10.3 In connection with all significant construction, reconstruction, or remodeling of your Fixed Center during the term hereof, you will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at the general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manual, all written by insurance or bonding companies satisfactory to Franchisor, having a current Best's rating of at least A-IX. You shall also require any general contractor that you engage to name you and us as additional insured parties under the general contractor's commercial liability policies.

10.10.4 Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 7 of this Agreement.

10.10.5 All public liability and property damage policies shall list us as an additional named insured or loss payee, and shall also contain a provision that we, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of yours or its servants, agents, or employees.

10.10.6 At least thirty (30) days prior to the time any insurance is first required to be carried by you, and thereafter at least thirty (30) days prior to the expiration of any such policy, you shall deliver to us, certificates of insurance evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than sixty (60) days' prior written notice shall be given us in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 10.10.1 above shall name us, and each of our affiliates, and their respective officers, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

10.10.7 We may, from time to time, and in our Business Judgment, make such changes in minimum policy limits and endorsements as we may determine; provided, however, all changes shall apply to all of our franchisees who are similarly situated.

10.11 Franchisee Advisory Council(s). We may form and periodically meet with, and you agree to participate (to the best of your ability) in if requested, one or more council(s) of My Gym franchisees to consult with and advise us regarding the operation and development of the My Gym System, including such matters as strategic marketing plans, advertising programs, public relations, research and development, operating policies and practices, program development, etc. We will give due consideration to input from such council(s) but retain the ultimate authority for all such decisions.

10.12 Convention and Meeting Attendance. You and we understand and agree on the importance of your attending all annual conventions and each national, regional and other meetings, agreeing that attendance at such meetings is vital to foster open communications between all operators of the My Gym Businesses, for us to solicit your thoughts and ideas in an interactive group setting, to discuss and implement new programs and marketing opportunities, to respond to competitive developments, to examine technical innovations, to share ideas and experiences of benefit to all operators of the My Gym Businesses and for other reasons. Therefore, we strongly recommend, and you agree to attend, at your expense for travel, meals and lodging but without charge by us (except for direct cost recovery of materials distributed to you), all annual conventions and each national, regional and other meeting covering your area.

10.13 Toll-Free Number; Secret Shoppers. In order to (among other things) maintain and enhance the goodwill associated with the Marks and each My Gym Business, we utilize various programs for verifying customer satisfaction and/or your compliance with all operational and other aspects of the My Gym System, including a toll-free number, customer comment cards, secret shoppers or otherwise. We may share with you the results of such programs, as they pertain to your Fixed Center.

10.14 Website Information. You acknowledge and agree that we may list certain information relating to your franchise on our corporate website www.my-gym.com. Such information shall include your Fixed Center's business address, schedule of birthday parties and such other information as we may reasonably request.

10.15 Franchisee As An Entity.

10.15.1 If Franchisee is a corporation or a limited liability company, the following requirements shall also apply:

(a) Franchisee shall be newly organized and its charter shall at all times provide that its activities are confined exclusively to operating your Fixed Center.

(b) Copies of Franchisee's Articles of Incorporation, Bylaws, and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement shall be promptly furnished to us prior to the execution of this Agreement.

(c) Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and shall issue no securities upon the face of which the following printed legend does not legibly and conspicuously appear:

The transfer of this stock is subject to the terms and conditions of a Franchise Agreement with Gym Consulting, LLC, dated _____ . Reference is made to the provisions of the said Franchise Agreement and to the Articles and Bylaws of this corporation.

(d) Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of its and shall furnish the list to us upon request.

(e) Such owners of a beneficial interest in the corporation as we may request shall execute a guarantee of the performance of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit B.

10.15.2 If Franchisee is a partnership (general or limited), or some other form of entity that is not addressed under Section 10.14.1 above, Franchisee shall comply with the following requirements throughout the term of this Agreement, except as otherwise approved in writing by us:

(a) Franchisee shall furnish us with its partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto, which shall contain a restriction or transfer of any partnership interest without our prior written consent.

(b) Franchisee shall prepare and furnish to us, upon request, a list of all general and limited partners in you.

(c) Such partners in the partnership as we may request shall execute a guarantee of the performance of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit B.

10.16 Your Maximum Indebtedness. You acknowledge and agree that we shall have the right to periodically designate the maximum amount of debt that you may incur and that you may service. You agree that you shall not borrow or otherwise become indebted in excess of any such maximum amount of permitted debt without our prior written consent.

10.17 Memberships.

10.17.1 You will offer and sell rights of access to your Fixed Center ("**Membership(s)**"). All Memberships must be evidenced by a written Membership Agreement. When selling Memberships, you shall use only the form of Membership Agreement that we provide, which we shall modify to comply with applicable law if necessary, and you shall not make any modifications to that form of Membership Agreement without our prior written consent. You acknowledge and agree that any Membership Agreement that has been modified without our prior written consent shall be void.

10.17.2 We may modify the types and terms of memberships to be offered by Centers, terminate your right to offer certain types of Memberships, and/or approve or require other types of memberships for sale.

10.17.3 You agree to comply with the standards that we may periodically establish regarding Memberships. These standards may regulate, among others, the following topics: (1) the form(s) of Membership Agreement; (2) the terms and conditions upon which a member may transfer his or her Membership from one My Gym Business to another; (3) allocation of the proceeds of Memberships among the My Gym Businesses where the member uses facilities and services; (4) admission to the My Gym Business of members who purchased Memberships elsewhere and admission of members of the My Gym Business to other clubs; (5) use and acceptance of coupons, passes, and certificates; and (6) group accounts and group Memberships (and discounts applicable thereto).

10.17.4 We may establish, from time to time, additional policies regarding Memberships. You acknowledge and agree that such regulation may be necessary to ensure the efficient participation of My Gym Businesses in the My Gym System and to protect the goodwill and brand image of those centers, and you agree to comply with our policies, including but not limited to requirements regarding payment terms for Memberships and other payments based on revenue derived from the sale of Memberships.

10.17.5 We shall have the right to contact any member of any My Gym Business at any time for any purpose. If we are contacted by a member or other patron of your Fixed Center who wishes to lodge a complaint, we reserve the right to address that person's complaint in order to preserve goodwill and prevent damage to the brand. Our right to address complaints may include refunding money to the complaining person, in which case you shall be required to reimburse us for these amounts.

10.18 Membership Lists. We, or our authorized representative, shall have the right, during regular business hours, or at such other times as may be mutually agreed upon, to inspect all Membership Lists and documents and records related thereto. Upon reasonable request, you agree to furnish, in whatever format we require, all Membership information and records for your Fixed Center, both active and inactive, including but not limited to names, addresses and telephone numbers of such members (collectively, the "**Membership Lists**"). You acknowledge and agree that we are the sole owner of the Membership Lists and that you shall not use the Membership List for any purpose other than for the operation of your Fixed Center, nor shall you distribute, in any form or manner, the Membership Lists to any third party without our prior written consent. You further acknowledge and agree

that the Membership Lists are Confidential Information as described in, and subject to, Section 8 hereof.

10.19 Incentive/Promotional Program. You shall offer for sale, and will honor for purchase by customers, any incentive, coupon, or customer loyalty programs which we may institute from time to time, and you shall do so in compliance with our standards and procedures for such programs.

10.20 Allowances. You acknowledge and agree that we shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us or our Affiliates based upon your purchases of goods and services. These Allowances are based on system-wide purchases of promotional items and other items. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorizes us or our designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier).

11. MARKETING

Our experience and Business Judgment is that a unified marketing program, on both a local and broader level, is an essential factor in the potential success of all My Gym Businesses, to achieve top-of-mind awareness in potential customers, to build and retain goodwill associated with the Marks thereby hopefully benefiting all My Gym Business operators, to create improved brand loyalty among new and future customers and to achieve a favorable retail position for all My Gym Businesses. To maximize the possibility of obtaining these goals, you and we have agreed to a marketing program as follows:

11.1 Advertising Fund. We have instituted a national advertising, publicity and marketing fund (the "**Marketing Fund**"), and shall have the right to establish one or more regional advertising funds (the "**Regional Ad Fund**") as described in this Section 11.

11.2 Advertising Contribution. For each calendar month (or other period as specified by us in our Business Judgment) during the Term of this Agreement, you shall contribute and/or expend at least one percent (1%) of Gross Volume of the preceding month (the "**Advertising Contribution**"). The Advertising Contribution shall be made by you in the manner required under this Section 11, including without limitation, Section 11.3 below. In addition to and not lieu of the Advertising Contribution, you shall conduct the pre-opening advertising program described in Section 3.8 hereof.

11.3 Allocation of the Advertising Contribution. Your Advertising Contribution shall be paid to the Marketing Fund, or to any Regional Ad Fund established pursuant to Section 11.5 below, or on local advertising and promotion, in such proportions as we may designate from time to time, in our sole discretion. We will cause all My Gym Businesses owned by us to make Advertising Contributions to the Marketing Fund on the same basis as our franchisees.

11.4 Marketing Fund.

11.4.1 The Marketing Fund will be maintained and administered by us or our designee for such advertising, advertising-related, marketing and/or public relations programs, services and/or materials as we, in our Business Judgment, may deem necessary or appropriate to promote My Gym Businesses anywhere and using such media and other elements as we think reasonably appropriate.

11.4.2 You shall contribute to the Marketing Fund in the same manner as you may the Royalty Fees. The Marketing Fund will be accounted for separately from our other funds, and will not be used to defray any of our general operating expenses, except for such salaries, administrative costs, overhead and other expenses as we may reasonably incur in activities related to the Marketing Fund. We may, in our Business Judgment, spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and the Marketing Fund may borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by us and be furnished to you upon written request. We may (but are not required to) have financial statements of the Marketing Fund audited and any costs in connection therewith will be paid by the Marketing Fund. We have the right to cause the Marketing Fund to be incorporated or operated through an entity separate from us as we deem appropriate, and such successor entity will have all rights and duties of ours relating to the Marketing Fund.

11.4.3 The Marketing Fund may be used, in our Business Judgment, to (among other things) pay costs of new product development, signage, preparing, producing, distributing and using marketing, advertising and other materials and programs; administering national, regional and other marketing programs, purchasing media, employing advertising, public relations and other agencies and firms; administrative and related expenses; and supporting public relations, market research and other advertising and marketing activities, as well as any expenses associated with any Franchisee Advisory Council(s), if those Councils, and such expenses, are approved by us in our Business Judgment. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on Products, Services, programs, or improvements, approved in advance by us, which we deem, in our Business Judgment, will promote general public awareness and favorable support for the My Gym System. A brief statement regarding the availability of information regarding the purchase of My Gym franchises may be included in advertising and other items produced and/or distributed using the Marketing Fund. We may arrange for services, goods and otherwise to be provided to the Marketing Fund by ourselves, any Affiliates, and our and/or their employees or agents. We may use the Marketing Fund to compensate and reimburse any of such persons/entities as we deem appropriate in our Business Judgment (including payment of commissions) and to compensate for administrative duties and other services, materials, etc. rendered to the Marketing Fund, provided that any compensation to us and/or any persons/entities owned, controlled and/or operated by us will not exceed 10% of the amounts in the Marketing Fund in any year.

11.4.4 The Marketing Fund will, as available, furnish you with marketing, advertising and promotional formats and sample materials and may charge the direct cost of producing them plus shipping and handling.

11.4.5 We will have no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are or will be proportionate or equivalent to the contributions to the Marketing Fund by My Gym Businesses operating in that geographic area or that any My Gym Business will benefit directly or in proportion to its contribution to the Marketing Fund or from the development of advertising and marketing materials and/or programs, the placement of advertising or otherwise. You agree that neither we (nor any of the Franchisor-Related Parties) will be liable for any act or omission, whether with respect to the Marketing Fund or otherwise which is consistent with this Agreement or other information provided to you, or which is done in subjective good faith. We may maintain Marketing Fund assets in one or more accounts designated as "trust accounts" (or similarly designated), for purposes of protecting such assets from claims of third-party creditors or otherwise, but such designation and/or treatment will not operate to create any "trust,"

“fiduciary relationship” or similar special arrangement as to the Marketing Fund, its assets or otherwise.

11.4.6 Although the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies in the Marketing Fund have been expended for advertising and/or promotional purposes.

11.5 Regional Ad Funds. We shall have the right, in our Business Judgment, to designate any geographical area for purposes of establishing a Regional Ad Fund. If a Regional Ad Fund for the geographic area in which your Fixed Center is located has been established at the time you commences operations hereunder, you shall immediately become a member of such Regional Ad Fund. If a Regional Ad Fund for the geographic area in which your Fixed Center is located is established during the term of this Agreement, you shall become a member of such Regional Ad Fund within thirty (30) days after the date on which the Regional Ad Fund commences operation. In no event shall you be required to be a member of more than one Regional Ad Fund. The following provisions shall apply to each such Regional Ad Fund:

11.5.1 Each Regional Ad Fund shall be organized and governed in a form and manner, and shall commence operations on a date approved in advance by us in writing.

11.5.2 Each Regional Ad Fund shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising and promotion.

11.5.3 No advertising or promotional plans or materials may be used by a Regional Ad Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 11.8 hereof.

11.5.4 You shall submit your required contribution to the Regional Ad Fund at the time required under Section 9.4 hereof, together with such statements or reports as may be required by us or by the Regional Ad Fund with our prior written approval. If so requested by us, you shall submit its payments and reports to the Regional Ad Fund directly to us for distribution to the Regional Ad Fund.

11.6 Local Advertising By You. All local advertising and promotion by you shall be in such media, and of such type and format as we may approve; shall be conducted in a dignified manner; and, shall conform to such standards and requirements as we may specify. You shall not use any advertising or promotional plans or materials unless and until you have received written approval from us, pursuant to the procedures and terms set forth in Section 11.8 below.

11.7 Items Available From Us. We may make available to you from time to time, at your expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, flyers, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising and promotion.

11.8 Our Approval Required. For all advertising and promotional plans which require our approval prior to use, as set forth in Sections 11.5 and 11.6 above, you or the Regional Ad Fund, where applicable, shall submit samples of such plans and materials to us (by means described in Section 21 below), for our prior written approval (except with respect to prices

to be charged by you). If written approval is not received by you or the Regional Ad Fund from us within fifteen (15) days of the date of receipt by us of such samples or materials, we shall be deemed to have disapproved them. You acknowledge and agree that we may consider the coordination of your advertising and promotional plans with those of other franchisees in our review process. You further acknowledge and agree that any and all copyright in and to advertising and promotional materials developed by or on behalf of you shall be our sole property, and you agree to execute such documents (and, if necessary, require its independent contractors to execute such documents) as we may deem reasonably necessary to give effect to this provision.

11.9 Minimum Requirements. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may, and is encouraged by us to, expend additional funds for local advertising and promotion of a local nature which will focus on disseminating advertising directly related to your Fixed Center.

11.10 Local Advertising and Promotion. As used in this Agreement, the term "**local advertising and promotion**" shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying. The parties expressly agree that local advertising and promotion shall not include any of the following:

11.10.1 Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

11.10.2 Charitable, political, or other contributions or donations to organizations that we have not approved in writing; and

11.10.3 The value of discounts provided to consumers.

12. ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS

You will establish and maintain at your own expense a bookkeeping, accounting, record keeping and records retention system conforming to the requirements prescribed by us from time to time (including requirements for timely entering of information into a point-of-sale and/or other computer system with full on-line access by us.) Each transaction of your Fixed Center will be processed on such computer program in the manner prescribed by us. We will provide training for any such computer system.

With respect to the operation and financial condition of your Fixed Center, you will furnish to us, in the form and at the times prescribed by us from time to time, either through computer software that we specify, or faxed or mailed copies of reports or documents, those financial statements and reports that we require from time to time. All information that we request will relate solely to the operation and financial condition of your Fixed Center. Our current information requirements (which we may expand or otherwise change from time to time in our Business Judgment) include the monthly bank statement relating to your Fixed Center. Each report and financial statement submitted by you to us will be verified as correct and signed by you in the manner prescribed by us.

You must record all sales at the time of sale using such sales recordation and reporting systems as are designated from time-to-time by us. You must retain and furnish

to us, on request, all tax returns, sales tax reports, and all of your other business records and related back-up material throughout the term of this Agreement and for at least five (5) years following the transfer, termination or expiration of this Agreement. You hereby waive any privileges with regard to any tax returns. We will not request portions of tax returns or other tax forms unrelated to your Fixed Center.

13. INSPECTIONS AND AUDITS

13.1 Inspections. We and/or our agents will have the right, at any time during business hours, and without prior notice to you, to: (1) inspect your Fixed Center as we deem necessary; (2) remove samples of any items for testing and analysis; and (3) interview personnel and/or customers. You agree to cooperate fully with us in connection with any such inspections, observations, photographing and video taping, product removal and interviews. You will present to your customers such evaluation forms as are periodically prescribed by us and will participate and/or request your customers to participate in any surveys performed by or on behalf of us. Upon notice from us or our agents and without limiting our other rights under this Agreement, you shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree that you will reimburse us for our representative's time and travel expenses if an additional inspection at your Fixed Center is required when a violation has occurred and you have not corrected the violation.

13.2 Audit. We can, at any time during business hours, and without prior notice to you, inspect and/or audit the business records, bookkeeping and accounting records, sales and income tax records and returns, computer files and other records of, and/or relating in any way to, your Fixed Center and the books and records of any person(s), corporation or partnership which holds the Franchise. If any inspection or audit discloses an understatement of Gross Volume, you will pay to us, within five (5) days after receipt of the inspection or audit report, the Royalty Fees and Advertising Contribution due on the amount of such understatement, plus interest (at the rate and on the terms provided herein) from the date originally due until the date of payment. If any inspection or audit is made necessary by your failure to furnish reports, supporting records, other information or financial statements, or to furnish reports, records, information or financial statements on a timely basis, or if an understatement of Gross Volume for any period is determined by any audit or inspection to be greater than seven percent (7%), you will reimburse us for the cost of the inspection or audit, including, without limitation, the charges of any independent accountants, and the travel expenses, room and board and applicable per diem charges for our and their employees. If any audit reveals an intentional understatement of Gross Volume for any period in any amount, or an understatement of Gross Volume for any period to be greater than ten percent (10%), unless you can demonstrate such understatement was inadvertent, or any other violation of this Agreement, we may terminate all of your rights, and our obligations, hereunder, in addition to exercising any other remedies we may have. These remedies are in addition to all other remedies and rights of ours hereunder or under applicable law, including termination.

14. TRANSFER

14.1 By Us. This Agreement, and any and/or all of our rights under it, are fully transferable by us, without notice to or approval by you. If we transfer this Agreement to a person or company who agrees to perform our obligations under it, all past, current and future obligations of ours (and of any of the Franchisor-Related Parties) to you will cease and be forever extinguished and you will look only to the transferee regarding any such obligations. We may be sold, we may go public, may engage in a private or other placement of some or all of our securities, may merge, acquire other entities and/or assets

(competitive or not), be acquired by a competitive or other entity, and/or may undertake any refinancing, leveraged buy-out and/or other transaction.

14.2 By You. Neither this Agreement nor the Franchise (or any interest therein), nor any part or all of the ownership of the you or your Fixed Center (or any interest therein), may be transferred without our prior written approval, which will not be unreasonably withheld. Any such transfer (or attempted transfer) without such approval will constitute a breach hereof and convey no rights or interests.

As used in this Agreement the term "**transfer**" includes the voluntary, involuntary, direct or indirect transfer, sale, gift, pledge, mortgage of, or any granting of any security or similar interest, or other transfer by the you (or any of your owners) of any interest (including a controlling interest) in: (1) this Agreement; (2) the Franchise; (3) the ownership of you; or (4) your Fixed Center. An assignment, sale, or other transfer will include the following events: (1) any transfer of ownership of capital stock or any partnership or similar interest; (2) any merger or consolidation or issuance of additional securities representing an ownership interest in you; (3) any sale of your voting stock or any security convertible to your voting stock; (4) any transfer of any interest in this Agreement, the Franchise, you or your Fixed Center in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or (5) any transfer of an interest in this Agreement, the Franchise, you or your Fixed Center or the revenues, profits, rights or assets of your Fixed Center; or (6) the creation or otherwise of any security or similar interest affecting any of the foregoing. Any transfer by you (or any of your owners) to a corporation and/or of an interest in the event of your death or the death of an owner of you, by will, declaration of or transfer in trust, under the laws of intestate succession, or otherwise will be governed by all of the provisions on transfer of this Agreement. We may, in our reasonable discretion, deny approval to any transfer involving a portion of your Franchise (for example a portion of Territory) or a portion of any of the foregoing items.

14.3 Conditions for Approval of Transfer by You. Any transfer by or on behalf of you and/or any of your Affiliates will be subject to all of the conditions specified below and anywhere else in this Agreement, each of which are agreed to be reasonable, together with such other terms and conditions as are reasonable in the specific circumstances of the proposed transfer, but, in any event, we may refuse consent to any transfer if, in our reasonable discretion, the proposed transferee is not a desirable franchisee. A transfer of ownership, possession or control of your Fixed Center or any of its assets may only be made in conjunction with a transfer of the Franchise. In any case, all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

14.3.1 You must be in full compliance with this Agreement, all leases/subleases and all other agreements between you (including any Affiliate of yours) and us (including any Affiliate of ours), as well as all leases/subleases with any third parties.

14.3.2 The transferee and its owners must have sufficient financial resources to operate your Fixed Center, must be individuals of good moral character and must meet all financial and other standards then-applied by us in evaluating prospects to whom we might award a My Gym Business franchise;

14.3.3 All of your obligations (including any Affiliate of yours) to us (including any Affiliate of ours) must be assumed by the transferee;

14.3.4 You must pay such Royalty Fees, Advertising Contributions, and other amounts owed by you (including any Affiliate of yours) to us (including any Affiliate of ours)

which remain due and unpaid (the balances of all promissory notes and other unpaid amounts owed to us and/or our affiliates shall be accelerated and paid in full), and all obligations to third parties arising out of the operation of your Fixed Center must be satisfied or assumed by the transferee;

14.3.5 Your Center and its operations must have been brought into full compliance with the specifications and standards then applicable for new My Gym Businesses. On a case by case basis, we will inspect and review your Fixed Center with you and decide if any upgrading to your Fixed Center will be necessary before the transfer occurs;

14.3.6 You must submit all required reports, financial statements and other documents due us up to the effective date of the transfer;

14.3.7 The transferee and its personnel must (at our option) complete or agree to complete our training program to our reasonable satisfaction;

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

14.3.9 The transferee, must, at our option, (a) agree to be bound by all terms and conditions of this Agreement (and any lease/sublease) for the remainder of its Term or (b) execute our then-current form of franchise agreement and ancillary documents (including lease/subleases and guarantees) as are then customarily used by us in the grant of franchises for My Gym Businesses (which may, among other things, provide for higher Advertising Contributions and different rights and obligations than are provided in this Agreement, with the exception of the Royalty Fee remaining the same as in this agreement); provided, however, that the term thereof will not be greater than the remaining Term of this Agreement;

14.3.10 You must pay us a non-refundable transfer fee of Fifteen Thousand Dollars (\$15,000). We may require that this fee be deposited with us on a non-refundable basis on your notification to us of the proposed transfer and prior to our undertaking any review, drafting of documents or other activities.

14.3.11 You (and your owners) and transfer (and its owners) must execute a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties;

14.3.12 If you or your owners finance any part of the sale price of the transferred interest, you and your owners must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved and/or held by you or your owners will be subordinate to the obligations of the transferee to pay Royalty Fees, Advertising Contributions, and other amounts due and/or to become due to us and/or any Affiliate of ours and otherwise to comply with this Agreement, the franchise agreement and all other agreements between the transferee and us (or our Affiliates);

14.3.13 Notwithstanding any transfer, the non-competition, indemnity and confidentiality obligations, and the provisions relating to dispute resolution, of this Agreement will continue to be applicable to you after any transfer;

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

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

We may (but are not required to) candidly discuss all matters related to any transfer and/or proposed transfer (including our views of the price to be charged and/or the terms of payment) with you and/or any proposed transferee or otherwise. However, while we may evaluate the proposed transaction and provide our possible recommendations, neither we nor anyone else will have any liability to you, any transferee or otherwise in connection with our examination and evaluation (consent or otherwise) and you agree to indemnify and hold us harmless from any such liability to you, the proposed transferee and/or otherwise.

14.4 Additional Conditions for Transfer to a Wholly-Owned Corporation. Subject to compliance with all other requirements of this Agreement (including all conditions and terms relating in any way to transfer contained anywhere in this Agreement, including execution of a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties and satisfying all payment and transfer fee requirements), if you are in full compliance with this Agreement, we will not withhold our consent to a transfer of this Agreement, the Franchise and your Fixed Center to an entity that is wholly owned by you. Such a transfer will not relieve you of your obligations hereunder, and you will remain jointly and severally liable to us for all of your and such entity's past, current and/or future obligations hereunder, under any other agreement(s) (whether past, current and/or future) with us or any Affiliate of ours and/or any franchise, lease/sublease and/or other agreement(s) to be executed by such entity.

Any such transfer will be subject to reasonable restrictions, including the following, which are agreed to be reasonable conditions, and which shall apply to any transfer to a limited liability company, partnership (limited or general) or other business entity:

14.4.1 The transferee corporation must be newly organized, the articles of incorporation, bylaws and other organizational documents of such corporation must recite that the issuance and transfer of any ownership interest in the corporation are restricted by the terms of this Agreement and must provide that its activities are confined solely to acting as a franchisee under this Agreement;

14.4.2 You must maintain (and continue to maintain) management control of the corporation and ownership of at least fifty-one percent (51%) of the equity and voting power of all issued and outstanding capital stock in the transferee corporation;

14.4.3 You (or, if you are a partnership, at least one of the partners) must be and remain the chief executive officer of the corporation;

14.4.4 The transferee corporation must enter into a written assignment (in form satisfactory to us) in which such corporation assumes all of your past, current and/or future obligations under this Agreement and any other past, current and/or future agreement(s) with us and/or any Affiliate of ours. At our option we may, in addition to requiring such assumptions, require such corporation to execute our then-current form of franchise agreement, lease/sublease and ancillary documents (including guarantees by the owners of such corporation) as are then customarily used by us in the award of franchises for My Gym Businesses;

14.4.5 All current and future shareholders of the transferee corporation must enter into a written agreement (in a form provided or approved by us) agreeing to comply with this Agreement and any other past, current and/or future agreement(s) with us and/or any Affiliate of ours and jointly and severally guaranteeing all of the transferee corporation's

past, current and/or future obligations under this Agreement and any other past, current and/or future agreement(s) with us and/or any Affiliate of ours;

14.4.6 Each stock certificate of the transferee corporation must bear a legend reciting or referring to the restrictions of this Agreement, including those on the issuance and transfer of stock in the transferee corporation;

14.4.7 No shares of securities (of any class, whether debt or equity, convertible or non-convertible, voting or non-voting) in the transferee corporation may be issued without obtaining our prior written consent, which may be subject to the restrictions on transfer herein and other reasonable conditions as we deem appropriate;

14.4.8 All your obligations under this Agreement and/or any other agreement(s) with us and/or any Affiliate of ours (including all financial and operational compliance matters) must be satisfied prior to the transfer; and

14.4.9 No more than twenty percent (20%), in the aggregate, of the voting rights of the transferee corporation may ever be owned beneficially or of record by institutions or publicly held companies;

14.4.10 There will be no public offerings of debt or equity ownership in or by the transferee corporation;

14.4.11 None of the Owners will, directly or indirectly, engage in, or have any interest in, any Similar Business, except that any Owner may own up to three percent (3%) of the stock of a publicly-traded Similar Business; and

14.4.12 Throughout the term of this Agreement, the transferee corporation will not do any act (including any transfer of assets or otherwise) which would reduce its net worth to a level not reasonably acceptable to us and no transfer will take place unless you are current in all payments to us, the Marketing Fund and each of the Franchisor-Related Parties.

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

14.5 Our Right of First Refusal. If you or any of your owners wish to engage in any transfer subject to this Agreement, we will have the right, exercisable by written notice delivered to you or your owners within thirty (30) days from the date of delivery of an exact copy of such offer to us, together with your deposit of any transfer fee and satisfaction of all other requirements for our consent to such transfer, to notify you that we have elected to purchase such interest for the price and on the terms and conditions contained in such offer, provided that we will have not less than thirty (30) days from the date you receive our notice of intention to exercise such right-of-first-refusal to prepare for closing. We will be entitled to purchase any interest subject to all customary representations, warranties and agreements given by the seller of the assets of a business or voting stock of an incorporated business, as applicable. In connection with such purchase, you will sign a general release, in form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If, for any reason, such transaction is not consummated within one hundred and twenty (120) days after the date of delivery of an exact copy of such offer to us, together with your deposit of any transfer fee and satisfaction of all other requirements for our consent to such transfer, or if you seek to effect a transaction on terms and conditions, or to any person or entity, other than as set

forth in the offer disclosed to us by you, then the proposed transaction shall be deemed withdrawn, and all of the provisions of this Section shall again become fully applicable, as if such transaction had not been proposed.

If we do not exercise our right-of-first-refusal, you or your owner may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to the conditions provided in this Agreement, provided that if there is a material change in the terms of the sale, we will have an additional right-of-first-refusal for thirty (30) days on the same terms and conditions as are applicable to the initial right-of-first-refusal.

14.6 Death of an Owner. Upon the death of an Owner, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by us within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer the deceased's interest to a third party approved by us within twelve (12) months after the deceased's death.

14.7 Incapacity of an Owner. Upon the permanent disability of any Owner with a controlling interest in you, we may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 14 within six (6) months after notice to you. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 14.7 as of the date of refusal. We shall pay the cost of the required examination.

14.8 Transfer of Interest Owner's Interest Upon Death or Incapacity. Upon the death or permanent disability any Owner of yours, such person or his representative shall promptly notify us of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

14.9 No Waivers. Our consent to a transfer which is the subject of this Section 14 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

14.10 Bankruptcy Issues. If you or any person holding any interest (direct or indirect) in you becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations and/or rights hereunder, any material assets of yours, or any indirect or direct interest in you shall be subject to all of the terms of this Section 14.

14.11 Securities Offerings. All materials for an offering of stock, partnership, or other ownership interests in you or any Affiliate of you which are required by federal or state law shall be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to us for such review prior to their use. No offering by you or any Affiliate of

yours shall imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your or your Affiliate's securities; and our review of any offering shall be limited solely to the relationship between you and us and any Affiliates, if applicable. We may, at our option, require the offering materials to contain a written statement prescribed by us concerning the limitations stated in the preceding sentence. You (and the offeror if not you), the Principals, and all other participants in the offering must fully indemnify us, our Affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, you shall pay us a non-refundable fee of Five Thousand Dollars (\$5,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. You shall give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 14.11 commences. Any such offering shall be subject to all of the other provisions of this Section 14; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

15. SUCCESSOR TERM

15.1 Successor Term and Conditions. You may, at your option, obtain a right to operate your Fixed Center for one (1) additional successor term, which shall be for twelve (12) years, subject to the following conditions, together with such other conditions as are reasonable at the time, each of which must be met prior to each successor term:

15.1.1 You (and each Affiliate of yours) have fully and continuously complied with this Agreement and all other agreements with us (and/or any Affiliate of ours), in each case without any defaults, cured or uncured, during the Term;

15.1.2 You maintain possession of the Premises, and by the expiration date of this Agreement: (a) your Fixed Center and its operations have been brought into full compliance with the specifications and standards then-applicable for new My Gym Businesses, which may include a full upgrade to the same condition as a new My Gym Business (we will review and inspect your Fixed Center and make this determination on a case by case basis), and (b) you present evidence satisfactory to us that you have the right to remain in possession of the Premises for the duration of the successor franchise; or, in the event you are unable to maintain possession of the Premises, or in our Business Judgment your Fixed Center should be relocated, you secure substitute premises approved by us and have furnished, stocked and equipped such premises to bring your Fixed Center and equipment, etc. into full compliance with our then-current requirements by the expiration date of this Agreement;

15.1.3 You have given written notice of election to obtain the successor franchise to us not less than six (6) months, but not more than twelve (12) months, prior to the expiration of the Term of this Agreement. Within ninety (90) days after our receipt of such timely notice, we will furnish you with written notice of any reasons which could cause us to not award the successor franchise, including any deficiencies which require correction and a schedule for correction thereof by you and have completed such required upgrading if necessary, as a condition to receiving a successor term. Prior to the expiration date of this Agreement, you will fully cure all such deficiencies and fully satisfy all such requirements and conditions. You understand and agree that we may refuse to award a successor term if, in our Business Judgment, you (or any Affiliate of yours) have failed to render satisfactory performance in any operational or other areas (including safety, compliance with all Manuals, adverse impact on the Marks and associated goodwill, etc.), whether or not such

failure constitutes or constituted a default. The award of the successor term will be conditioned (among other things) on your (and your affiliates') continued compliance with all the terms and conditions of this Agreement (and all other agreements with us and/or any Affiliate) up to the date of expiration and correction of any deficiencies within the periods specified by us.

15.1.4 You (and each Affiliate of yours) have satisfied all monetary obligations owed to us and any company affiliated with us and have timely met such and all other obligations throughout the term of this Agreement;

15.1.5 You have executed our then-current form of Franchise Agreement and related documents (with appropriate modifications to reflect the fact that the agreement relates to the award of a single successor franchise as contemplated by this Agreement without the right to further successor franchises, terms or renewals), including guarantees, as are then customarily used by us in the award of franchises for My Gym Businesses, and the terms of which may materially differ from the terms of this Agreement, provided that you will not be required to pay a higher Royalty Fee or Advertising Contribution than specified in this Agreement; and provided further that you will not be required to pay the then-current initial franchise fee or any successor franchise fee;

15.1.6 You (and each owner and/or Affiliate of yours) have executed a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If you fail to execute such a release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and My Gym System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release, particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise.

Failure by you and/or your owners to timely complete such requirements will be deemed an election by you not to obtain the successor franchise.

15.2 Future Agreements. If, at any time in the future, you or any Affiliate is to receive one or more successor, additional, other and/or further franchise(s) from us (we having no obligation to award you any such additional, other and/or further franchise(s)), whether or not a successor franchise, you, each of your affiliates, each owner of You, the new you and each owner thereof will at each such time sign a release of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties, except (where so required by applicable law) for any claims exclusively related to the offer and sale of the successor, additional, other and/or further franchise(s).

16. TERMINATION

16.1 Automatic Termination. You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, If you shall become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated as bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or

temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of your Fixed Center shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 Termination Upon Notice Without Opportunity To Cure. Your rights and our obligations under this Agreement will automatically terminate upon delivery or, in any event, within three (3) calendar days of mailing of notice of termination to you (without further action by us and without opportunity to cure) if:

16.2.1 You or any of your Owners has made any material misrepresentation or omission in the application for the Franchise;

16.2.2 You violate a law, ordinance, rule or regulation of any governmental authority material to the operation of your Fixed Center, or you or any of your owners is convicted by a trial court of or pleads no contest to a felony, or to a crime or offense that may adversely affect the reputation of you or any owner or your Fixed Center or the goodwill associated with the Marks, or engages in any misconduct which unfavorably affects the reputation of you or any owner or your Fixed Center, us or the goodwill associated with the Marks (including, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, or allowing unlawful activities or unauthorized or illegal items to be used or distributed at the Premises or in connection with the Franchise);

16.2.3 You (or the Managing Owner) or your Center Manager fails to complete the initial training program to our satisfaction;

16.2.4 You cease, or threaten to cease, to carry on the business granted under this Agreement;

16.2.5 You understate any of your payments to us for two (2) or more times in any 12-month period;

16.2.6 You understate any of your payments to us by ten percent (10%) or more;

16.2.7 You knowingly maintain false books or records, or submits any false reports to us;

16.2.8 You shall have any license or legal authorization necessary for the use or operation of your Fixed Center revoked or terminated and/or if you shall not register, or shall cease to be registered, for value added or other applicable taxes;

16.2.9 There are persistent, serious and substantiated complaints to us as to the quality of the service given by the you and we shall determine in our Business Judgment that such complaints are well founded;

16.2.10 You challenge our right to use and/or to license others to use the Marks;

16.2.11 You makes a transfer without our prior written consent;

16.2.12 A threat or danger to public health or safety results from the construction, maintenance, or operation of your Fixed Center;

16.2.13 You discloses or divulges the contents of the Manuals or other Confidential Information provided to you by us;

16.2.14 You, after curing a default pursuant to this Section 16, commits the same default again within a twelve (12) month period of the same default, whether or not cured after notice;

16.2.15 You repeatedly are in default under this Section 16 for failure to substantially comply with any of the requirements imposed by this Agreement, whether or not cured after notice.

16.2.16 There is any breach with respect to Anti-Terrorism Laws as set forth in Section 22.5 hereof; or

16.2.17 There are any uncured or incurable defaults under any other agreement with the us or our Affiliates.

16.3 Termination Upon Notice With Opportunity To Cure. Except as otherwise provided in Sections 16.1 and 16.2 above, upon any other default by you of your obligations hereunder, we may terminate this Agreement only by giving written notice of termination (in the manner set forth under Section 21 below) setting forth the nature of such default to you at least thirty (30) days prior to the effective date of termination (or, with respect to monetary defaults, such as a failure to pay Royalty Fees, Advertising Contributions, vendors and suppliers, the notice of termination shall be ten (10) days); provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us, all within the thirty (30) (or ten (10)) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) (or ten (10)) day period or such longer period as applicable law may require.

16.4 Extended Notice of Termination. If any law applicable to this Section 16, or Section 15 above, requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal term, than is required hereunder, a different standard of "good cause", or the taking of some other action not required hereunder, the prior notice, "good cause" standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

16.5 Extended Cure Period. Notwithstanding anything contained herein to the contrary, in those circumstances under which we shall have the right to terminate this Agreement, we shall have the right to grant to you, in lieu of immediate termination of this Agreement, an extended period of time to cure the breach which gave rise to our right to terminate, but in no event shall such extended cure period exceed six (6) months from the last day of the cure period otherwise applicable to such breach. You acknowledge that our election to grant such an extended cure period to you shall not operate as a waiver of any of our rights hereunder and that, in consideration for such an extension, you will execute a general release of all claims, known or unknown, by or on behalf of you, any Owner and/or any Affiliate of yours against us and/or any or all of the Franchisor-Related Parties and, if you fail to execute such a release, the grant of such an extension will, in itself, constitute such a release.

16.6 Assignment Upon Bankruptcy. If, for any reason, the Agreement is not terminated pursuant to this Section 16, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and we shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us ourselves upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement. In the event we do not elect to exercise the options described in this Section 16.6, any transfer or assignment pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other transfer or assignment set forth in Section 14.

16.7 Termination Under Lease. We and you acknowledge and agree that termination or expiration of this Agreement shall cause an immediate termination of your lease and shall give rise to our right and option to acquire the lease under Section 17.4 below. You shall cause your lease to contain a provision giving effect to this Section 16.7.

16.8 No Equity on Termination. You understand and agree that your ownership of the Franchise is controlled by the provisions of this Agreement and that you will have no equity or other continuing interest in the Franchise, any goodwill associated with it or otherwise, or any right to compensation, return of amounts paid or otherwise, at the expiration and/or termination of the term of the Franchise.

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to you shall forthwith terminate, and:

17.1 Cease Operations. You shall immediately cease to operate your Fixed Center, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of ours.

17.2 Cease Use of Marks. You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the My Gym System, the marks "My Gym," "My Gym Business" and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the My Gym System. In particular, you shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles that display the Marks.

17.3 Cancellation of Assumed Names. You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks "My Gym," "My Gym Business" and all other Marks, and/or any other service mark or trademark of ours, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 Assign Lease; Modification of Premises. We, or any Affiliate of ours, shall have the right and option, but not the obligation, in our sole discretion, to acquire the lease for your Fixed Center, or otherwise acquire the right to occupy the premises. We may assign or delegate this right or option to any Affiliate of ours, without notice to, or request for approval from, the landlord or lessor of the premises. If we or our assignee or delegatee do not elect or are unable to exercise any option we may have to acquire the lease or sublease for the premises of your Fixed Center, or otherwise acquire the right to occupy the premises, you shall make such modifications or alterations to the premises operated hereunder (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other My Gym Businesses, and shall make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you shall cease use of, and if we request shall transfer to us, all telephone numbers, customer "loyalty" lists, and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by us, used by you while operating your Fixed Center, and shall promptly execute such documents or take such steps necessary to remove reference to your Fixed Center from all trade or business telephone directories, including "yellow" and "white" pages, or at our request transfer same to us. If you fail or refuse to comply with the requirements of this Section 17.4, we (or our designee) shall have the right to enter upon the premises of your Fixed Center, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your expense, which expense you agree to pay upon demand.

17.5 No Confusion. You agree, if you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Marks, and further agree not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with us, the My Gym System, or the Marks.

17.6 Pay Monies Owed. You shall promptly pay all sums owing to us and our Affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any default by you, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of the default.

17.7 Damages and Costs. You shall pay us all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 17.

17.8 Return of Manuals. You shall immediately destroy or deliver to us the Manuals and all other manuals, records, and instructions containing confidential information (including without limitation any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

17.9 Option to Purchase Furnishings and Equipment. We shall have the option, to be exercised within thirty (30) days after termination or default under this Agreement, or your lease for the Premises, to purchase from you any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of yours related to the operation of your Fixed Center, at the lesser of the fair market value or your book value. The book value shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be

ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase herein provided, we shall have the right to set off all amounts due from you.

17.10 Right to Enter and Operate. In order to preserve the goodwill of the My Gym System following termination, we (or our designee) shall have the right (but not the obligation) to enter your Fixed Center (without liability to you, your Principals, or otherwise) for the purpose of continuing your Fixed Center's operation and maintaining the goodwill of the business. You shall obtain a provision in your Lease which requires your landlord to allow us to enter into, and operate, your Fixed Center upon termination.

18. COVENANTS

18.1 Best Efforts. You covenant that during the Term of this Agreement, except as otherwise approved in writing by us, you (or the Managing Owner) shall devote full time, energy, and best efforts to the management and operation of the business franchised hereunder.

18.2 Exclusive Relationship. You specifically acknowledge that, pursuant to this Agreement, you will receive valuable specialized training and confidential information, including, without limitation, information regarding our operational, sales, promotional, and marketing methods and techniques and the My Gym System. You covenant that during the Term of this Agreement, except as otherwise approved in writing by us, you shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, divert or attempt to divert any business or customer of your Fixed Center or of any My Gym Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with our Marks and the My Gym System.

18.3 No Competition. You covenant that, except as otherwise approved in writing by us, you shall not, during the Term of this Agreement, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, or have any interest in any Similar Business; and shall not for a continuous uninterrupted period two (2) years from the date: (a) of a transfer permitted under Section 14, above; (b) of expiration or termination of this Agreement (regardless of the cause for termination); (c) of a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 18.3; or (d) on which you cease to operate your last My Gym Business, whichever is later; either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any persons, partnership, or corporation, own, maintain, operate, engage in, or have any interest in any Similar Business which is, or is intended to be, located within a ten (10) mile radius of the Territory or within a ten (10) mile radius of the territory of any My Gym Business then-operating under the My Gym System.

18.4 Exclusions. Section 18.3 above shall not apply to ownership by you of less than three percent (3%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "publicly-held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the federal Securities Exchange Act of 1934.

18.5 Personal Covenants. At our request, you shall require and obtain execution of covenants similar to those set forth in Sections 8, 14, 17, and this Section 18 (as modified to apply to an individual) from any or all of the following persons: Managing Owner, Principals, and Center Manager. Every covenant required by this Section 18.5 shall be in a

form satisfactory to us, including, without limitation, specific identification of us as a third party beneficiary of such covenants with the independent right to enforce them. Your failure to obtain execution of a covenant required by this Section 18.5 shall constitute a default under Section 16.2 hereof.

18.6 Valuable Skills Prior to the Agreement. You confirm that prior to entering into the franchised business you possessed (and still possess) valuable skills unrelated to the franchised business, have the ability to be gainfully employed in other fields entirely acceptable to you and that the strict enforcement of the restrictions of this Agreement will not work any undue or significant hardship on you or your family.

18.7 Covenants are Construed Independently. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.8 We Can Reduce Application of Covenants. You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 18.2 and 18.3 above, or any portion of this Agreement, without your consent, effective immediately upon receipt by you of written notice thereof; and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 22.4 below.

18.9 No Claims As a Defense. You expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section 18. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by us in connection with the enforcement of this Section 18.

18.10 Irreparable Harm from Default. You acknowledge that your violation of the terms of this Section 18 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consents to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 18.

19. DISPUTE AVOIDANCE AND RESOLUTION

19.1 Arbitration. The parties agree as follows:

19.1.1 Any litigation, claim, dispute, suit, action, controversy, proceeding or otherwise ("**claim**") between or involving you (and/or any Owner and/or Affiliate of yours or which could be brought by, or on behalf of, you, any Owner and/or Affiliate of yours) and us (and/or any claim against or involving any or all of the Franchisor-Related Parties or otherwise), except as expressly provided below at Sections 19.1.5 and 19.2, including any claim that this Agreement or any portion of it is invalid or unenforceable, and any claim of fraud, will be:

(a) First, discussed in a face-to-face meeting between a corporate executive of yours and a corporate executive of ours, each authorized to make binding commitments on behalf of their respective parties. This meeting will be held at our then-current headquarters (presently in California) and within thirty (30) days after either

you or we give written notice to the other proposing such a meeting, unless you and we agree otherwise.

(b) Second, if, in the opinion of either yours or ours, the meeting has not successfully resolved such matters and if desired by any person or entity involved in the claim, submitted to non-binding mediation for a minimum of eight hours before: (i) Judicial Arbitration and Mediation Service ("**JAMS**") (or an organization designated by JAMS); or (ii) any other mediation organization approved by all such persons and/or entities. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. In the mediation, you and we shall each be represented by an individual authorized to make binding commitments on respective behalves and may be represented by counsel. In addition, you and we may, with permission of the mediator, bring such additional persons as are needed to respond to questions, contribute information and participate in the negotiations. The fees and expenses of the mediator and/or mediation organization shall be shared equally by you and us. The mediator shall be disqualified as a witness, consultant, expert or counsel for any party with respect to the dispute and any related matters.

(c) Third, if neither you nor we desire mediation (or if such mediation is not successful in resolving such claim), submitted to and finally resolved by binding arbitration before and in accordance with the arbitration rules of JAMS (or any successor organization); provided that if such arbitration is unable to be heard by JAMS for any reason, the arbitration will be conducted by another arbitration organization approved by all person(s) and/or entities involved in the claim. The fees and expenses of the arbitrator(s) and/or arbitration organization shall be shared equally by the disputants. In each case, the parties to any mediation/arbitration will execute appropriate confidentiality agreements, excepting only such public disclosures and filings as are required by law.

19.1.2 Any mediation/arbitration (and any appeal of arbitration) will be exclusively conducted at our then-current headquarters. Except as expressly provided below, the parties to any mediation or arbitration will bear their own costs, including attorney's fees. Any claim, and any mediation/arbitration, will be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff or similar basis.

19.1.3 On request of any party to a claim, the arbitrator may be required to issue a written award, specifying the facts found and the law applied, but the party so requesting will bear the fees and charges incurred in connection therewith. The arbitrator may award or otherwise provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other pre-judgment, equitable and/or interim relief as appropriate pending final resolution, as well as in connection with any such final resolution. The arbitrator may issue summary orders disposing of all or part of a claim at any point. Each party consents to the enforcement of such orders, injunctions, etc. by any court having jurisdiction.

19.1.4 In any arbitration, any and all pre-trial discovery devices (including, but not limited to, depositions, written interrogatories, requests for admission, and requests for production, inspection and copying of documents) will be available to the disputants as if the subject matter of the arbitration were pending in a civil action before a court of general jurisdiction in California. The arbitrator shall have the power to order compliance with such discovery procedures, as well as assess sanctions for non-compliance with any order. The arbitrator (rather than a court) shall decide any questions relating in any way to the parties' agreement (or claimed agreement) to arbitrate, including but not limited to applicability, subject matter, timeliness, scope, remedies and any alleged fraud in the inducement, or

otherwise. Each participant must submit or file any claim which would constitute a compulsory counterclaim (as defined by the applicable rule under the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be forever barred.

19.1.5 If any party to an arbitration wishes to appeal any final award by an arbitrator (there will be no appeal of interim awards or other interim relief), that party can appeal, within thirty (30) days of such final award, to a three (3) arbitrator panel to be appointed by the same organization as conducted the arbitration. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial de novo or other fact-finding function. The party requesting such appeal must pay all costs and fees charged by such arbitration appeal panel and/or arbitration organization in connection with such appeal, as well as posting any bond deemed appropriate by such arbitration organization or arbitration appeal panel. In addition, a party requesting appeal, and who does not prevail on appeal, will pay the other party's (or parties') attorneys' fees and other costs of responding to such appeal.

19.1.6 Judgment on any preliminary or final arbitration award (subject to the opportunity for appeal as contemplated above) may be entered in any court having jurisdiction and will be binding, final and non-appealable.

19.1.7 The obligation herein to mediate and/or arbitrate will not be binding on us with respect to claims or issues relating primarily to (i) the validity of any trademarks, service marks or other intellectual property of ours, (ii) our rights to obtain possession of any real and/or personal property (including any action in unlawful detainer, ejectment or otherwise) and/or (iii) our rights to obtain a writ of attachment and/or other pre-judgment remedies and/or (iv) our rights to receive and enforce a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief, and our exercise of any such rights and/or remedies will not be deemed a waiver of our rights to require or use mediator and/or arbitration.

19.1.8 Except as otherwise required by the laws of the state in which your Fixed Center is located, you and we mutually intend and agree that (1) all issues relating to arbitrability and/or the enforcement of the agreement to arbitrate contained herein will be (i) decided by the arbitrator (including all claims that this Agreement in general, and/or the within agreement to arbitrate and/or any other agreement, was procured by fraud in the inducement or otherwise) and (ii) governed exclusively by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration and (2) you and we mutually intend and agree (and have expressly had a meeting of the minds) to fully enforce all of the provisions of this franchise agreement and all other documents signed by you and us, including (but not limited to) all venue, choice-of-laws, mediation/arbitration provisions and other dispute avoidance and resolution provisions (including (but not limited to) those relating to arbitration, waiver of jury trial, limitation of damages, venue, choice of laws, shortened periods in which to bring claims or otherwise), and to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.).

19.2 Waiver of Trial by Jury. You and we each knowingly and irrevocably waive all rights to trial by a court or jury, in any action, proceeding, or counterclaim, whether at law or in equity, brought by either party against the other, whether or not there are other parties in such action or proceeding, understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, still strongly preferring, and having mutually selected (for the reasons set forth in this section and the following one), mediation and/or arbitration as provided in this Agreement to resolve any disputes, except as expressly provided in Section 19.1.7, you and

we having had an express meeting of the minds on each these matters as set forth in Articles 19, 21 and/or otherwise.

19.3 Choice of Venue; No Class Action. Without in any way limiting or otherwise affecting your and our obligations regarding mediation/binding arbitration, you and we agree that any litigation between you and us (and/or involving any Owner and/or Affiliate of yours, and/or which could be brought by you or on your behalf, involving any of the Franchisor-Related Parties), whether to enforce an arbitration award or involving any litigation, dispute, controversy, claim, proceeding or otherwise which is not subject to any agreement regarding mediation/arbitration (or in the event that a court having jurisdiction should hold that any agreement regarding mediation and/or arbitration is not enforceable) or otherwise, and bearing in mind your and our joint interest in having a single court determine issues in a consistent manner for application throughout the My Gym System and not having us or our franchisees exposed to inconsistent decisions, will be held exclusively before a court in the most immediate judicial district encompassing our then-current headquarters and having subject matter jurisdiction or the United States District Court encompassing our then-current headquarters (where a basis for federal jurisdiction exists, all filings, proceedings and otherwise will be exclusively in such Federal court, in preference to state court), you and we consenting to the exclusive jurisdiction of such court(s) and WAIVING ALL RIGHTS TO TRIAL BY JURY; provided that, in our sole and absolute discretion, any action by us (and/or an Affiliate) to obtain possession of any real and/or personal property (including any action in unlawful detainer, ejectment or otherwise) may be brought in a state or Federal court having jurisdiction over the real and/or personal property at issue. **ANY CLAIM, AND ANY LITIGATION, WILL BE CONDUCTED AND RESOLVED ON AN INDIVIDUAL BASIS ONLY AND NOT ON A CLASS-WIDE, MULTIPLE PLAINTIFF OR SIMILAR BASIS.**

19.4 No Punitive Damages. You and we agree that in any arbitration, litigation or otherwise, you (and each Owner and Affiliate of yours) and we each knowingly and irrevocably waive any right to recover, and any rights to make claims for (whether by claim, counter-claim, offset, way of defense or otherwise), punitive, exemplary, multiple, pain-and-suffering, mental distress, incidental, consequential, special, lost income and/or profits (except as expressly provided below) and/or similar damages under any theory whatsoever. You and we agree that such claims are inherently speculative and subject to abuse, often serving as obstacles to the reasonable resolution or settlement of a dispute and frequently operating to primarily benefit the attorneys involved in the claim; provided that, in any event, we may recover the then-current value of any Initial Franchise Fees, Royalty Fees, Advertising Contributions and/or other payments you are, or would be, obligated to make, or would normally make, in the absence of a breach or termination, to us or any Affiliates, whether under this Agreement or otherwise, it being your and our intention that we receive the full benefit of our bargain with you, as well as any past due payments owed to us and/or any Affiliate. IN ANY EVENT, OUR MAXIMUM LIABILITY (COMBINED WITH THE MAXIMUM LIABILITY OF ANY OF THE FRANCHISOR-RELATED PERSONS/ENTITIES OR ANY OF THEM) SHALL BE (COLLECTIVELY) LIMITED TO THE RETURN TO YOU OF THE INITIAL FRANCHISE FEE ACTUALLY PAID BY YOU and your maximum liability will be limited to the present value of the Initial Franchise Fees, Royalty Fees, Advertising Contributions and other amounts which normally would have been paid by you if the franchise had continued in existence for its full term and any renewals, together with any past due payments owed to us and/or any Affiliate, but, in any case, there shall be no limitation on your indemnity and/or similar obligations, whether with respect to trade accounts, other third-party claims or otherwise. You and we have agreed on this limitation in recognition of the facts that the calculation of any actual damages would be exceedingly difficult and subject to speculation and possible abuse and that the foregoing compromises benefit both of us equally. You agree that we will not be required to post a bond in order to obtain any injunctive or other equitable relief or otherwise and that your only remedy if an

injunction or other equitable relief is entered against you will be to obtain dissolution of such injunction.

19.5 Applicable on Affiliates. The dispute avoidance and resolution provisions of this Agreement shall apply to any claims, arbitration, litigation or otherwise between you and us, and/or by any Owner and/or Affiliate of yours, or which could be brought by you or on your behalf, whether against us and/or any or all of the Franchisor-Related Parties.

19.6 Prior Notice of Claims by You. Prior to you taking any legal or other action against us, and/or any of the Franchisor-Related Parties, you shall first give us thirty (30) days prior written notice and opportunity to cure such alleged act or omission or, if such alleged act or omission cannot reasonably be cured within such thirty (30) day period, and we are diligently continuing efforts to attempt to cure such alleged act or omission, such additional time as we are continuing such efforts; provided that any dispute regarding our withholding consent with respect to a proposed transfer by you may be immediately submitted to face-to-face meeting, mediation and arbitration as provided in Section 19.1.

19.7 Periods Within Which to Make Claims.

19.7.1 No arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense, offset or otherwise) by either you or us will lie or be permitted against the other (nor by you against any of the Franchisor-Related Parties), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such arbitration proceeding, action or suit before the expiration of the earlier of:

(1) one (1) year after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(2) one (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

19.7.2 The foregoing limitations may, where brought into effect by our failure to commence an action within the time periods specified, operate to exclude our right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent us from (i) terminating your rights and our obligations under this Agreement as provided herein and under applicable law nor prevent us from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination or (ii) obtaining and/or enforcing a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief (whether by an arbitrator or a court) with respect to any operational non-compliance by you, irrespective of when such operational non-compliance occurred or came to our attention, in each case you agreeing that such relief is appropriate so that we can, among other things, protect the goodwill inherent in the Marks and the related investments by us and all other franchisees.

19.7.3 The limitations set forth in Section 19.7.1 will not apply to our claims arising from or related to: (1) indemnification by you; (2) your confidentiality, non-competition or other exclusive relationship obligations; and/or (3) your unauthorized use of the Marks.

19.8 Withholding Consent. In no event will you make any claim, whether directly, by way of set-off, counter-claim, defense or otherwise, for money damages or otherwise, by reason

of any withholding or delaying of any consent or approval by us. Your sole remedy for any such claim is to submit it to an executive meeting, mediation and arbitration as described in this Agreement and, if executive meeting and mediation fails to resolve such matter, for the arbitrator to order us to grant such consent. Unless otherwise expressly provided in this Agreement, approvals and consents may be withheld by us in our reasonable discretion.

19.9 Survival. Each provision of this Section 19, together with the provisions of Section 21, will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise and will apply to and govern any claim against, or with respect to, the Marketing Fund.

19.10 Construction. The headings of Sections are for convenience only and do not limit or construe their contents. The word "including" shall be construed to include the words "without limitation." The term "you" is applicable to one or more persons, a corporation, a limited liability company or a partnership and its owners, as the case may be. If two or more persons are at any time franchisee hereunder, whether as partners, joint venturers or otherwise, their obligation and liabilities shall be joint and several. References to a controlling interest in an entity shall mean more than fifty percent (50%) of the equity or voting control of such entity.

19.11 No Waiver. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement. The benefits and protections of this Agreement which apply to us (including, but not limited to, all provisions relating to indemnification and/or releases) shall also apply to any past, current and/or future Franchisor-Related Parties as if they were expressly named beneficiaries of such provisions. In each case where we may exercise any option or other right, we may do so in our reasonable discretion, without liability or other obligation. So as to preserve the flexibility to deal with practical business situations (which you and we agree should benefit your and our businesses in the long term), we may, in our reasonable discretion, elect to not enforce (or to selectively enforce) any provision of this Agreement, or any other agreement, any policy or otherwise, whether with respect to you and/or any other you or otherwise, and we may apply different policies to any you, all without liability or other obligation and any such acts or omissions will not limit or otherwise affect our rights, whether to strictly enforce this Agreement or otherwise.

19.12 Costs and Attorneys' Fees. Except as expressly provided otherwise in this Agreement with respect to appeal of an arbitration award, or with respect to our rights to recover attorneys' fees in connection with our indemnification rights hereunder, or as otherwise expressly provided in this Agreement, and based on your and our judgment that attorneys' fees provisions often operate to primarily benefit the attorneys involved in any claim and/or to encourage specious claims to the detriment of everyone involved in a franchise system, the parties will each bear their own costs of enforcement and/or defense (including but not limited to attorney's fees) in any claim or dispute between you and us (including any claim by you, or on your behalf, against the Franchisor-Related Parties or otherwise) and will make no claim with regard thereto.

19.13 Validity and Execution. This Agreement will become valid when executed and accepted by us at our headquarters. This Agreement will be executed in multiple copies, each of which will be deemed an original.

19.14 No Third Party Beneficiary. Except as expressly provided otherwise, nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

19.15 No Liability for Good Faith Action. You agree that neither we (nor any of the Franchisor-Related Parties) will be liable for any act or omission which is consistent with this Agreement or other information provided to you, or which is done in subjective good faith. When we use the phrase "Business Judgment," that phrase will be construed to take into account our needs for reasonable business flexibility in managing the My Gym System and for achieving consistency and quality of retail presentation and operations among all My Gym Businesses.

19.16 Non-Retention of Funds. If you believe that we or any other person/entity has violated any legal duty to you, you will, notwithstanding such dispute, pay as designated all sums specified under this Agreement or any other agreement, whether to be paid to us or any Affiliate (including Royalty Fees, any unpaid portion of the Initial Franchise Fee and any Advertising Contributions and/or amounts payable to Regional Ad Fund, rent or otherwise) and will not withhold any payments until and unless such dispute has been finally determined in your favor.

19.17 Severability; Substitution of Valid Provisions. Except as otherwise stated in this Agreement, each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision affecting any rights to recovery for breach of any legal obligation, including but not limited to waiver of statutory benefits such as rights to jury trial, exemplary or punitive damages, recovery of attorney's fees and/or statutes of limitations), and the remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. This Agreement will be deemed automatically modified to comply with governing law if such law requires: (a) a greater time period for notice of the termination of, or refusal to renew, this Agreement; or (b) the taking of some other action not described in this Agreement. We may modify any invalid or unenforceable provision to the extent required to be valid and enforceable and you will be bound by the modified provisions.

19.18 Waivers. Our waiver of any breach(es) under this or any other agreement (whether by failure to exercise a power or right available to us, failure to insist on strict compliance with the terms, obligations or conditions of any agreement, development of a custom or practice between you and us (or others) which is at variance with the terms of any agreement, acceptance of partial or other payments or otherwise), whether with respect to you or others, will not affect our rights with regard to any breach by you or anyone else or constitute a waiver of our right to demand exact compliance by you with the terms of this Agreement or otherwise. Subsequent or other acceptance by us of any payments or performance by you will not be deemed a waiver of any preceding or other breach by you of this Agreement or otherwise. The rights and remedies provided in this Agreement are cumulative and we will not be prohibited from exercising any rights or remedies provided under this Agreement or permitted under law or equity.

19.19 Choice of Law. You and we, both agreeing on the practical business importance of certainty as to the law applicable to our relationship and its possible effect on the development and competitive position of the My Gym System, jointly agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act and except to the extent governed by the United States Trademark Act and other federal laws, or as provided elsewhere in this

Agreement, this Agreement (including any claims, counter-claims or otherwise by you and/or any Affiliate of yours) and all other matters concerning you (and/or any Affiliate of yours) and us (and/or any Affiliate of ours), and/or you (and/or any Affiliate of yours) and any of the Franchisor-Related Parties, including your/our/their respective rights and obligations, will be governed by, and construed and enforced in accordance with, the laws of the state in which our then-current principle office is located (currently, California), without regard to the laws of such state relating to conflicts of laws or choice of law; provided, however, that if the covenants in Section 18 of this Agreement would not be enforceable under the laws of such state, and your Fixed Center is located outside of such state, then such covenants shall be interpreted and construed under the laws of the state in which you Fixed Center is located; provided, further, that provisions of any law of such state regarding franchises (including registration, disclosure, or relationship, and the regulations thereunder) shall not apply unless such state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section.

20. FORCE MAJEURE

20.1 Impact. Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (a) acts of God; (b) acts of war, terrorism, or insurrection; (c) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or (d) our or our affiliates' or our supplier's inability to manufacture, purchase, and/or cause delivery of any Products used in the operation of your Fixed Center.

20.2 Transmittal of Funds. The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of Section 20.1 above. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you shall remain obligated to promptly pay all fees owing and due to us hereunder, without any such delay or extension.

21. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manuals will be deemed so delivered at the time delivered by hand, immediately on transmission by facsimile transmission or other electronic system, including e-mail or any similar means, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the addresses as listed in Exhibit A.

All payments and reports required by this Agreement will be directed to us at our address as specified above. Any required payment or report not actually received by us during regular business hours on the date due will be deemed delinquent. Notice to you, or of your owners, shall be deemed effective as to all owners of yours.

22. ACKNOWLEDGMENTS AND REPRESENTATIONS, ENTIRE AGREEMENT, ETC.

22.1 Acknowledgements. The following acknowledgements apply to all franchisees and My Gym Businesses:

22.1.1 No Fiduciary Relationship. You and we agree that the relationship between you and us is an ordinary commercial relationship between independent businesspeople intended for mutual but independent economic benefit and is not in any sense, nor is intended to be, a fiduciary, trust or similar special relationship, that each party has dealt with each other at arm's length and as businesspersons with equivalent bargaining power, notwithstanding the relationship of you and us, and that you have alternative business opportunities (some of which are franchised) which you have investigated and in which you can invest.

22.1.2 No Conflicting Obligations. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

22.1.3 Your Responsibility to Run your Fixed Center. Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your Fixed Center, you retain the right and sole responsibility for the day-to-day management and operation of your Fixed Center and the implementation and maintenance of My Gym System standards at your Fixed Center.

22.1.4 Different Franchise Offerings to Others. You acknowledge and agree that we may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement; and

22.1.5 Receipt of Franchise Disclosure Document and Agreement. You acknowledge that you received a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, as well as a copy of our current franchise disclosure document, at such time(s) as required by the applicable federal and state franchise laws and regulation.

22.2 Acknowledgements in Certain States. The following acknowledgements apply to all franchisees and My Gym Businesses, except those that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin:

22.2.1 Advice of Lawyers, Alternative Investment Opportunities. You acknowledge that you've had the opportunity (and we have strongly advised you) to have this Agreement and all other documents reviewed by your own attorney and that you have read, understood, had an opportunity to discuss with us, and agreed to each provision of this Agreement. You agree that you've been under no compulsion to sign this Agreement, that you've considered other franchise opportunities as well as the possibility of your entering our industry as a non-franchised participant and that, therefore, this Agreement will be deemed to have been drafted by you and us in equal parts and that no presumptions or inferences concerning this Agreement's terms, interpretation or otherwise will result by reason of the fact that we prepared this Agreement or may be unwilling to change its terms

22.2.2 . No Earnings Information. You have not received or relied on (nor have we or anyone else provided) any: sales, income or other historical results, projections or otherwise, of any kind or nature or any statements, representations, data, charts, tables, spreadsheets or mathematical calculations or otherwise which stated or suggested any level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise and neither we nor anyone else has made, nor have you relied on, any

promises, representations or warranties as to any profits or otherwise you may realize in the operation of a My Gym Business, nor have you received or relied on any representations regarding any working capital or other funds necessary to reach any "break-even" or any other financial level. We cannot reliably predict, forecast or project future performance, revenues, profits or otherwise of any My Gym Business, even including one owned and/or operated by us, due to the large number of factors outside our control, and we certainly cannot reliably predict what your results might be. You understand that results will vary from unit to unit. If any such information, promises, representations and/or warranties has been provided to you, they have not been authorized and should not be relied on. We will not be bound by them and, if you do rely on any such information, promises, representations and/or warranties, you do so at your own risk.

22.2.3 Representations and Warranties. You and your Principals represent and warrant to us that: (a) neither you nor any of your Principals have made any untrue statement of any material fact nor omitted to state any material fact in obtaining the rights granted herein; (b) neither you nor any of your Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a competitive business, except as otherwise completely and accurately disclosed in your license application materials; and (c) you and your Principals have a legal right to own and operate your Fixed Center. You recognize that we approved you in reliance on all of the statements you and your Principals have made in connection therewith, and that you have a continuing obligation to advise us of any material changes in these statements and representations made to us in this Agreement or in the license application.

22.2.4 Business Risks. You acknowledge and agree that you (i) are a sophisticated person, or an entity with sophisticated management personnel, (ii) recognize the transactions contemplated by this Agreement involve substantial business risks, and that your, your business' and your Fixed Center's success will be largely dependent upon your ability and efforts as an independent business owner, (iii) recognize that the success of the business venture contemplated under this Agreement is speculative and also depends upon market conditions, area competition, availability of product, quality of services provided, number and skills of management and staff, as well as other factors; and (iv) have made an independent investigation of all aspects of this Agreement you deem necessary or advisable. We do not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

22.2.5 Choice of the Premises. You acknowledge that you shall have sole and complete responsibility for the choice of the Premises; that we have not (and shall not be deemed to have (and shall not be deemed to have, even by our approval of the site that is the Premises) given any representation, promise, or guarantee of your success at the Premises; and that you shall be solely responsible for your own success at the Premises.

22.3 Employees. Under no circumstances shall your managerial personnel or other employees be deemed to be employees of ours. You acknowledge that you are the sole employer of the employees in your Fixed Center and that you are solely responsible for the labor relations and employment practices in your Fixed Center. You acknowledge we do not dictate or control labor or employment matters for you and you employees. Any materials, guidance and assistance that we may provide with respect to employment-related policies or procedures, whether in the Manuals or otherwise, are solely for your optional use. You will determine to what extent, if any, these materials, guidance or assistance should apply to your employees. You agree to indemnify and hold us harmless from any and all liability, including costs, attorneys' fees or other damages which result directly or indirectly from your employees or independent contractors.

22.4 Complete Agreement. You and we jointly intend, represent, warrant and agree that (1) this Agreement contains the final, complete and exclusive expression of the terms of your and our agreement and the final, complete and exclusive expression of your and our intent, and entirely supersedes and replaces any and all prior and/or concurrent understandings, agreements, inducements, prior course(s) of dealing, representations (financial or otherwise), promises, options, rights-of-first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) between you and us, (2) there are no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights-of-first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) which are not fully expressed in this Agreement; (3) no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights-of-first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) of any kind or nature whatsoever have been made by us or anyone else, nor have been relied upon by you nor will have any force or effect; excepting only the written representations made by you in connection with its application for this franchise; (4) this Agreement and the exhibits referred to herein are binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest and will not be modified or supplemented except by means of a written agreement signed by both you and our President or one of our Vice Presidents except for those permitted to be made unilaterally by us hereunder; and (5) no other officer, field representative, salesperson or other person has the right or authority to sign on behalf of us, to make oral or written modifications to the Agreement or to make any representations on behalf of us, and any such modifications and/or representations shall not be binding on us. **Notwithstanding the foregoing, nothing in this Agreement or any related agreement is intended to disclaim the representations that Franchisor made in the most recent Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative, subject to any agreed-upon changes to the contract terms and conditions described in that Disclosure Document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement).**

22.5 Anti-Terrorism Laws. You and your Principals agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and your Principals certify, represent, and warrant that none of your and their property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws, and that you and your Principals are not otherwise in violation of any of the Anti-Terrorism Laws. "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, the USA Freedom Act, and all other present and future U.S. federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you, you Principals, or your and their employees, or any "blocking" of your assets under the Anti-Terrorism Laws shall constitute grounds for immediate termination of this Agreement and any other agreement you have entered with us or one of our Affiliates, in accordance with the termination provisions of this Agreement.

22.6 Your Release. You, for yourself and on behalf of your Affiliates, and their respective shareholders, directors, officers, limited liability company members, managers and employees, and their respective successors and assigns, and on behalf of the your Principals, hereby (i) releases and forever discharges us and Franchisor-Related Parties, from any and all claims, demands and causes of action, whether known or unknown, of any kind or nature, absolute or contingent, if any, at law or in equity, arising prior to or on the Effective Date, and (ii) agrees that none of them will institute any litigation or other legal

action or proceeding, at law or in equity, against us or Franchisor-Related Parties, directly or indirectly, relating to any claim or demand released under this Section 22.6. You shall take whatever actions are necessary or appropriate to carry out the terms of this release and covenant not to sue upon our request. This Section 22.6 shall survive the expiration or termination of this Agreement.

22.7 No Waiver or Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in duplicate on the day and year first above written.

GYM CONSULTING, LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A

DATA SHEET

1. PRE-OPENING ADVERTISING: You must pay the following amounts during the 180 days prior to opening of the Center (Section 3.8):

___ Eight Thousand Five Hundred Dollars (\$8,500) (Small Model Fixed Center)

___ ~~Twelve~~Twenty Five Thousand Dollars (~~\$12,000~~25,000) (Large Model Fixed Center)

2. INITIAL FEE: You shall pay an Initial Fee as follows (Section 9.1):

___ Twenty-Five Thousand Dollars (\$25,000) (Small Model Fixed Center)

___ Fifty-Five Thousand Dollars (\$55,000) (Large Model Fixed Center)

3. ROYALTY FEE: You shall pay a monthly Royalty Fee as follows (Section 9.3):

___ Seven Percent (7%) (Large Model Fixed Center)

___ Eight Percent (8%) (Small Model Fixed Center)

4. RESERVED AREA: You shall seek a site within the following area (Sections 1.2.15 and 3.1.1):

5. PREMISES: The Center shall be located at the following address (Sections 1.2.13 and 3.1.4):

6. TERRITORY: The Territory shall be (Sections 1.2.19 and 2.2):

7. OPENING DATE (Section 3.11): The Opening Date of your Fixed Center is _____, 20__.

8. ADDRESSES FOR NOTICES (Section 21):

To Franchisor: 15300 Ventura Blvd., Suite 523
Sherman Oaks, CA 91403
Fax:
Tel.: (818) 907-6966
Fax: (818) 907-0735
Attn: President

To Franchisee: _____

Tel.: _____
Fax: _____
Attn: _____

Initials	
_____	_____
Franchisee	Franchisor

EXHIBIT B

OWNER'S GUARANTY

In consideration of, the execution by Gym Consulting LLC, a California corporation, ("Franchisor") of the franchise agreement of even date herewith (the "Agreement") between Franchisor and _____, a(n) _____ corporation (the "Franchisee"), each of the undersigned hereby personally, jointly and severally: (1) guarantees to Franchisor, its affiliates, the Franchisor-Related Parties (as defined in the Agreement) and each of their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the undersigned will be bound by, and punctually pay and perform, each and every covenant set forth in the Agreement; (2) agrees to be personally bound by, and personally liable for, the breach of, each and every provision in the Agreement; and (3) agrees to be personally bound by, and personally liable for, each obligation of the Franchisee to Franchisor and/or any company affiliated or related in any way with or to Franchisor, including all past, current and/or future obligations of the Franchisee. Franchisor (and/or its affiliates) need not bring suit first against the undersigned in order to enforce this guarantee and may enforce this guarantee against any or all of the undersigned as it chooses in its sole and absolute discretion.

Each of the undersigned consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty will be joint and several;
- (2) he and/or she will render any payment or performance required under the Agreement on demand if the Franchisee fails or refuses to do so punctually;
- (3) the liabilities and obligations of the undersigned, whether under this document or otherwise, will not be diminished or otherwise affected by the termination, rescission, expiration or otherwise of the Agreement; and
- (4) the provisions of Articles 19 and 21 of the Agreement are incorporated in and will apply to this document as if fully set forth herein and shall apply to any dispute involving the Franchisor and any of the undersigned. ALL DISPUTES INVOLVING A GUARANTOR (WHETHER OR NOT RELATED TO THE GUARANTEE) SHALL BE ADJUDICATED AND RESOLVED IN ACCORDANCE WITH THE PROVISIONS APPLICABLE TO FRANCHISEE WHICH ARE SET FORTH IN SECTION 19 OF THE FRANCHISE AGREEMENT, WHICH SECTION, AMONG OTHER THINGS, INCLUDES ARBITRATION, MUTUAL WAIVER OF TRIAL BY JURY, LIMITATIONS ON THE TIME WITHIN WHICH TO COMMENCE AN ACTION, AND A WAIVER TO THE EXTENT PERMITTED BY LAW OF ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES.

In connection with such guarantee and the Franchisor (a) not requiring that the Franchise be initially awarded in the name of one or more of the Guarantors and/or (b) not requiring the payment of a full transfer fee in connection with any related transfer from the undersigned to the Franchisee, each of the undersigned hereby grants a general release, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against the Franchisor and/or any or all of the Franchisor-Related Parties.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has here unto affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

EXHIBIT C
LIST OF OWNERS

Name of Owner	Address and Telephone	Email address	Interest %

	Initials	
_____		_____
Franchisee		Franchisor

EXHIBIT D

ADA CERTIFICATION

Gym Consulting, LLC ("**Franchisor**") and _____ ("**Franchisee**") are parties to a franchise agreement dated as of _____ for the operation of a My Gym Business at _____ (the "**Center**"). In accordance with Section 3.9 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee's knowledge, your Fixed Center and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisee does not constitute ownership, control, leasing or operation of your Fixed Center. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee acknowledges that it has obligation under this Franchise Agreement to indemnify Franchisor and its officers, directors, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's compliance with the Americans with Disabilities Act, as well as the costs, including attorneys' fees, related to the same.

[Franchisee]

By: _____

Printed Name: _____

Title: _____

EXHIBIT E

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS (DIRECT DEBITS)

_____ (Name of Person or Legal Entity)

_____ (ID Number)

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Gym Consulting, LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below to debit or credit such account(s) pursuant to Franchisor's instructions. A check marked "void" and drawn on the same account is attached for the record.

_____ Depository

_____ Branch

_____ City

_____ State

_____ Zip Code

_____ Bank Transit/ABA Number

_____ Account Number

This authorization is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

_____ Depositor (Franchisee)

By: _____

Printed Name: _____

Title: _____

Date: _____

EXHIBIT F

**FORM OF NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
BETWEEN FRANCHISEE AND ITS MANAGERS**

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this _____ day of _____, 20____, by and between _____ (the "**Franchisee**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Developer (the "**Manager**").

RECITALS:

WHEREAS, Gym Consulting, LLC ("**Company**"), as franchisor, and as the result of the expenditure of its time, skill, effort and money have developed and own a unique system (the "**System**") relating to the operation of businesses providing fitness services to children (a "**My Gym Business**"), under the Proprietary Marks (as defined below), and specializing in offering fitness services to children ("**Services**"), as well as the sale of associated proprietary and/or private label products and services, if and when developed, prepared for sale in the system (the "**Products**"), and which Centers utilize Company's System and Proprietary Marks (defined below), all of which Company may periodically change, improve, and/or further develop;

WHEREAS, Company identifies Centers by the MY GYM, MY GYM CHILDREN'S FITNESS CENTER marks and such other proprietary marks as Company may periodically designate in writing (together, the "**Proprietary Marks**");

WHEREAS, Company and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a My Gym Business (the "**Center**") under the terms and conditions of the Franchise Agreement;

WHEREAS, the Manager, by virtue of his or her position with Franchisee, will gain access to certain of Company's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Development is bound by.

IN CONSIDERATION of these promises, Manager's employment with Franchisee, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. **Confidential Information.** Manager shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Manager or of which Manager may be apprised by virtue of Franchisee's operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which Company designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Company; or which, at or after the time of disclosure by Company to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Manager specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Manager will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Company and the System.

(b) Manager covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Company, Manager shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of your Fixed Center or of any My Gym Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Company's Proprietary Marks and the System.

(ii) Employ or seek to employ any person who is at that time employed by Company, Franchisee, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to your Fixed Center.

(c) Manager covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Company, Manager shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business that is same as or similar to your Fixed Center and which business is (or is intended to be) located within a ten (10) mile radius of either the Territory of your Fixed Center or any other My Gym Business operating at the time that the obligations under this commence.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of one (1) year from the date of: (a) a transfer permitted under Section 14 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of Manager's employment with Franchisee; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief. Manager acknowledges that any failure to comply with the requirements of this Agreement will cause Company irreparable injury, and Manager agrees to pay all court costs and reasonable attorney's fees incurred by Company in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Manager agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Company's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Manager agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Company or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Manager hereby acknowledges and agrees that Company is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Manager attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this _____ day of _____, 20____.

FRANCHISEE

MANAGER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A-2

MOBILE BUSINESS FRANCHISE AGREEMENT



**GYM CONSULTING, LLC
FRANCHISE AGREEMENT
(MOBILE BUSINESS)**

Franchise Agreement Number: _____

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GYM CONSULTING, LLC
MOBILE BUSINESS FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is entered into as of _____ 20____, (the "**Effective Date**") between Gym Consulting, LLC, a California limited liability company with its principal office at 15300 Ventura Boulevard, Suite 523, Sherman Oaks, California 91403 ("**we**"), and _____, a [resident of] / [corporation organized in] / [limited liability company organized in] _____, and having offices at _____ ("**you**," or "**Franchisee**").

1. INTRODUCTION AND DEFINITIONS

1.1 Introduction. We have developed, and are continuing to develop, methods of operating children's physical fitness centers and programs involving the presentation of various programs and activities, including those covering pre-gymnastics, tumbling, fine and gross motor skills, stretching and sports skills, and which may include the sale of equipment, clothing, toys, food products and other items. Such businesses operate under the My Gym System and the Marks, and can be operated at fixed locations (the "**Fixed Centers**"), or from mobile vehicles to provide Services and Products to the Institutional Facilities and the customers located therein (the "**Mobile Businesses**"). Collectively, they are referred to in this Agreement as "My Gym Businesses." If you wish, and we approve you, to operate a Fixed Center or a Mobile Business, you must enter into a corresponding franchise agreement with us. This Agreement is for the operation of a single Mobile Business.

1.2 Definitions. For purposes of this Agreement, the following terms have the meanings listed below. Other terms used in this Agreement are defined and construed in the context in which they occur.

1.2.1 "Affiliate" - Any person, company or other entity which controls, is controlled by or is under common control with another person, company or entity, as well as any spouse, parent, child and/or sibling and any entity controlled by any spouse, parent, child and/or sibling.

1.2.2 "Business Judgment" - Business Judgment shall mean that we are allowed to exercise our judgment however we think is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way.

1.2.3 "Designated Equipment" - Equipment that meets our standards and specifications, and that we designate for you to use in the operation of you Mobile Business, currently including physical fitness equipment, computers and software.

1.2.4 "Franchise" - The right to operate a single Mobile Business pursuant to the terms and conditions of a Franchise Agreement.

1.2.5 "Franchisor-Related Parties" - We, and each and all of the following, whether past, current and/or future: each and all company(ies)/person(s) acting by, through, under, in concert, affiliated and/or associated in any way, with us, together with each and all of the partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees of us and/or any of the foregoing, as well as each and all of the successors and/or assigns of us and/or any of the foregoing.

1.2.6 "Gross Volume" - "Gross Volume" shall mean all revenue from the sale of memberships or similar rights to use your Mobile Business's equipment and programs, and any ongoing, upgrade, and/or renewal fees, all Services, Products, and other items and all other income of every kind and nature related to your Mobile Business, including but not limited to proceeds of any business interruption insurance policies, whether for cash, credit or otherwise (and regardless of collection in the case of credit), but not including sales and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities.

1.2.7 "Large Model Fixed Center" - A Fixed Center whose target market is children up to ten (10) years of age, and having a square footage of approximately 2,500 to 3,000 square feet.

1.2.8 "Institutional Facility" - This term includes, among other things: hotels; airports; federal, state or local government facilities (including military bases); hospitals and other health-care facilities; recreational facilities; schools, colleges and other academic facilities; daycare centers; and seasonal facilities.

1.2.9 "Managing Owner" - If you are a corporation, limited liability company, partnership, or limited liability partnership, you will designate an Owner as the Managing Owner, who has been approved by us to supervise the operation of your Mobile Business.

1.2.10 "Manuals" - One or more handbooks, manuals, bulletins and/or volumes, other written materials and video, audio and/or software media, (including materials distributed electronically or otherwise), regardless of title, containing (among other things) specifications, standards, policies and procedures prescribed from time-to-time by us and to be followed by you in connection with your operation, marketing or otherwise of your Mobile Business and your performance under this Agreement, including all goods and services to be sold and/or provided at or from your Mobile Business and/or in association with the Marks. The Manuals include all changes and supplements issued by us in the future, each of which you'll promptly comply with.

1.2.11 "Marks" - The trademarks, service marks and other commercial symbols now and/or in the future owned by or licensed to us and which we designate, from time to time, to be used to identify the Services and/or Products offered by My Gym Businesses, including the mark "My Gym," "My Gym Children's Fitness Center," the Trade Dress and certain associated logos.

1.2.12 "My Gym System" The distinctive format and method of doing business now or in the future developed, used and/or modified by us in our reasonable discretion for the operation of a business specializing in children's physical fitness programs, including (but not limited to): (a) distinguishing characteristics related to the image, design, appearance, layout and color scheme of a My Gym Business; (b) design, style, color and other distinguishing characteristics of fixtures, showcases, signs and furnishings; (c) layout, design and selection of equipment, (d) specifications used in preparing Products and/or Services for sale; (e) methods used for selecting, purchasing, marketing, displaying and selling Products and/or Services; (f) operating, marketing and other systems, procedures and standards; (g) the standards of quality, service and cleanliness used in the operation of a My Gym Business; and (h) programs offered by a My Gym Business. We may modify any element of the My Gym System from time to time in our Business Judgment and with which you'll comply within a reasonable period of time.

1.2.13 "My Gym Vehicles" – My Gym Vehicles refer to vehicles that are approved by us, and that meet our then-current standards and specifications, with such logos as specified by us and such additional identifications of you, subject to the requirements under Sections 6.2 and 11.8 hereof.

1.2.14 "Owner" – Each person or entity that has a direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited liability company or other legal entity. Each Owner and its interest is identified in Exhibit C to this Agreement, which may be amended by us upon notice thereof to you.

1.2.15 "Products" and "Services" - Products and Services designated by us from time to time for use, sale, lease, rental or to be otherwise used at or from Mobile Businesses, whether in association with the Marks or not.

1.2.16 "Similar Business" - Any establishment that now or in the future offers, sells, distributes, provides or is otherwise involved or deals with, whether at wholesale, retail or otherwise, children's physical fitness and/or related activities, including pre-gymnastics, tumbling, fine and gross motor skills, stretching and sports skills (including, exercise, sports, martial arts and/or dance), and/or provides any services and/or products (including, equipment, clothing, toys, food products and/or other items) now or in the future authorized by us to be offered at or from My Gym Businesses, or similar products, including any business awarding franchises or licenses to others to operate or be involved with any such business.

1.2.17 "Small Model Fixed Center" – A Fixed Center whose target market is children five (5) years of age and under, and having a square footage of approximately 1,500 to 2,000 square feet.

1.2.18 "Term" - The term of this Agreement shall commence on the Effective Date, and shall expire at the end of twelve (12) years from the Effective Date, unless sooner terminated in accordance with the provisions hereof.

1.2.19 "Territory" - The geographical area described in Exhibit A to this Agreement.

1.2.20 "Trade Dress" - The design and image developed and owned by us for My Gym Businesses, as it currently exists and as it may be revised and further developed by us from time to time with reasonable discretion.

1.2.21 "your Mobile Business" - The Mobile Business that we license you to operate pursuant to this Agreement.

2. GRANT OF FRANCHISE

2.1 Grant. Subject to the provisions of this Agreement, we grant to you a Franchise to use the Marks and the My Gym System in the operation of your Mobile Business for the Term. Termination or expiration of this Agreement will constitute a termination or expiration of all of your rights and all of our obligations. You agree that you will at all times faithfully, honestly and diligently perform your obligations hereunder, and that you will continuously exert your best efforts to promote and enhance the business of your Mobile Business and the goodwill of the Marks.Territory. During the term of this Agreement, we will not operate or license a third party to operate, a Mobile Business to provide Services and Products to Institutional Facilities located inside the Territory, provided that you (and each Affiliate) do not at any time commit any default under any obligations to us and/or any

Affiliate (whether arising under this Agreement or otherwise) and, in any event, subject to our rights as set forth in this Agreement, including the provisions of this Section. We retain all other rights and may, among other things, on any terms and conditions we deem advisable and without granting you any rights therein:

2.2.1 use and to license others to use, the My Gym System and the Marks for the operation of Mobile Businesses to service any Institutional Facilities located outside the Territory, despite the proximity such businesses may have to the Territory;

2.2.2 establish, and license others to establish, Fixed Centers at any locations, within or outside the Territory;

2.2.3 acquire and thereafter operate any businesses or centers of any kind, whether located within or outside the Territory (except that we shall not do so from a Mobile Business operating under the Marks located in the Territory);

2.2.4 use and license the use of the Marks and other marks in connection with the operation of centers at any location, which centers and marks may be the same as, similar to, or different from the My Gym Businesses and Marks (except that we shall not do so from a Mobile Business operating under the Marks located in the Territory); and/or

2.2.5 sell and distribute any Products and Services, directly or indirectly, or license others to sell and distribute any Products and Services, directly or indirectly, from any location or to any purchaser, through any channel of distribution (including sales made to and services provided to purchasers in the Territory through supermarkets, retail establishments, mail order, independent distributors, phone order, and on the Internet, and/or sales to delivery customers), except that we shall not do so by selling and distributing Products or Services to Institutional Facilities located in the Territory from a Mobile Business operating under the Marks.

2.3 Modification of Territorial Rights Upon Default. If you become in default of any of your obligations to us or any Affiliate we may, upon written notice to you, reduce, eliminate or otherwise modify your territorial rights.

2.4 Cross-Marketing. You can only offer and sell Services and Products to the Institutional Facilities (and the customers located therein) that are located within the Territory. You may not intentionally target market within the exclusive territory of another My Gym Business. You understand that there might be instances where individual My Gym Businesses will advertise in the same publication or other media format at the same time, in the same issue or otherwise.

3. DEVELOPMENT AND OPENING OF YOUR MOBILE BUSINESS

3.1 My Gym Vehicles. You must conduct the business of your Mobile Business from one or more My Gym Vehicles. You may use the My Gym Vehicles only for the purpose of operating your Mobile Business and for no other purpose. You shall not co-brand or permit any other business to use the vehicles without our prior written approval.

3.2 Substitution of My Gym Vehicles. If any of the My Gym Vehicles is damaged, destroyed, rendered unusable, or otherwise disposed, you may substitute replacement vehicles as My Gym Vehicles, subject to our prior written approval as satisfying our then-current standards and specifications.

3.3 Our Pre-Opening Assistance. We'll provide you with assistance in the following areas in connection with the location and establishment of your Mobile Business: We will provide you with demographic data regarding the Territory.

3.3.2 We will provide the Designated Equipment at your expense, or you may have a contractor produce them for you based on our standards and specifications, subject to our prior written approval.

3.3.3 We will, at your expense and on your behalf, order other equipment for use in your Mobile Business, or you may obtain such items from other sources, subject to requirements as set forth in Section 10.6 hereof, including our prior written approval and compliance with our standards and specifications.

3.4 My Gym Design Standards. From time to time we may issue specifications and other requirements for design, decoration, layout, equipment, furniture, fixtures and signs for My Gym Businesses (the "**My Gym Design Standards**"). You acknowledge and agree that the My Gym Design Standards are an integral part of the My Gym System and that your Mobile Business will be developed, designed and operated in accordance with our My Gym Design Standards.Pre-Opening. Before opening for business, You shall comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the pre-opening advertising/marketing program), the Manuals, and/or otherwise specified by us in writing.Opening. You shall not open your Mobile Business for business without our prior written approval. You shall provide at least thirty (30) days' prior notice to us of the date on which you propose to first open your Mobile Business for business.

4. TECHNOLOGY

4.1 Computer Systems and Required Software.

4.1.1 We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among My Gym Businesses, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at My Gym Businesses, between or among My Gym Businesses, and between and among you and us; (b) printers and other peripheral devices; (c) archival back-up systems; and (d) internet access mode (e.g., form of telecommunications connection) and speed (collectively, the "**Computer System**").

4.1.2 We shall have the right, but not the obligation, to develop or have developed, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which you shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you shall install; (c) the tangible media upon which such you shall record data; and (d) the database file structure of your Computer System.

4.1.3 You shall install and use the Computer System and Required Software.

4.1.4 You shall implement and periodically make upgrades and other changes to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**").

4.1.5 You shall afford us unimpeded access to your Computer System and Required Software as we may request, in the manner, form, and at the times requested by us. We

shall have the right at any time to retrieve and use such data and information from your Computer System and Required Software that we deem necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other to the greatest practical extent, you agree to comply with our standards and specifications for all items associated with your Computer System and Required Software, and with respect to Computer Upgrades, and to otherwise operate your Computer System in accordance with our standards and specifications.

4.2 Data. All data provided by you, uploaded to our system from your system, and/or downloaded from your system to our system is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. In addition, all other data created or collected by you in connection with the My Gym System, or in connection with your operation of your Mobile Business (including but not limited to consumer and transaction data), is and will be owned exclusively by us during the Term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and solely for your use in connection with the rights granted under this Agreement.

4.3 Privacy. We may, from time to time, specify in the Manuals or otherwise in writing the information that you shall collect and maintain on the Computer System installed at your Mobile Business, and you shall provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to or derived from your Mobile Business (including without limitation data pertaining to or otherwise about My Gym Business customers) is and shall be our exclusive property, and we hereby grants a royalty-free non-exclusive license to You to use said data during the term of this Agreement.

4.3.1 You shall abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**").

4.3.2 You shall comply with our standards and policies pertaining to the privacy of consumer, employee, and transactional information. If there is a conflict between the Privacy Laws and our standards and policies, you shall: (a) comply with the requirements of the Privacy Laws; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies within the bounds of the Privacy Laws.

4.3.3 You shall not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.

4.4 Telecommunications. You shall comply with our requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. Extranet. We have established an Extranet (but are not required to maintain an Extranet). If we do establish an Extranet, then you shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of your Mobile Business. The Extranet may include, without limitation, the Manuals, training other assistance materials, and

management reporting solutions (both upstream and downstream, as we may direct). You shall purchase and maintain such computer software and hardware (including but not limited to telecommunications capacity) as may be required to connect to and utilize the Extranet.

4.6 Websites. Unless otherwise approved in writing by us, you shall not establish a separate Website, but shall only have one or more references or webpage(s), as designated and approved in advance by us, within our Website (the term "**Website**" is defined to mean a group of related documents that can be accessed through a common internet address). However, if we approve, in writing, a separate Website for you (which we are not obligated to approve), then each of the following provisions shall apply:

4.6.1 You specifically acknowledge and agree that any Website owned or maintained by or for the benefit of you shall be deemed "advertising" under this Agreement, and will be subject to (among other things) our approval as set forth in Section 11.8 hereof.

4.6.2 You shall not establish or use any Website without our prior written approval.

4.6.3 Before establishing any Website, you shall submit to us, for our prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta tags) in the form and manner we may reasonably require;

4.6.4 You shall not use or modify such Website without our prior written approval as to such proposed use or modification.

4.6.5 In addition to any other applicable requirements, you shall comply with the standards and specifications for Websites that we may periodically prescribe in the Manuals or otherwise in writing.

4.6.6 If required by us, you shall establish such hyperlinks to our Website and others as we may request in writing.

4.7 Online Use of Marks and E-mail Solicitations. You shall not use the Marks or any abbreviation or other name associated with us and/or the My Gym System as part of any of your e-mail address, domain name, and/or other identification in any electronic medium. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining our written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) your plan for transmitting such advertisements.

4.8 No Outsourcing without Prior Written Approval. You shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of your obligations without our prior written approval therefor. Our consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that is reasonably provided by us. The provisions of this Section 4.8 are in addition to and not instead of any other provision of this Agreement.

4.9 Changes to Technology. The parties acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities,

you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the My Gym System; and you agree that you shall abide by those reasonable new standards established by us as if this Section 4 were periodically revised by us for that purpose.

4.10 E-Mail Communication. You acknowledge and agree that exchanging information with us by e-mail is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of e-mail for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail to exchange information, you authorizes the transmission of e-mail by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "**Official Senders**") to you during the term of this Agreement.

4.10.1 In order to implement the terms of this Section 4.10, you agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally designate for the purpose of communicating with us; (b) you will cause your officers, directors, and employees (as a condition of their employment or position with You) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of e-mails to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the time that such person works for or is affiliated with you; and (c) you will not opt-out, or otherwise ask to no longer receive e-mails, from Official Senders during the term of this Agreement.

4.10.2 The consent given in this Section 4.10 shall not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

4.11 Social Media. You must comply with the standards and procedures we develop for the My Gym System, in the manner directed by us, with regard to your authorization to use, and use of, blogs, common social networks (such as "Facebook", "Google+" and "Myspace"), professional networks (such as "Linked-In"), live blogging tools (such as "Twitter"), virtual worlds, file, audio and video sharing sites and other similar social networking media or tools that in any way references the Marks, the My Gym System or any Fixed Centers and/or Mobile Businesses.

5. TRAINING; GUIDANCE; MANUALS

5.1 Training.

5.1.1 We will furnish to you (or the Managing Owner) and one designated management employee of yours (the "**Center Manager**"), and you (or the Managing Owner) and the Center Manager must successfully complete, to our satisfaction, a formal training program. We may, in our Business Judgment, provide you (or the Managing Owner) and the Center Manager with a pre-formal training program.

5.1.2 The Center shall be under the active full-time management of you (or the Managing Owner), or the Center Manager who has been trained by us as provided in Section 5.1.1; except that if such Center Manager ceases active full-time management of your Mobile Business, you shall train a replacement (whom we may disapprove if we have a reasonable objection) in accordance with our training program.

5.1.3 You (or the Managing Owner) and the Center Manager will attend additional and/or refresher training programs conducted at your Mobile Business or other location(s) specified by us which we designate as mandatory, including national and regional conferences, conventions and meetings, and your other employees may be required to attend mandatory training programs presented by us at your Mobile Business. You and your managers and employees may attend any additional training programs offered by us from time to time which we designate as optional. We may charge a reasonable fee for any optional training programs. You shall be responsible for your own expenses and those of your employees who attend any such training programs and/or conventions.

5.1.4 We reserve the right to require you to enroll each of your employees in our web-based training program, when developed, for which there may be a charge per employee. If web-based training is required, you shall pay the fees for such training on a monthly basis, as incurred by its employees, at the times and in the manner set forth in Section 9.3 hereof.

5.1.5 The cost of all training instructions and required materials shall be borne by us, except as otherwise described above in this Section 5.1. All other expenses incurred in connection with training, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by you.

5.2 Guidance and Assistance. We will furnish guidance to you with respect to: (1) specifications, standards and operating procedures utilized by My Gym Businesses and any modifications thereof; (2) purchasing approved equipment, furniture, fixtures, signs, inventory, operating materials and supplies; (3) developing and implementing local advertising and promotional programs; (4) administrative, bookkeeping, accounting, inventory control and general operating and management procedures of My Gym Businesses; and (5) your establishing and conducting employee training programs at your Mobile Business. Such guidance will, in our sole discretion, be furnished in the form of our Manuals, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at your Mobile Business. If requested by you, we will furnish additional guidance and assistance relative to the operation of your Mobile Business at per diem fees and charges established from time to time by us. If special training of your personnel or other assistance in operating your Mobile Business is requested by you and must take place outside our principal office, all expenses for such training, including our per diem charges and travel, meals and lodging expenses for our personnel, will be paid by you.

5.3 Manuals. During the term of the Franchise, we will loan you (or allow you electronic or other access to) one copy of the Manuals, containing mandatory and suggested specifications, standards and operating procedures prescribed from time to time by us for a My Gym Business and information relative to your obligations hereunder. We can modify any aspect of the Manuals, the My Gym System, or specifications, standards, policies and procedures of My Gym Businesses, to, among other things, specify brands, types and/or models of equipment which must be used by you in the operation of your Mobile Business, to specify changes in the Products and Services used and/or offered by you, and/or to specify changes in the decor, format, image, products, services, operations or otherwise of a My Gym Business. You will promptly and continuously comply with all provisions of, and additions/deletions/changes to, the Manuals. You have no expectation that the Manuals (and the My Gym System) will not be changed over time and you and we, in fact, anticipate that such changes will take place, in response to competitive challenges, commercial opportunities and otherwise. You will keep your copy of the Manuals current by immediately inserting all modified pages and destroying or returning to us all superseded

material. Any such additions/deletions/changes will take precedence over all prior communications and in the event of a dispute, the master Manuals maintained at our office shall control. The provisions of the Manuals as modified from time to time by us and communicated to you constitute provisions of this Agreement and are binding upon you. The Manuals contain proprietary information of ours and you agree to keep the Manuals and information contained therein confidential at all times during and after the Term of this Agreement. Except for those portions of the Manuals that we designate, in writing, as appropriate for copying and use at your Mobile Business, you shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. The Manuals shall at all times remain our sole property, and shall at all times be kept in a secure place.

5.4 Delegation of Our Duty. You acknowledge and agree that any designee, employee, or agent of ours, including our Fixed Center franchisees, may perform any duty or obligation imposed on us by this Agreement, as we may direct.

6. MARKS

6.1 Our Representations. We represent with respect to the Marks that:

6.1.1 We are the owner of all right, title, and interest in and to the Marks.

6.1.2 We have taken and will take all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Marks.

6.2 Your Agreement. With respect to your use of the Marks, you agree that:

6.2.1 You shall use only the Marks designated by us, and shall use them only in the manner authorized and permitted by us; all items bearing the Marks shall bear the then-current logo.

6.2.2 You shall use the Marks only for the operation of your Mobile Business, or in marketing approved by us for your Mobile Business.

6.2.3 Unless we otherwise direct you, in writing, to do so, you shall operate and advertise your Mobile Business only under the names "My Gym" and "My Gym Children's Fitness Center" without prefix or suffix.

6.2.4 During the term of this Agreement and any renewal of this Agreement, you shall identify yourself (in a manner reasonably acceptable to us) as the owner of your Mobile Business in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the My Gym Vehicle(s) as we may designate in writing.

6.2.5 Your right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

6.2.6 You shall not use the Marks to incur any obligation or indebtedness on our behalf.

6.2.7 You shall not use the Marks as part of your corporate or other legal name, or as part of any e-mail address, domain name, or other identification of yours in any electronic medium.

6.2.8 You shall execute any documents as we deem necessary to obtain protection for the Marks or to maintain their continued validity and enforceability.

6.2.9 With respect to litigation involving the Marks, the parties agree that:

(a) You shall promptly notify us of any suspected infringement of the Marks, any known challenge to the validity of the Marks, or any known challenge to our ownership of, or your right to use, the Marks licensed hereunder. You acknowledge that we shall have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. We shall also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks.

(b) If you have used the Marks in accordance with this Agreement, we shall defend you at our expense against any third party claim, suit, or demand involving the Marks arising out of your use thereof. If you have not used the Marks in accordance with this Agreement, we will defend you, at your expense, against such third party claims, suits, or demands. You shall promptly notify us of any suspected unauthorized use of, or any challenge to the validity or ownership of the Marks, or our right to use and to license others to use, or your right to use, the Marks licensed hereunder. You acknowledge that we have the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Marks, including any settlement thereof. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things, except that you shall bear the salary costs of your employees, and we shall bear the costs of any judgment or settlement. To the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, you shall reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including without limitation attorney's fees, as well as the cost of any judgment or settlement.

(c) If we undertake the defense or prosecution of any litigation relating to the Marks, you shall execute any and all documents and do such acts and things as may, in the opinion of our counsel, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action.

6.3 Your Acknowledgements. You expressly understand and acknowledge that:

6.3.1 We are the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them.

6.3.2 The Marks are valid and serve to identify the My Gym System and those who are authorized to operate under the My Gym System.

6.3.3 Neither you nor any Owner of you shall directly or indirectly contest the validity or our ownership of the Marks, nor shall you, directly or indirectly, seek to register the Marks with any government agency, except with our express prior written consent.

6.3.4 Your use of the Marks does not give you any ownership interest or other interest in or to the Marks, except the license granted by this Agreement.

6.3.5 Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the My Gym System or the Marks.

6.3.6 The right and license of the Marks granted hereunder to you is non-exclusive, and we thus have and retain the rights, subject to Section 2.2 of this Agreement, among others:

(a) To use the Marks ourselves in connection with selling Products and Services and other items;

(b) To grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees;

(c) To develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to you.

6.4 Change to Marks. We reserve the right to substitute different Marks for use in identifying the My Gym System and the businesses operating thereunder if our currently owned Marks no longer can be used, or if we, exercising its right to do so, determine that substitution of different Marks will be beneficial to the My Gym System. In such circumstances, the use of the substituted marks shall be governed by the terms of this Agreement.

7. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

7.1 Independent Contractors. You and we agree that neither this Agreement nor anything else creates a fiduciary or agency relationship between you and us; that you shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purposes whatsoever. You will identify yourself as a My Gym Business franchisee and will place such other notices of independent ownership on such forms, business cards, stationery, advertising, signs and other materials as we may require from time to time. Subject to the requirements of this Agreement and the Manuals, you will have complete operational control of your business, including the right to hire and fire each employee.

7.2 No Liability for Acts of Other Party. You will not use any of the Marks or My Gym System in a manner that may result in our liability for any indebtedness or obligations of yours, nor in any way not expressly authorized herein, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Mobile Business or otherwise.

7.3 Taxes. We shall have no liability for any taxes, whether levied upon you, your Mobile Business or your property, or upon us, in connection with the sales made or business conducted by you.

7.4 Indemnification. You must be solely responsible for any damage, loss or other claims arising out of your operations and/or ownership of your Mobile Business and you shall indemnify and hold us harmless from all fines, suits, claims, loss, damages, costs, fees and/or other expense of any kind connected with any act and/or omission of yours.

7.5 No Warranty. With respect to any equipment, products, services, goods or supplies provided by us, the Franchisor-Related Parties and/or any person/company affiliated in any way with and/or referred by us, other than specific written warranties expressly provided in connection with such items, such items are provided without any warranties by us or any Affiliate, nor do there exist any express or implied warranties on the part of us or any Affiliate as to the design, condition, capacity, performance or any other aspect of such items or their material or workmanship. All warranty or other responsibility with respect to any Designated Equipment, Products and/or Services or other items will be those of the manufacturers only.

Neither we nor any of the Franchisor-Related Parties, any supplier designated by us will have any liability with respect to any claims against us, any of the Franchisor-Related Parties, and/or any supplier designated by us, with respect to any failures, errors or otherwise, of or by any Computer System, Required Software, or otherwise, whether or not provided or specified by us, any of the Franchisor-Related Parties or any supplier.

8. CONFIDENTIAL INFORMATION

8.1 Confidential Information. "Confidential Information" includes the following categories: (1) information regarding the development, operation and franchising of My Gym Businesses; (2) marketing programs for My Gym Businesses; (3) knowledge of specifications for and suppliers of certain materials, equipment, furniture and fixtures for My Gym Businesses; (4) methods, procedures and techniques for preparing, marketing and presenting the Products and Services; and (5) information regarding the Products and Services authorized for sale, lease or rental from My Gym Businesses. Any and all information, knowledge, know-how, and techniques which we designate as confidential shall be deemed confidential for purposes of this Agreement, except information which you can demonstrate came to your attention prior to disclosure thereof by us; or which, at or after the time of disclosure by us to you, had become or later becomes a part of the public domain, through publication or communication by others. In any dispute between you and us involving any question as to whether or not certain information is, in fact, confidential and/or proprietary to us, the burden of proof and the burden of going forward will be on you.Non-Disclosure of Confidential Information. You will: (1) not use, communicate, or divulge the Confidential Information in any business or capacity other than the operation of your Mobile Business; (2) maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of this Agreement; and (3) adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information.

8.3 Our Ownership of Improvements. We and those we designate will have the perpetual right to use all ideas, methods, and other information relating to a My Gym Business or which would be usable therein that are conceived or developed by you and/or your employees, without compensation or other obligation.

8.4 Breach of Confidentiality. You acknowledge that any failure to comply with the requirements of this Section 8 will cause us irreparable injury, and you agree to pay all court costs and reasonable attorney's fees incurred by us in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 8.

9. FEES

9.1 Initial Franchise Fee. You shall pay us an initial franchise fee of Twenty-five Thousand Dollars (\$25,000) (the "**Initial Franchise Fee**") upon the signing of this Agreement. The Initial Franchise Fee has been fully earned by us upon signing of this Agreement and is entirely nonrefundable (as are all amounts paid to us and/or any Affiliate) in consideration of administrative and other expenses incurred by us in granting this Franchise and for our lost or deferred opportunity to franchise others.

9.2 Royalty Fee. For each calendar month (or other period as specified by us in our Business Judgment), you shall:

9.2.1 pay us a continuing Royalty Fee of seven percent (7%) of Gross Volume of your Mobile Business, with a monthly minimum of One Hundred Twenty-Five Dollars (\$125) for the first 12 months since your Mobile Business opens for business, and then Two Hundred Fifty Dollars (\$250) per month thereafter for the Term of this Agreement;

9.2.2 report to us in writing (or electronically) the Gross Volume of your Mobile Business (a "**Sales Report**").

9.3 Minimum Purchase. For each consecutive 12-month period starting from the date that your Mobile Business opens, you must purchase from us or our Affiliates for a minimum amount of Products, which shall be Four Thousand Dollars (\$4,000).

9.4 Due Date. All payments required by Sections 9.2 and 11.2 hereof based on the Gross Volume for the preceding month, and the Sales Report required by Section 9.2 for the Gross Volume for the preceding month, shall be paid and submitted so as to be received by us by the twenty-fifth (25th) day of each month.

9.4.1 You shall deliver to us any and all reports, statements and/or other information required, at the time and in the format reasonably requested by us. You shall establish an arrangement for electronic funds transfer or deposit of any payments required under Sections 9 or 11 of this Agreement.

9.4.2 You agree to sign and return to us our current form of "Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D, and you shall comply the payment and reporting procedures specified by us in the Manuals.

9.4.3 You expressly acknowledge and agree that your obligations for the full and timely payment of Royalty Fees and Advertising Contributions (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon your generation and receipt of Gross Volume.

9.4.4 You agree that you shall not, for any reason, delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims you may allege against us, the Marketing Fund, the Regional Ad Fund or others. You shall not, on grounds of any alleged non-performance by us or others, withhold payment of any fee, including without limitation Royalty Fees or Advertising Contributions, nor withhold or delay submission of any reports due hereunder including but not limited to Sales Reports.

9.5 Interest and Late Fees on Overdue Payments and/or Reports. Any payment or report not actually received by us (or the appropriate advertising fund) on or before such due date shall be deemed overdue. If any payment is overdue, you shall pay us, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of eighteen percent (18%) per year, or the maximum rate permitted by law, whichever is less. In addition, a late fee of Twenty-five Dollars (\$25) will be assessed (but not to exceed any legal limitations).

Entitlement to such interest and late fee shall be in addition to any other remedies we may have, and shall not constitute our agreement to accept payments after they are due or any commitment to extend credit to, or otherwise finance your operation of, your Mobile Business. If you fail to pay any amounts (including any electronic draft returns, returns for insufficient funds or otherwise), or fail to deliver any report when due, that failure can constitute grounds for termination of this Agreement, in spite of the provisions of this Section..

9.6 Payment for Non-Public Domain Music. On February 1 of each year (or such other date as specified by us), you will pay us such amount as required the music licensor (e.g., BMI, ASCAP, SESAC) for the rights to play non-public domain music. Currently, this amount is Five Hundred Dollars (\$500) per year.

9.7 CPI Index. The parties agree that all fixed dollar amounts set out in this Agreement are subject to adjustment, up or down, depending on changes in the Index. For the purpose of this Agreement, the term "Index" is agreed to mean the Consumer Price Index (1982-84=100: all items; CPI-U; all urban consumers) published by the U.S. Bureau of Labor Statistics (or if the Index is no longer published, a successor index that we may reasonably specify in the Manuals or otherwise in writing). Adjustments to fixed dollar amounts set out in this Agreement shall be made no more than once each year by us, in writing, and the first such adjustment shall not be made until at least two (2) years after the date of this Agreement.

10. IMAGE AND OPERATION

10.1 Image; Upgrading. You will faithfully follow the My Gym System and Manuals, as revised by us from time to time. You acknowledge that presentation of the My Gym System's image is of vital importance and you will maintain your equipment and My Gym Vehicles to our then-current standards and specifications.

10.2 Health and Safety Ratings. You shall meet and maintain the highest health standards and ratings applicable to the operation of your Mobile Business. You shall furnish to us, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over your Mobile Business.

10.3 Sanitation and Repair of your Mobile Business Equipment. You shall at all times maintain the equipment used in the operation of Mobile Business in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs and equipment as we may reasonably direct.

10.4 Conformity with Standards. To ensure that the highest degree of quality and service is maintained, you shall operate your Mobile Business in strict conformity with such

methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing. You agree:

10.4.1 To maintain in sufficient supply, and to use, sell and/or provide at all times only such Services, Products, items, merchandises, materials, and supplies as conform to our written standards and specifications, and to refrain from deviating from such standards and specifications by the use or offer of any non-conforming items without our specific prior written consent.

10.4.2 To sell or offer for sale only such Services, Products, programs, items, and merchandises as have been expressly approved for sale in writing by us; to sell or offer for sale all the Services, Products, programs, items, and merchandise employing the standards and techniques, as specified by us; to refrain from making any changes to the Services, Products, programs, items, and/or merchandises offered at your Mobile Business without our prior written approval; to refrain from any deviation from our standards and specifications, without our prior written consent; and to discontinue selling and offering for sale any Services, Products, programs, items, or merchandises which we may, in our Business Judgment, disapprove in writing at any time. If you deviate or propose to deviate from our standards and specifications, whether or not such deviation is approved by us, such deviation shall become the property of us. With respect to the offer and sale of all Services, Products, programs, items, and merchandises, you shall have sole discretion as to the prices to be charged to customers; provided that if we have imposed a maximum price on a particular product or service, you may charge any price for such product or service up to and including the maximum price set by us.

10.4.3 To purchase and use, at your expense, all equipment, decor, and signs as we shall specify; and to refrain from using, without our prior written consent, any equipment, decor, signs, or other items not previously approved as meeting our standards and specifications.

10.5 Purchasing. In order to ensure uniformity of quality, high standards of presentation, child safety and consumer acceptance and satisfaction, you must only use in your operation of, and offer at, your Mobile Business those brands, types and/or models of Designated Equipment, Products, furniture, fixtures, signs, apparel, accessories and other items as are acceptable to us and which are purchased only from suppliers designated by us, which may include and/or be limited to us and/or our Affiliates. If you desire to purchase any items from an unapproved supplier, you shall submit to us a written request for such approval, and have such supplier acknowledge in writing that you are an independent entity from us and that we are not liable for debts incurred by you. We shall have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at our option, either to us or to an independent, certified laboratory designated by us for such testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by you or the supplier. We may also require that the supplier comply with such other reasonable requirements as we may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs. We reserve the right, at our option, to reinspect the facilities and products of any such approved supplier and to revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If, in providing services to you, any third party may obtain access to Confidential Information as provided in Section 8 hereof, we may require, as a condition of approval of such provider, the execution of covenants of non-disclosure, non-solicitation and non-competition in a form satisfactory to us. We will not unreasonably withhold consent to a supplier proposed by you, but may do

so if we in our Business Judgment thinks it is important to the preservation of the My Gym System and standards.

10.6 Specifications, Standards and Procedures. You agree that the operation of your Mobile Business, continuously in compliance with our high standards, is vitally important to us and other My Gym franchisees and is a vital element in the possible success of your Mobile Business, the My Gym Businesses of other franchisees and of us and that a lack of uniform high standards can place all My Gym Business operators at a competitive disadvantage and in a position of business risk. Accordingly, you will operate your Mobile Business, and use the Marks, in prompt, continuous and full compliance with the My Gym System and the Manuals, as each is modified by us from time to time in our Business Judgment, and you will promptly comply with each such modification.

10.7 Compliance with Laws. You will secure and maintain in force, in your name, all required licenses, permits and certificates relating to the operation of your Mobile Business and will operate your Mobile Business in full compliance with all applicable laws, ordinances and regulations. You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates in any way to you and/or your Mobile Business.

10.8 Management and Staffing of Your Center. Your Center will, at all times, be personally managed on a full-time basis by you (or the Managing Owner), the Center Manager, or otherwise a person who has successfully completed all training required by us and approved by us.

You will perform background checks on all personnel having contact with children and/or customers. We will require your employees to enter into confidentiality agreements to maintain our Confidential Information. We may provide you with assistance or advise in the hiring and training process as we deem necessary. You hereby acknowledge and agree that our such assistance, advice and recommendations shall not in any manner whatsoever relieve you from your sole obligations to comply with applicable law, and that we shall not be liable for any such assistance, advice or recommendation. You acknowledge that you will make the final decision regarding the staffing of your Mobile Business.

10.9 Insurance.

10.9.1 Prior to the commencement of any activities or operations pursuant to this Agreement, you shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at your expense, the following insurance policy or policies in connection with your Mobile Business. Such policy or policies shall be written by an insurance company or companies reasonably satisfactory to us, having a current Best's rating of at least A-IX and licensed to do business in the state in which your Mobile Business is located, and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by us in the Manual or otherwise in writing), the following:

(a) commercial general liability insurance (including without limitation personal injury, advertising injury and property damage coverage), at least \$1,000,000 per occurrence, with an aggregate limit of at least \$2,000,000 for both bodily injury and property damage;

(b) workers' compensation in statutory limits regardless of whether you are exempt by statute; as well as such other disability benefits type insurance as may be required by statute or rule of the state in which your Mobile Business is located;

(c) property insurance providing coverage for "full replacement" cost for tenant improvements and equipment/general contents for \$5,000;

(d) minimum "loss of income" insurance of approximately \$50,000 or an Actual Loss Sustained form;

(e) Accidental medical insurance (Accidental death: \$5,000; Accidental medical: \$10,000); and

(f) commercial automobile insurance policy for at least \$1,000,000 per occurrence.

10.9.2 All policies listed in Section 10.9.1 above (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manual. In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to us in the manner provided in Section 21 below.

10.9.3 Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 7 of this Agreement.

10.9.4 All public liability and property damage policies shall list us as an additional named insured or loss payee, and shall also contain a provision that we, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of yours or its servants, agents, or employees.

10.9.5 At least thirty (30) days prior to the time any insurance is first required to be carried by you, and thereafter at least thirty (30) days prior to the expiration of any such policy, you shall deliver to us, certificates of insurance evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than sixty (60) days' prior written notice shall be given us in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 10.9.1 above shall name us, and each of our affiliates, and their respective officers, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

10.9.6 We may, from time to time, and in our Business Judgment, make such changes in minimum policy limits and endorsements as we may determine; provided, however, all changes shall apply to all of our franchisees who are similarly situated.

10.10 Franchisee Advisory Council(s). We may form and periodically meet with, and you agree to participate (to the best of your ability) in if requested, one or more council(s) of My Gym franchisees to consult with and advise us regarding the operation and development of the My Gym System, including such matters as strategic marketing plans, advertising programs, public relations, research and development, operating policies and practices,

program development, etc. We will give due consideration to input from such council(s) but retain the ultimate authority for all such decisions. Convention and Meeting Attendance. You and we understand and agree on the importance of your attending all annual conventions and each national, regional and other meetings, agreeing that attendance at such meetings is vital to foster open communications between all operators of the My Gym Businesses, for us to solicit your thoughts and ideas in an interactive group setting, to discuss and implement new programs and marketing opportunities, to respond to competitive developments, to examine technical innovations, to share ideas and experiences of benefit to all operators of the My Gym Businesses and for other reasons. Therefore, we strongly recommend, and you agree to attend, at your expense for travel, meals and lodging but without charge by us (except for direct cost recovery of materials distributed to you), all annual conventions and each national, regional and other meeting covering your area.

10.12 Toll-Free Number; Secret Shoppers. In order to (among other things) maintain and enhance the goodwill associated with the Marks and each My Gym Business, we utilize various programs for verifying customer satisfaction and/or your compliance with all operational and other aspects of the My Gym System, including a toll-free number, customer comment cards, secret shoppers or otherwise. We may share with you the results of such programs, as they pertain to your Mobile Business.

10.13 Website Information. You acknowledge and agree that we may list certain information relating to your franchise on our corporate website www.my-gym.com. Such information shall include your Mobile Business's business address, schedule of birthday parties and such other information as we may reasonably request.

10.14 Franchisee As An Entity.

10.14.1 If Franchisee is a corporation or a limited liability company, the following requirements shall also apply:

(a) Franchisee shall be newly organized and its charter shall at all times provide that its activities are confined exclusively to operating your Mobile Business.

(b) Copies of Franchisee's Articles of Incorporation, Bylaws, and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement shall be promptly furnished to us prior to the execution of this Agreement.

(c) Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and shall issue no securities upon the face of which the following printed legend does not legibly and conspicuously appear:

The transfer of this stock is subject to the terms and conditions of a Franchise Agreement with Gym Consulting, LLC, dated _____ . Reference is made to the provisions of the said Franchise Agreement and to the Articles and Bylaws of this corporation.

(d) Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of its and shall furnish the list to us upon request.

(e) Such owners of a beneficial interest in the corporation as we may request shall execute a guarantee of the performance of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit B.

10.14.2 If Franchisee is a partnership (general or limited), or some other form of entity that is not addressed under Section 10.14.1 above, Franchisee shall comply with the following requirements throughout the term of this Agreement, except as otherwise approved in writing by us:

(a) Franchisee shall furnish us with its partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto, which shall contain a restriction or transfer of any partnership interest without our prior written consent.

(b) Franchisee shall prepare and furnish to us, upon request, a list of all general and limited partners in you.

(c) Such partners in the partnership as we may request shall execute a guarantee of the performance of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit B.

10.15 Your Maximum Indebtedness. You acknowledge and agree that we shall have the right to periodically designate the maximum amount of debt that you may incur and that you may service. You agree that you shall not borrow or otherwise become indebted in excess of any such maximum amount of permitted debt without our prior written consent.

10.16 Memberships.

10.16.1 You will offer and sell rights of using the Services of your Mobile Business ("**Membership(s)**"). All Memberships must be evidenced by a written Membership Agreement. When selling Memberships, you shall use only the form of Membership Agreement that we provide, which we shall modify to comply with applicable law if necessary, and you shall not make any modifications to that form of Membership Agreement without our prior written consent. You acknowledge and agree that any Membership Agreement that has been modified without our prior written consent shall be void.

10.16.2 We may modify the types and terms of memberships to be offered by Centers, terminate your right to offer certain types of Memberships, and/or approve or require other types of memberships for sale.

10.16.3 You agree to comply with the standards that we may periodically establish regarding Memberships. These standards may regulate, among others, the following topics: (1) the form(s) of Membership Agreement; (2) the terms and conditions upon which a member may transfer his or her Membership from one My Gym Business to another; (3) allocation of the proceeds of Memberships among the Mobile Businesses where the member uses facilities and services; (4) admission to the My Gym Business of members who purchased Memberships elsewhere and admission of members of the My Gym Business to other clubs; (5) use and acceptance of coupons, passes, and certificates; and (6) group accounts and group Memberships (and discounts applicable thereto).

10.16.4 We may establish, from time to time, additional policies regarding Memberships. You acknowledge and agree that such regulation may be necessary to ensure the efficient participation of My Gym Businesses in the My Gym System and to protect the

goodwill and brand image of those centers, and you agree to comply with our policies, including but not limited to requirements regarding payment terms for Memberships and other payments based on revenue derived from the sale of Memberships.

10.16.5 We shall have the right to contact any member of any My Gym Business at any time for any purpose. If we are contacted by a member or other patron of your Mobile Business who wishes to lodge a complaint, we reserve the right to address that person's complaint in order to preserve goodwill and prevent damage to the brand. Our right to address complaints may include refunding money to the complaining person, in which case you shall be required to reimburse us for these amounts.

10.17 Membership Lists. We, or our authorized representative, shall have the right, during regular business hours, or at such other times as may be mutually agreed upon, to inspect all Membership Lists and documents and records related thereto. Upon reasonable request, you agree to furnish, in whatever format we require, all Membership information and records for your Mobile Business, both active and inactive, including but not limited to names, addresses and telephone numbers of such members (collectively, the "**Membership Lists**"). You acknowledge and agree that we are the sole owner of the Membership Lists and that you shall not use the Membership List for any purpose other than for the operation of your Mobile Business, nor shall you distribute, in any form or manner, the Membership Lists to any third party without our prior written consent. You further acknowledge and agree that the Membership Lists are Confidential Information as described in, and subject to, Section 8 hereof.

10.18 Incentive/Promotional Program. You shall offer for sale, and will honor for purchase by customers, any incentive, coupon, or customer loyalty programs which we may institute from time to time, and you shall do so in compliance with our standards and procedures for such programs.

10.19 Allowances. You acknowledge and agree that we shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us or our Affiliates based upon your purchases of goods and services. These Allowances are based on system-wide purchases of promotional items and other items. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorizes us or our designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier).

11. MARKETING

Our experience and Business Judgment is that a unified marketing program, on both a local and broader level, is an essential factor in the potential success of all My Gym Businesses, to achieve top-of-mind awareness in potential customers, to build and retain goodwill associated with the Marks thereby hopefully benefiting all My Gym Business operators, to create improved brand loyalty among new and future customers and to achieve a favorable retail position for all My Gym Businesses. To maximize the possibility of obtaining these goals, you and we have agreed to a marketing program as follows:

11.1 Advertising Fund. We have instituted a national advertising, publicity and marketing fund (the "**Marketing Fund**"), and shall have the right to establish one or more regional advertising funds (the "**Regional Ad Fund**") as described in this Section 11.

11.2 Advertising Contribution. For each calendar month (or other period as specified by us in our Business Judgment) during the Term of this Agreement, you shall contribute and/or expend at least one percent (1%) of Gross Volume of the preceding month (the "**Advertising Contribution**"). The Advertising Contribution shall be made by you in the manner required under this Section 11, including without limitation, Section 11.3 below. In addition to and not lieu of the Advertising Contribution, you shall conduct the pre-opening advertising program described in Section 3.6 hereof.

11.3 Allocation of the Advertising Contribution. Your Advertising Contribution shall be paid to the Marketing Fund, or to any Regional Ad Fund established pursuant to Section 11.5 below, or on local advertising and promotion, in such proportions as we may designate from time to time, in our sole discretion. We will cause all My Gym Businesses owned by us to make Advertising Contributions to the Marketing Fund on the same basis as our franchisees.

11.4 Marketing Fund.

11.4.1 The Marketing Fund will be maintained and administered by us or our designee for such advertising, advertising-related, marketing and/or public relations programs, services and/or materials as we, in our Business Judgment, may deem necessary or appropriate to promote My Gym Businesses anywhere and using such media and other elements as we think reasonably appropriate.

11.4.2 You shall contribute to the Marketing Fund in the same manner as you may the Royalty Fees. The Marketing Fund will be accounted for separately from our other funds, and will not be used to defray any of our general operating expenses, except for such salaries, administrative costs, overhead and other expenses as we may reasonably incur in activities related to the Marketing Fund. We may, in our Business Judgment, spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and the Marketing Fund may borrow from us or other lenders to cover deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by us and be furnished to you upon written request. We may (but are not required to) have financial statements of the Marketing Fund audited and any costs in connection therewith will be paid by the Marketing Fund. We have the right to cause the Marketing Fund to be incorporated or operated through an entity separate from us as we deem appropriate, and such successor entity will have all rights and duties of ours relating to the Marketing Fund.

11.4.3 The Marketing Fund may be used, in our Business Judgment, to (among other things) pay costs of new product development, signage, preparing, producing, distributing and using marketing, advertising and other materials and programs; administering national, regional and other marketing programs, purchasing media, employing advertising, public relations and other agencies and firms; administrative and related expenses; and supporting public relations, market research and other advertising and marketing activities, as well as any expenses associated with any Franchisee Advisory Council(s), if those Councils, and such expenses, are approved by us in our Business Judgment. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on Products, Services, programs, or improvements, approved in advance by us, which we deem, in our Business Judgment, will promote general public awareness and favorable support for the My Gym System. A brief statement regarding the availability of information regarding the purchase of My Gym franchises may be included in advertising and other items produced and/or distributed using the Marketing Fund. We may arrange for

services, goods and otherwise to be provided to the Marketing Fund by ourselves, any Affiliates, and our and/or their employees or agents. We may use the Marketing Fund to compensate and reimburse any of such persons/entities as we deem appropriate in our Business Judgment (including payment of commissions) and to compensate for administrative duties and other services, materials, etc. rendered to the Marketing Fund, provided that any compensation to us and/or any persons/entities owned, controlled and/or operated by us will not exceed 10% of the amounts in the Marketing Fund in any year.

11.4.4 The Marketing Fund will, as available, furnish you with marketing, advertising and promotional formats and sample materials and may charge the direct cost of producing them plus shipping and handling.

11.4.5 We will have no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are or will be proportionate or equivalent to the contributions to the Marketing Fund by My Gym Businesses operating in that geographic area or that any My Gym Business will benefit directly or in proportion to its contribution to the Marketing Fund or from the development of advertising and marketing materials and/or programs, the placement of advertising or otherwise. You agree that neither we nor any of the Franchisor-Related Parties will be liable for any act or omission, whether with respect to the Marketing Fund or otherwise which is consistent with this Agreement or other information provided to you, or which is done in subjective good faith. We may maintain Marketing Fund assets in one or more accounts designated as "trust accounts" (or similarly designated), for purposes of protecting such assets from claims of third-party creditors or otherwise, but such designation and/or treatment will not operate to create any "trust," "fiduciary relationship" or similar special arrangement as to the Marketing Fund, its assets or otherwise.

11.4.6 Although the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies in the Marketing Fund have been expended for advertising and/or promotional purposes.

11.5 Regional Ad Funds. We shall have the right, in our Business Judgment, to designate any geographical area for purposes of establishing a Regional Ad Fund. If a Regional Ad Fund for the geographic area covers, overlaps, or is covered by the Territory of your Mobile Business has been established at the time you commences operations hereunder, you shall immediately become a member of such Regional Ad Fund. If such a Regional Ad Fund is established during the term of this Agreement, you shall become a member of such Regional Ad Fund within thirty (30) days after the date on which the Regional Ad Fund commences operation. In no event shall you be required to be a member of more than one Regional Ad Fund. The following provisions shall apply to each such Regional Ad Fund:

11.5.1 Each Regional Ad Fund shall be organized and governed in a form and manner, and shall commence operations on a date approved in advance by us in writing.

11.5.2 Each Regional Ad Fund shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising and promotion.

11.5.3 No advertising or promotional plans or materials may be used by a Regional Ad Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 11.8 hereof.

11.5.4 You shall submit your required contribution to the Regional Ad Fund at the time required under Section 9.3 hereof, together with such statements or reports as may be required by us or by the Regional Ad Fund with our prior written approval. If so requested by us, you shall submit its payments and reports to the Regional Ad Fund directly to us for distribution to the Regional Ad Fund.

11.6 Local Advertising By You. All local advertising and promotion by you shall be in such media, and of such type and format as we may approve; shall be conducted in a dignified manner; and, shall conform to such standards and requirements as we may specify. You shall not use any advertising or promotional plans or materials unless and until you have received written approval from us, pursuant to the procedures and terms set forth in Section 11.8 below.

11.7 Items Available From Us. We may make available to you from time to time, at your expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, flyers, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising and promotion.

11.8 Our Approval Required. For all advertising and promotional plans which require our approval prior to use, as set forth in Sections 11.5 and 11.6 above, you or the Regional Ad Fund, where applicable, shall submit samples of such plans and materials to us (by means described in Section 21 below), for our prior written approval (except with respect to prices to be charged by you). If written approval is not received by you or the Regional Ad Fund from us within fifteen (15) days of the date of receipt by us of such samples or materials, we shall be deemed to have disapproved them. You acknowledge and agree that we may consider the coordination of your advertising and promotional plans with those of other franchisees in our review process. You further acknowledge and agree that any and all copyright in and to advertising and promotional materials developed by or on behalf of you shall be our sole property, and you agree to execute such documents (and, if necessary, require its independent contractors to execute such documents) as we may deem reasonably necessary to give effect to this provision.

11.9 Minimum Requirements. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may, and is encouraged by us to, expend additional funds for local advertising and promotion of a local nature which will focus on disseminating advertising directly related to your Mobile Business.

11.10 Local Advertising and Promotion. As used in this Agreement, the term "**local advertising and promotion**" shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying. The parties expressly agree that local advertising and promotion shall not include any of the following:

11.10.1 Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

11.10.2 Charitable, political, or other contributions or donations to organizations that we have not approved in writing; and

11.10.3 The value of discounts provided to consumers.

12. ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS

You will establish and maintain at your own expense a bookkeeping, accounting, record keeping and records retention system conforming to the requirements prescribed by us from time to time (including requirements for timely entering of information into a point-of-sale and/or other computer system with full on-line access by us.) Each transaction of your Mobile Business will be processed on such computer program in the manner prescribed by us. We will provide training for any such computer system.

With respect to the operation and financial condition of your Mobile Business, you will furnish to us, in the form and at the times prescribed by us from time to time, either through computer software that we specify, or faxed or mailed copies of reports or documents, those financial statements and reports that we require from time to time. All information that we request will relate solely to the operation and financial condition of your Mobile Business. Our current information requirements (which we may expand or otherwise change from time to time in our Business Judgment) include the monthly bank statement relating to your Mobile Business. Each report and financial statement submitted by you to us will be verified as correct and signed by you in the manner prescribed by us.

You must record all sales at the time of sale using such sales recordation and reporting systems as are designated from time-to-time by us. You must retain and furnish to us, on request, all tax returns, sales tax reports, and all of your other business records and related back-up material throughout the term of this Agreement and for at least five (5) years following the transfer, termination or expiration of this Agreement. You hereby waive any privileges with regard to any tax returns. We will not request portions of tax returns or other tax forms unrelated to your Mobile Business.

13. INSPECTIONS AND AUDITS

13.1 Inspections. We and/or our agents will have the right, at any time during business hours, and without prior notice to you, to: (1) inspect your My Gym Vehicle and the operation of your Mobile Business as we deem necessary; (2) remove samples of any items for testing and analysis; and (3) interview personnel and/or customers. You agree to cooperate fully with us in connection with any such inspections, observations, photographing and video taping, product removal and interviews. You will present to your customers such evaluation forms as are periodically prescribed by us and will participate and/or request your customers to participate in any surveys performed by or on behalf of us. Upon notice from us or our agents and without limiting our other rights under this Agreement, you shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree that you will reimburse us for our representative's time and travel expenses if an additional inspection at your Mobile Business is required when a violation has occurred and you have not corrected the violation.

13.2 Audit. We can, at any time during business hours, and without prior notice to you, inspect and/or audit the business records, bookkeeping and accounting records, sales and income tax records and returns, computer files and other records of, and/or relating in any way to, your Mobile Business and the books and records of any person(s), corporation or

partnership which holds the Franchise. If any inspection or audit discloses an understatement of Gross Volume, you will pay to us, within five (5) days after receipt of the inspection or audit report, the Royalty Fees and Advertising Contribution due on the amount of such understatement, plus interest (at the rate and on the terms provided herein) from the date originally due until the date of payment. If any inspection or audit is made necessary by your failure to furnish reports, supporting records, other information or financial statements, or to furnish reports, records, information or financial statements on a timely basis, or if an understatement of Gross Volume for any period is determined by any audit or inspection to be greater than seven percent (7%), you will reimburse us for the cost of the inspection or audit, including, without limitation, the charges of any independent accountants, and the travel expenses, room and board and applicable per diem charges for our and their employees. If any audit reveals an intentional understatement of Gross Volume for any period in any amount, or an understatement of Gross Volume for any period to be greater than ten percent (10%), unless you can demonstrate such understatement was inadvertent, or any other violation of this Agreement, we may terminate all of your rights, and our obligations, hereunder, in addition to exercising any other remedies we may have. These remedies are in addition to all other remedies and rights of ours hereunder or under applicable law, including termination.

14. TRANSFER

14.1 By Us. This Agreement, and any and/or all of our rights under it, are fully transferable by us, without notice to or approval by you. If we transfer this Agreement to a person or company who agrees to perform our obligations under it, all past, current and future obligations of ours (and of any of the Franchisor-Related Parties) to you will cease and be forever extinguished and you will look only to the transferee regarding any such obligations. We may be sold, we may go public, may engage in a private or other placement of some or all of our securities, may merge, acquire other entities and/or assets (competitive or not), be acquired by a competitive or other entity, and/or may undertake any refinancing, leveraged buy-out and/or other transaction.

14.2 By You. Neither this Agreement nor the Franchise (or any interest therein), nor any part or all of the ownership of you or your Mobile Business (or any interest therein), may be transferred without our prior written approval, which will not be unreasonably withheld. Any such transfer (or attempted transfer) without such approval will constitute a breach hereof and convey no rights or interests.

As used in this Agreement the term "**transfer**" includes the voluntary, involuntary, direct or indirect transfer, sale, gift, pledge, mortgage of, or any granting of any security or similar interest, or other transfer by the you (or any of your owners) of any interest (including a controlling interest) in: (1) this Agreement; (2) the Franchise; (3) the ownership of you; or (4) your Mobile Business. An assignment, sale, or other transfer will include the following events: (1) any transfer of ownership of capital stock or any partnership or similar interest; (2) any merger or consolidation or issuance of additional securities representing an ownership interest in you; (3) any sale of your voting stock or any security convertible to your voting stock; (4) any transfer of any interest in this Agreement, the Franchise, you or your Mobile Business in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or (5) any transfer of an interest in this Agreement, the Franchise, you or your Mobile Business or the revenues, profits, rights or assets of your Mobile Business; or (6) the creation or otherwise of any security or similar interest affecting any of the foregoing. Any transfer by you (or any of your owners) to a corporation and/or of an interest in the event of your death or the death of an owner of you, by will, declaration of or transfer in trust, under the laws of

intestate succession, or otherwise will be governed by all of the provisions on transfer of this Agreement. We may, in our reasonable discretion, deny approval to any transfer involving a portion of your Franchise (for example a portion of Territory) or a portion of any of the foregoing items.

14.3 Conditions for Approval of Transfer by You. Any transfer by or on behalf of you and/or any of your Affiliates will be subject to all of the conditions specified below and anywhere else in this Agreement, each of which are agreed to be reasonable, together with such other terms and conditions as are reasonable in the specific circumstances of the proposed transfer, but, in any event, we may refuse consent to any transfer if, in our reasonable discretion, the proposed transferee is not a desirable franchisee. A transfer of ownership, possession or control of your Mobile Business or any of its assets may only be made in conjunction with a transfer of the Franchise. In any case, all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

14.3.1 You must be in full compliance with this Agreement.

14.3.2 The transferee and its owners must have sufficient financial resources to operate your Mobile Business, must be individuals of good moral character and must meet all financial and other standards then-applied by us in evaluating prospects to whom we might award a Mobile Business franchise;

14.3.3 All of your obligations (including any Affiliate of yours) to us (including any Affiliate of ours) must be assumed by the transferee;

14.3.4 You must pay such Royalty Fees, Advertising Contributions, and other amounts owed by you (including any Affiliate of yours) to us (including any Affiliate of ours) which remain due and unpaid (the balances of all promissory notes and other unpaid amounts owed to us and/or our affiliates shall be accelerated and paid in full), and all obligations to third parties arising out of the operation of your Mobile Business must be satisfied or assumed by the transferee;

14.3.5 Your Center and its operations must have been brought into full compliance with the specifications and standards then applicable for new Mobile Businesses. On a case by case basis, we will inspect and review your Mobile Business with you and decide if any upgrading to your Mobile Business will be necessary before the transfer occurs;

14.3.6 You must submit all required reports, financial statements and other documents due us up to the effective date of the transfer;

14.3.7 The transferee and its personnel must (at our option) complete or agree to complete our training program to our reasonable satisfaction;

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

14.3.9 The transferee, must, at our option, (a) agree to be bound by all terms and conditions of this Agreement (and any lease/sublease) for the remainder of its Term or (b) execute our then-current form of franchise agreement and ancillary documents (including lease/subleases and guarantees) as are then customarily used by us in the grant of franchises for Mobile Businesses (which may, among other things, provide for higher Advertising Contributions and different rights and obligations than are provided in this

Agreement, with the exception of the Royalty Fee remaining the same as in this agreement); provided, however, that the term thereof will not be greater than the remaining Term of this Agreement;

14.3.10 You must pay us a non-refundable transfer fee of Seven Thousand Five Hundred Dollars (\$7,500). We may require that this fee be deposited with us on a non-refundable basis on your notification to us of the proposed transfer and prior to our undertaking any review, drafting of documents or other activities.

14.3.11 You (and your owners) and transfer (and its owners) must execute a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties;

14.3.12 If you or your owners finance any part of the sale price of the transferred interest, you and your owners must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved and/or held by you or your owners will be subordinate to the obligations of the transferee to pay Royalty Fees, Advertising Contributions, and other amounts due and/or to become due to us and/or any Affiliate of ours and otherwise to comply with this Agreement, the franchise agreement and all other agreements between the transferee and us (or our Affiliates);

14.3.13 Notwithstanding any transfer, the non-competition, indemnity and confidentiality obligations, and the provisions relating to dispute resolution, of this Agreement will continue to be applicable to you after any transfer;

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

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

We may (but are not required to) candidly discuss all matters related to any transfer and/or proposed transfer (including our views of the price to be charged and/or the terms of payment) with you and/or any proposed transferee or otherwise. However, while we may evaluate the proposed transaction and provide our possible recommendations, neither we nor anyone else will have any liability to you, any transferee or otherwise in connection with our examination and evaluation (consent or otherwise) and you agree to indemnify and hold us harmless from any such liability to you, the proposed transferee and/or otherwise.

14.4 Additional Conditions for Transfer to a Wholly-Owned Corporation. Subject to compliance with all other requirements of this Agreement (including all conditions and terms relating in any way to transfer contained anywhere in this Agreement, including execution of a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties and satisfying all payment and transfer fee requirements), if you are in full compliance with this Agreement, we will not withhold our consent to a transfer of this Agreement, the Franchise and your Mobile Business to an entity that is wholly owned by you. Such a transfer will not relieve you of your obligations hereunder, and you will remain jointly and severally liable to us for all of your and such entity's past, current and/or future obligations hereunder, under any other agreement(s) (whether past, current and/or future) with us or any Affiliate of ours and/or any franchise, lease/sublease and/or other agreement(s) to be executed by such entity.

Any such transfer will be subject to reasonable restrictions, including the following, which are agreed to be reasonable conditions, and which shall apply to any transfer to a limited liability company, partnership (limited or general) or other business entity.:

14.4.1 The transferee corporation must be newly organized, the articles of incorporation, bylaws and other organizational documents of such corporation must recite that the issuance and transfer of any ownership interest in the corporation are restricted by the terms of this Agreement and must provide that its activities are confined solely to acting as a franchisee under this Agreement;

14.4.2 You must maintain (and continue to maintain) management control of the corporation and ownership of at least fifty-one percent (51%) of the equity and voting power of all issued and outstanding capital stock in the transferee corporation;

14.4.3 You (or, if you are a partnership, at least one of the partners) must be and remain the chief executive officer of the corporation;

14.4.4 The transferee corporation must enter into a written assignment (in form satisfactory to us) in which such corporation assumes all of your past, current and/or future obligations under this Agreement and any other past, current and/or future agreement(s) with us and/or any Affiliate of ours. At our option we may, in addition to requiring such assumptions, require such corporation to execute our then-current form of franchise agreement, lease/sublease and ancillary documents (including guarantees by the owners of such corporation) as are then customarily used by us in the award of franchises for My Gym Businesses;

14.4.5 All current and future shareholders of the transferee corporation must enter into a written agreement (in a form provided or approved by us) agreeing to comply with this Agreement and any other past, current and/or future agreement(s) with us and/or any Affiliate of ours and jointly and severally guaranteeing all of the transferee corporation's past, current and/or future obligations under this Agreement and any other past, current and/or future agreement(s) with us and/or any Affiliate of ours;

14.4.6 Each stock certificate of the transferee corporation must bear a legend reciting or referring to the restrictions of this Agreement, including those on the issuance and transfer of stock in the transferee corporation;

14.4.7 No shares of securities (of any class, whether debt or equity, convertible or non-convertible, voting or non-voting) in the transferee corporation may be issued without obtaining our prior written consent, which may be subject to the restrictions on transfer herein and other reasonable conditions as we deem appropriate;

14.4.8 All your obligations under this Agreement and/or any other agreement(s) with us and/or any Affiliate of ours (including all financial and operational compliance matters) must be satisfied prior to the transfer; and

14.4.9 No more than twenty percent (20%), in the aggregate, of the voting rights of the transferee corporation may ever be owned beneficially or of record by institutions or publicly held companies;

14.4.10 There will be no public offerings of debt or equity ownership in or by the transferee corporation;

14.4.11 None of the Owners will, directly or indirectly, engage in, or have any interest in, any Similar Business, except that any Owner may own up to three percent (3%) of the stock of a publicly-traded Similar Business; and

14.4.12 Throughout the term of this Agreement, the transferee corporation will not do any act (including any transfer of assets or otherwise) which would reduce its net worth to a level not reasonably acceptable to us and no transfer will take place unless you are current in all payments to us, the Marketing Fund and each of the Franchisor-Related Parties.

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

14.5 Our Right of First Refusal. If you or any of your owners wish to engage in any transfer subject to this Agreement, we will have the right, exercisable by written notice delivered to you or your owners within thirty (30) days from the date of delivery of an exact copy of such offer to us, together with your deposit of any transfer fee and satisfaction of all other requirements for our consent to such transfer, to notify you that we have elected to purchase such interest for the price and on the terms and conditions contained in such offer, provided that we will have not less than thirty (30) days from the date you receive our notice of intention to exercise such right-of-first-refusal to prepare for closing. We will be entitled to purchase any interest subject to all customary representations, warranties and agreements given by the seller of the assets of a business or voting stock of an incorporated business, as applicable. In connection with such purchase, you will sign a general release, in form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If, for any reason, such transaction is not consummated within one hundred and twenty (120) days after the date of delivery of an exact copy of such offer to us, together with your deposit of any transfer fee and satisfaction of all other requirements for our consent to such transfer, or if you seek to effect a transaction on terms and conditions, or to any person or entity, other than as set forth in the offer disclosed to us by you, then the proposed transaction shall be deemed withdrawn, and all of the provisions of this Section shall again become fully applicable, as if such transaction had not been proposed.

If we do not exercise our right-of-first-refusal, you or your owner may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to the conditions provided in this Agreement, provided that if there is a material change in the terms of the sale, we will have an additional right-of-first-refusal for thirty (30) days on the same terms and conditions as are applicable to the initial right-of-first-refusal.

14.6 Death of an Owner. Upon the death of an Owner, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by us within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer the deceased's interest to a third party approved by us within twelve (12) months after the deceased's death.

14.7 Incapacity of an Owner. Upon the permanent disability of any Owner with a controlling interest in you, we may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 14

within six (6) months after notice to you. **“Permanent Disability”** shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 14.7 as of the date of refusal. We shall pay the cost of the required examination.

14.8 Transfer of Interest Owner’s Interest Upon Death or Incapacity. Upon the death or permanent disability any Owner of yours, such person or his representative shall promptly notify us of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

14.9 No Waivers. Our consent to a transfer which is the subject of this Section 14 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

14.10 Bankruptcy Issues. If you or any person holding any interest (direct or indirect) in you becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties’ understanding and agreement that any transfer of you, your obligations and/or rights hereunder, any material assets of yours, or any indirect or direct interest in you shall be subject to all of the terms of this Section 14.

14.11 Securities Offerings. All materials for an offering of stock, partnership, or other ownership interests in you or any Affiliate of you which are required by federal or state law shall be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to us for such review prior to their use. No offering by you or any Affiliate of yours shall imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your or your Affiliate’s securities; and our review of any offering shall be limited solely to the relationship between you and us and any Affiliates, if applicable. We may, at our option, require the offering materials to contain a written statement prescribed by us concerning the limitations stated in the preceding sentence. You (and the offeror if not you), the Principals, and all other participants in the offering must fully indemnify us, our Affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, you shall pay us a non-refundable fee of Five Thousand Dollars (\$5,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. You shall give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 14.11 commences. Any such offering shall be subject to all of the other provisions of this Section 14; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

15. SUCCESSOR TERM

15.1 Successor Term and Conditions. You may, at your option, obtain a right to operate your Mobile Business for one (1) additional successor term, which shall twelve (12) years, subject to the following conditions, together with such other conditions as are reasonable at the time, each of which must be met prior to each successor term:

15.1.1 You (and each Affiliate of yours) have fully and continuously complied with this Agreement and all other agreements with us (and/or any Affiliate of ours), in each case without any defaults, cured or uncured, during the Term;

15.1.2 You have given written notice of election to obtain the successor franchise to us not less than six (6) months, but not more than twelve (12) months, prior to the expiration of the Term of this Agreement. Within ninety (90) days after our receipt of such timely notice, we will furnish you with written notice of any reasons which could cause us to not award the successor franchise, including any deficiencies which require correction and a schedule for correction thereof by you and have completed such required upgrading if necessary, as a condition to receiving a successor term. Prior to the expiration date of this Agreement, you will fully cure all such deficiencies and fully satisfy all such requirements and conditions. You understand and agree that we may refuse to award a successor term if, in our Business Judgment, you (or any Affiliate of yours) have failed to render satisfactory performance in any operational or other areas (including safety, compliance with all Manuals, adverse impact on the Marks and associated goodwill, etc.), whether or not such failure constitutes or constituted a default. The award of the successor term will be conditioned (among other things) on your (and your affiliates') continued compliance with all the terms and conditions of this Agreement (and all other agreements with us and/or any Affiliate) up to the date of expiration and correction of any deficiencies within the periods specified by us.

15.1.3 You (and each Affiliate of yours) have satisfied all monetary obligations owed to us and any company affiliated with us and have timely met such and all other obligations throughout the term of this Agreement;

15.1.4 You have executed our then-current form of Franchise Agreement and related documents (with appropriate modifications to reflect the fact that the agreement relates to the award of a single successor franchise as contemplated by this Agreement without the right to further successor franchises, terms or renewals), including guarantees, as are then customarily used by us in the award of franchises for My Gym Businesses, and the terms of which may materially differ from the terms of this Agreement, provided that you will not be required to pay a higher Royalty Fee or Advertising Contribution than specified in this Agreement; and provided further that you will not be required to pay the then-current initial franchise fee or any successor franchise fee;

15.1.5 You (and each owner and/or Affiliate of yours) have executed a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If you fail to execute such a release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and My Gym System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release, particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise.

Failure by you and/or your owners to timely complete such requirements will be deemed an election by you not to obtain the successor franchise.

15.2 Future Agreements. If, at any time in the future, you or any Affiliate is to receive one or more successor, additional, other and/or further franchise(s) from us (we having no obligation to award you any such additional, other and/or further franchise(s)), whether or not a successor franchise, you, each of your affiliates, each owner of You, the new you and each owner thereof will at each such time sign a release of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties, except (where so required by applicable law) for any claims exclusively related to the offer and sale of the successor, additional, other and/or further franchise(s).

16. TERMINATION

16.1 Automatic Termination. You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, If you shall become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated as bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if suit to foreclose any lien or mortgage against the equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of your Mobile Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 Termination Upon Notice Without Opportunity To Cure. Your rights and our obligations under this Agreement will automatically terminate upon delivery or, in any event, within three (3) calendar days of mailing of notice of termination to you (without further action by us and without opportunity to cure) if:

16.2.1 You or any of your owners have made any material misrepresentation or omission in the application for the Franchise;

16.2.2 You violate a law, ordinance, rule or regulation of any governmental authority material to the operation of your Mobile Business, or you or any of your owners are convicted by a trial court of or pleads no contest to a felony, or to a crime or offense that may adversely affect the reputation of you or any owner or your Mobile Business or the goodwill associated with the Marks, or engages in any misconduct which unfavorably affects the reputation of you or any owner or your Mobile Business, us or the goodwill associated with the Marks (including, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, or allowing unlawful activities or unauthorized or illegal items to be used or distributed in connection with the Franchise);

16.2.3 You (or the Managing Owner) or your Center Manager fail to complete the initial training program to our satisfaction;

16.2.4 You cease, or threaten to cease, to carry on the business granted under this Agreement;

16.2.5 You understate any of your payments to us for two (2) or more times in any 12-month period;

16.2.6 You understate any of your payments to us by ten percent (10%) or more;

16.2.7 You knowingly maintain false books or records, or submits any false reports to us;

16.2.8 You shall have any license or legal authorization necessary for the use or operation of your Mobile Business revoked or terminated and/or if you shall not register, or shall cease to be registered, for value added or other applicable taxes;

16.2.9 There are persistent, serious and substantiated complaints to us as to the quality of the service given by the you and we shall determine in our Business Judgment that such complaints are well founded;

16.2.10 You challenge our right to use and/or to license others to use the Marks;

16.2.11 You make a transfer without our prior written consent;

16.2.12 A threat or danger to public health or safety results from the construction, maintenance, or operation of your Mobile Business;

16.2.13 You disclose or divulge the contents of the Manuals or other Confidential Information provided to you by us;

16.2.14 You, after curing a default pursuant to this Section 16, commit the same default again within a twelve (12) month period of the same default, whether or not cured after notice;

16.2.15 You repeatedly are in default under this Section 16 for failure to substantially comply with any of the requirements imposed by this Agreement, whether or not cured after notice.

16.2.16 There is any breach with respect to Anti-Terrorism Laws as set forth in Section 22.5 hereof; or

16.2.17 There are any uncured or incurable defaults under any other agreement with the us or our Affiliates.

16.3 Termination Upon Notice With Opportunity To Cure. Except as otherwise provided in Sections 16.1 and 16.2 above, upon any other default by you of your obligations hereunder, we may terminate this Agreement only by giving written notice of termination (in the manner set forth under Section 21 below) setting forth the nature of such default to you at least thirty (30) days prior to the effective date of termination (or, with respect to monetary defaults, such as a failure to pay Royalty Fees, Advertising Contributions, vendors and suppliers, the notice of termination shall be ten (10) days); provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us, all within the thirty (30) (or

ten (10)) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) (or ten (10)) day period or such longer period as applicable law may require.

16.4 Extended Notice of Termination. If any law applicable to this Section 16, or Section 15 above, requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal term, than is required hereunder, a different standard of "good cause", or the taking of some other action not required hereunder, the prior notice, "good cause" standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

16.5 Extended Cure Period. Notwithstanding anything contained herein to the contrary, in those circumstances under which we shall have the right to terminate this Agreement, we shall have the right to grant to you, in lieu of immediate termination of this Agreement, an extended period of time to cure the breach which gave rise to our right to terminate, but in no event shall such extended cure period exceed six (6) months from the last day of the cure period otherwise applicable to such breach. You acknowledge that our election to grant such an extended cure period to you shall not operate as a waiver of any of our rights hereunder and that, in consideration for such an extension, you will execute a general release of all claims, known or unknown, by or on behalf of you, any Owner and/or any Affiliate of yours against us and/or any or all of the Franchisor-Related Parties and, if you fail to execute such a release, the grant of such an extension will, in itself, constitute such a release.

16.6 Assignment Upon Bankruptcy. If, for any reason, the Agreement is not terminated pursuant to this Section 16, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and we shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us ourselves upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of the Agreement. In the event we do not elect to exercise the options described in this Section 16.6, any transfer or assignment pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other transfer or assignment set forth in Section 14.

16.7 No Equity on Termination. You understand and agree that your ownership of the Franchise is controlled by the provisions of this Agreement and that you will have no equity or other continuing interest in the Franchise, any goodwill associated with it or otherwise, or any right to compensation, return of amounts paid or otherwise, at the expiration and/or termination of the term of the Franchise.

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to you shall forthwith terminate, and:

17.1 Cease Operations. You shall immediately cease to operate your Mobile Business, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of ours.

17.2 Cease Use of Marks. You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the My Gym System, the marks "My Gym," "Mobile Business" and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the My Gym System. In particular, you shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles that display the Marks.

17.3 Cancellation of Assumed Names. You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks "My Gym," "Mobile Business" and all other Marks, and/or any other service mark or trademark of ours, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 Deidentification of My Gym Vehicles. You shall immediately upon termination or expiration of this Agreement remove any logo and any other identification that would suggest any association or relationship with the My Gym System from your My Gym Vehicles.

17.5 No Confusion. You agree, if you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Marks, and further agree not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with us, the My Gym System, or the Marks.

17.6 Pay Monies Owed. You shall promptly pay all sums owing to us and our Affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any default by you, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of the default.

17.7 Damages and Costs. You shall pay us all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 17.

17.8 Return of Manuals. You shall immediately destroy or deliver to us the Manuals and all other manuals, records, and instructions containing confidential information (including without limitation any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

17.9 Option to Purchase Equipment. We shall have the option, to be exercised within thirty (30) days after termination or default under this Agreement, to purchase from you any or all of the equipment, signs, supplies, or inventory of yours related to the operation of your Mobile Business, at the lesser of the fair market value or your book value. The book value shall be determined based upon a five (5) year straight-line depreciation of original

costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase herein provided, we shall have the right to set off all amounts due from you.

18. COVENANTS

18.1 Best Efforts. You covenant that during the Term of this Agreement, except as otherwise approved in writing by us, you (or the Managing Owner) shall devote full time, energy, and best efforts to the management and operation of the business franchised hereunder.

18.2 Exclusive Relationship. You specifically acknowledge that, pursuant to this Agreement, you will receive valuable specialized training and confidential information, including, without limitation, information regarding our operational, sales, promotional, and marketing methods and techniques and the My Gym System. You covenant that during the Term of this Agreement, except as otherwise approved in writing by us, you shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, divert or attempt to divert any business or customer of your Mobile Business or of any My Gym Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with our Marks and the My Gym System.

18.3 No Competition. You covenant that, except as otherwise approved in writing by us, you shall not, during the Term of this Agreement, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, or have any interest in any Similar Business; and shall not for a continuous uninterrupted period two (2) years from the date: (a) of a transfer permitted under Section 14, above; (b) of expiration or termination of this Agreement (regardless of the cause for termination); (c) of a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 18.3; or (d) on which you cease to operate your last My Gym Business, whichever is later; either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any persons, partnership, or corporation, own, maintain, operate, engage in, or have any interest in any Similar Business which is, or is intended to be, located within a ten (10) mile radius of the Territory or within a ten (10) mile radius of the territory of any My Gym Business then-operating under the My Gym System.

18.4 Exclusions. Section 18.3 above shall not apply to ownership by you of less than three percent (3%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "publicly-held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the federal Securities Exchange Act of 1934.

18.5 Personal Covenants. At our request, you shall require and obtain execution of covenants similar to those set forth in Sections 8, 14, 17, and this Section 18 (as modified to apply to an individual) from any or all of the following persons: Managing Owner, Principals, and Center Manager. Every covenant required by this Section 18.5 shall be in a form satisfactory to us, including, without limitation, specific identification of us as a third party beneficiary of such covenants with the independent right to enforce them. Your failure to obtain execution of a covenant required by this Section 18.5 shall constitute a default under Section 16.2 hereof.

18.6 Valuable Skills Prior to the Agreement. You confirm that prior to entering into the franchised business you possessed (and still possess) valuable skills unrelated to the franchised business, have the ability to be gainfully employed in other fields entirely acceptable to you and that the strict enforcement of the restrictions of this Agreement will not work any undue or significant hardship on you or your family.

18.7 Covenants are Construed Independently. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.8 We Can Reduce Application of Covenants. You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 18.2 and 18.3 above, or any portion of this Agreement, without your consent, effective immediately upon receipt by you of written notice thereof; and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 22.4 below.

18.9 No Claims As a Defense. You expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section 18. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by us in connection with the enforcement of this Section 18.

18.10 Irreparable Harm from Default. You acknowledge that your violation of the terms of this Section 18 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consents to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 18.

19. DISPUTE AVOIDANCE AND RESOLUTION

19.1 Arbitration. The parties agree as follows:

19.1.1 Any litigation, claim, dispute, suit, action, controversy, proceeding or otherwise ("**claim**") between or involving you (and/or any Owner and/or Affiliate of yours or which could be brought by, or on behalf of, you, any Owner and/or Affiliate of yours) and us (and/or any claim against or involving any or all of the Franchisor-Related Parties or otherwise), except as expressly provided below at Sections 19.1.5 and 19.2, including any claim that this Agreement or any portion of it is invalid or unenforceable, and any claim of fraud, will be:

(a) First, discussed in a face-to-face meeting between a corporate executive of yours and a corporate executive of ours, each authorized to make binding commitments on behalf of their respective parties. This meeting will be held at our then-current headquarters (presently in California) and within thirty (30) days after either you or we give written notice to the other proposing such a meeting, unless you and we agree otherwise.

(b) Second, if, in the opinion of either you or us, the meeting has not successfully resolved such matters and if desired by any person or entity involved in the claim, submitted to non-binding mediation for a minimum of eight hours before: (i) Judicial Arbitration and Mediation Service ("**JAMS**") (or an organization designated by JAMS); or (ii) any other mediation organization approved by all such persons and/or entities . On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. In the mediation, you and we shall each be represented by an individual authorized to make binding commitments on respective behalves and may be represented by counsel. In addition, you and we may, with permission of the mediator, bring such additional persons as are needed to respond to questions, contribute information and participate in the negotiations. The fees and expenses of the mediator and/or mediation organization shall be shared equally by you and us. The mediator shall be disqualified as a witness, consultant, expert or counsel for any party with respect to the dispute and any related matters.

(c) Third, if neither you nor we desire mediation (or if such mediation is not successful in resolving such claim), submitted to and finally resolved by binding arbitration before and in accordance with the arbitration rules of JAMS (or any successor organization); provided that if such arbitration is unable to be heard by JAMS for any reason, the arbitration will be conducted by another organization approved by all person(s) and/or entities involved in the claim. The fees and expenses of the arbitrator(s) and/or arbitration organization shall be shared equally by the disputants. In each case, the parties to any mediation/arbitration will execute appropriate confidentiality agreements, excepting only such public disclosures and filings as are required by law.

19.1.1 Any mediation/arbitration (and any appeal of arbitration) will be exclusively conducted at our then-current headquarters. Except as expressly provided below, the parties to any mediation or arbitration will bear their own costs, including attorney's fees. Any claim, and any mediation/arbitration, will be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff or similar basis.

19.1.2 On request of any party to a claim, the arbitrator may be required to issue a written award, specifying the facts found and the law applied, but the party so requesting will bear the fees and charges incurred in connection therewith. The arbitrator may award or otherwise provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships and other pre-judgment, equitable and/or interim relief as appropriate pending final resolution, as well as in connection with any such final resolution. The arbitrator may issue summary orders disposing of all or part of a claim at any point. Each party consents to the enforcement of such orders, injunctions, etc. by any court having jurisdiction.

19.1.3 In any arbitration, any and all pre-trial discovery devices (including, but not limited to, depositions, written interrogatories, requests for admission, and requests for production, inspection and copying of documents) will be available to the disputants as if the subject matter of the arbitration were pending in a civil action before a court of general jurisdiction in California. The arbitrator shall have the power to order compliance with such discovery procedures, as well as assess sanctions for non-compliance with any order. The arbitrator (rather than a court) shall decide any questions relating in any way to the parties' agreement (or claimed agreement) to arbitrate, including but not limited to applicability, subject matter, timeliness, scope, remedies and any alleged fraud in the inducement, or otherwise. Each participant must submit or file any claim which would constitute a compulsory counterclaim (as defined by the applicable rule under the Federal Rules of Civil

Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be forever barred.

19.1.4 If any party to an arbitration wishes to appeal any final award by an arbitrator (there will be no appeal of interim awards or other interim relief), that party can appeal, within thirty (30) days of such final award, to a three (3) arbitrator panel to be appointed by the same organization as conducted the arbitration. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial de novo or other fact-finding function. The party requesting such appeal must pay all costs and fees charged by such arbitration appeal panel and/or arbitration organization in connection with such appeal, as well as posting any bond deemed appropriate by such arbitration organization or arbitration appeal panel. In addition, a party requesting appeal, and who does not prevail on appeal, will pay the other party's (or parties') attorneys' fees and other costs of responding to such appeal.

19.1.5 Judgment on any preliminary or final arbitration award (subject to the opportunity for appeal as contemplated above) may be entered in any court having jurisdiction and will be binding, final and non-appealable.

19.1.6 The obligation herein to mediate and/or arbitrate will not be binding on us with respect to claims or issues relating primarily to (i) the validity of any trademarks, service marks or other intellectual property of ours, (ii) our rights to obtain possession of any real and/or personal property (including any action in unlawful detainer, ejectment or otherwise) and/or (iii) our rights to obtain a writ of attachment and/or other pre-judgment remedies and/or (iv) our rights to receive and enforce a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief, and our exercise of any such rights and/or remedies will not be deemed a waiver of our rights to require or use mediator and/or arbitration.

19.1.7 Except as otherwise required by the laws of the state in which your Mobile Business is located, you and we mutually intend and agree that (1) all issues relating to arbitrability and/or the enforcement of the agreement to arbitrate contained herein will be (i) decided by the arbitrator (including all claims that this Agreement in general, and/or the within agreement to arbitrate and/or any other agreement, was procured by fraud in the inducement or otherwise) and (ii) governed exclusively by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration and (2) you and we mutually intend and agree (and have expressly had a meeting of the minds) to fully enforce all of the provisions of this franchise agreement and all other documents signed by you and us, including (but not limited to) all venue, choice-of-laws, mediation/arbitration provisions and other dispute avoidance and resolution provisions (including (but not limited to) those relating to arbitration, waiver of jury trial, limitation of damages, venue, choice of laws, shortened periods in which to bring claims or otherwise), and to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.).

19.2 Waiver of Trial by Jury. You and we each knowingly and irrevocably waive all rights to trial by a court or jury, in any action, proceeding, or counterclaim, whether at law or in equity, brought by either party against the other, whether or not there are other parties in such action or proceeding, understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, still strongly preferring, and having mutually selected (for the reasons set forth in this section and the following one), mediation and/or arbitration as provided in this Agreement to resolve any disputes, except as expressly provided in Section 19.1.7, you and

we having had an express meeting of the minds on each these matters as set forth in Articles 19, 21 and/or otherwise.

19.3 Choice of Venue; No Class Action. Without in any way limiting or otherwise affecting your and our obligations regarding mediation/binding arbitration, you and we agree that any litigation between you and us (and/or involving any Owner and/or Affiliate of yours, and/or which could be brought by you or on your behalf, involving any of the Franchisor-Related Parties), whether to enforce an arbitration award or involving any litigation, dispute, controversy, claim, proceeding or otherwise which is not subject to any agreement regarding mediation/arbitration (or in the event that a court having jurisdiction should hold that any agreement regarding mediation and/or arbitration is not enforceable) or otherwise, and bearing in mind your and our joint interest in having a single court determine issues in a consistent manner for application throughout the My Gym System and not having us or our franchisees exposed to inconsistent decisions, will be held exclusively before a court in the most immediate judicial district encompassing our then-current headquarters and having subject matter jurisdiction or the United States District Court encompassing our then-current headquarters (where a basis for federal jurisdiction exists, all filings, proceedings and otherwise will be exclusively in such Federal court, in preference to state court), you and we consenting to the exclusive jurisdiction of such court(s) and WAIVING ALL RIGHTS TO TRIAL BY JURY; provided that, in our sole and absolute discretion, any action by us (and/or an Affiliate) to obtain possession of any real and/or personal property (including any action in unlawful detainer, ejectment or otherwise) may be brought in a state or Federal court having jurisdiction over the real and/or personal property at issue. **ANY CLAIM, AND ANY LITIGATION, WILL BE CONDUCTED AND RESOLVED ON AN INDIVIDUAL BASIS ONLY AND NOT ON A CLASS-WIDE, MULTIPLE PLAINTIFF OR SIMILAR BASIS.**

19.4 No Punitive Damages. You and we agree that in any arbitration, litigation or otherwise, you (and each Owner and Affiliate of yours) and we each knowingly and irrevocably waive any right to recover, and any rights to make claims for (whether by claim, counter-claim, offset, way of defense or otherwise), punitive, exemplary, multiple, pain-and-suffering, mental distress, incidental, consequential, special, lost income and/or profits (except as expressly provided below) and/or similar damages under any theory whatsoever. You and we agree that such claims are inherently speculative and subject to abuse, often serving as obstacles to the reasonable resolution or settlement of a dispute and frequently operating to primarily benefit the attorneys involved in the claim; provided that, in any event, we may recover the then-current value of any Initial Franchise Fees, Royalty Fees, Advertising Contributions and/or other payments you are, or would be, obligated to make, or would normally make, in the absence of a breach or termination, to us or any Affiliates, whether under this Agreement or otherwise, it being your and our intention that we receive the full benefit of our bargain with you, as well as any past due payments owed to us and/or any Affiliate. IN ANY EVENT, OUR MAXIMUM LIABILITY (COMBINED WITH THE MAXIMUM LIABILITY OF ANY OF THE FRANCHISOR-RELATED PERSONS/ENTITIES OR ANY OF THEM) SHALL BE (COLLECTIVELY) LIMITED TO THE RETURN TO YOU OF THE INITIAL FRANCHISE FEE ACTUALLY PAID BY YOU and your maximum liability will be limited to the present value of the Initial Franchise Fees, Royalty Fees, Advertising Contributions and other amounts which normally would have been paid by you if the franchise had continued in existence for its full term and any renewals, together with any past due payments owed to us and/or any Affiliate, but, in any case, there shall be no limitation on your indemnity and/or similar obligations, whether with respect to trade accounts, other third-party claims or otherwise. You and we have agreed on this limitation in recognition of the facts that the calculation of any actual damages would be exceedingly difficult and subject to speculation and possible abuse and that the foregoing compromises benefit both of us equally. You agree that we will not be required to post a bond in order to obtain any injunctive or other equitable relief

or otherwise and that your only remedy if an injunction or other equitable relief is entered against you will be to obtain dissolution of such injunction.

19.5 Applicable on Affiliates. The dispute avoidance and resolution provisions of this Agreement shall apply to any claims, arbitration, litigation or otherwise between you and us, and/or by any Owner and/or Affiliate of yours, or which could be brought by you or on your behalf, whether against us and/or any or all of the Franchisor-Related Parties.

19.6 Prior Notice of Claims by You. Prior to you taking any legal or other action against us, and/or any of the Franchisor-Related Parties, you shall first give us thirty (30) days prior written notice and opportunity to cure such alleged act or omission or, if such alleged act or omission cannot reasonably be cured within such thirty (30) day period, and we are diligently continuing efforts to attempt to cure such alleged act or omission, such additional time as we are continuing such efforts; provided that any dispute regarding our withholding consent with respect to a proposed transfer by you may be immediately submitted to face-to-face meeting, mediation and arbitration as provided in Section 19.1.

19.7 Periods Within Which to Make Claims.

19.7.1 No arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense, offset or otherwise) by either you or us will lie or be permitted against the other (nor by you against any of the Franchisor-Related Parties), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such arbitration proceeding, action or suit before the expiration of the earlier of:

(1) one (1) year after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(2) one (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

19.7.2 The foregoing limitations may, where brought into effect by our failure to commence an action within the time periods specified, operate to exclude our right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent us from (i) terminating your rights and our obligations under this Agreement as provided herein and under applicable law nor prevent us from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination or (ii) obtaining and/or enforcing a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief (whether by an arbitrator or a court) with respect to any operational non-compliance by you, irrespective of when such operational non-compliance occurred or came to our attention, in each case you agreeing that such relief is appropriate so that we can, among other things, protect the goodwill inherent in the Marks and the related investments by us and all other franchisees.

19.7.3 The limitations set forth in Section 19.7.1 will not apply to our claims arising from or related to: (1) indemnification by you; (2) your confidentiality, non-competition or other exclusive relationship obligations; and/or (3) your unauthorized use of the Marks.

19.8 Withholding Consent. In no event will you make any claim, whether directly, by way of set-off, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by us. Your sole remedy for any such claim is to submit it to an executive meeting, mediation and arbitration as described in this Agreement and, if executive meeting and mediation fails to resolve such matter, for the arbitrator to order us to grant such consent. Unless otherwise expressly provided in this Agreement, approvals and consents may be withheld by us in our reasonable discretion.

19.9 Survival. Each provision of this Section 19, together with the provisions of Section 21, will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise and will apply to and govern any claim against, or with respect to, the Marketing Fund.

19.10 Construction. The headings of Sections are for convenience only and do not limit or construe their contents. The word "including" shall be construed to include the words "without limitation." The term "you" is applicable to one or more persons, a corporation, a limited liability company or a partnership and its owners, as the case may be. If two or more persons are at any time franchisee hereunder, whether as partners, joint venturers or otherwise, their obligation and liabilities shall be joint and several. References to a controlling interest in an entity shall mean more than fifty percent (50%) of the equity or voting control of such entity.

19.11 No Waiver. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement. The benefits and protections of this Agreement which apply to us (including, but not limited to, all provisions relating to indemnification and/or releases) shall also apply to any past, current and/or future Franchisor-Related Parties as if they were expressly named beneficiaries of such provisions. In each case where we may exercise any option or other right, we may do so in our reasonable discretion, without liability or other obligation. So as to preserve the flexibility to deal with practical business situations (which you and we agree should benefit your and our businesses in the long term), we may, in our reasonable discretion, elect to not enforce (or to selectively enforce) any provision of this Agreement, or any other agreement, any policy or otherwise, whether with respect to you and/or any other you or otherwise, and we may apply different policies to any you, all without liability or other obligation and any such acts or omissions will not limit or otherwise affect our rights, whether to strictly enforce this Agreement or otherwise.

19.12 Costs and Attorneys' Fees. Except as expressly provided otherwise in this Agreement with respect to appeal of an arbitration award, or with respect to our rights to recover attorneys' fees in connection with our indemnification rights hereunder, or as otherwise expressly provided in this Agreement, and based on your and our judgment that attorney's fees provisions often operate to primarily benefit the attorneys involved in any claim and/or to encourage specious claims to the detriment of everyone involved in a franchise system, the parties will each bear their own costs of enforcement and/or defense (including but not limited to attorney's fees) in any claim or dispute between you and us (including any claim by you, or on your behalf, against the Franchisor-Related Parties or otherwise) and will make no claim with regard thereto.

19.13 Validity and Execution. This Agreement will become valid when executed and accepted by us at our headquarters. This Agreement will be executed in multiple copies, each of which will be deemed an original.

19.14 No Third Party Beneficiary. Except as expressly provided otherwise, nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

19.15 No Liability for Good Faith Action. You agree that neither we (nor any of the Franchisor-Related Parties) will be liable for any act or omission which is consistent with this Agreement or other information provided to you, or which is done in subjective good faith. When we use the phrase "Business Judgment," that phrase will be construed to take into account our needs for reasonable business flexibility in managing the My Gym System and for achieving consistency and quality of retail presentation and operations among all My Gym Businesses.

19.16 Non-Retention of Funds. If you believe that we or any other person/entity has violated any legal duty to you, you will, notwithstanding such dispute, pay as designated all sums specified under this Agreement or any other agreement, whether to be paid to us or any Affiliate (including Royalty Fees, any unpaid portion of the Initial Franchise Fee and any Advertising Contributions and/or amounts payable to Regional Ad Fund, rent or otherwise) and will not withhold any payments until and unless such dispute has been finally determined in your favor.

19.17 Severability; Substitution of Valid Provisions. Except as otherwise stated in this Agreement, each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision affecting any rights to recovery for breach of any legal obligation, including but not limited to waiver of statutory benefits such as rights to jury trial, exemplary or punitive damages, recovery of attorney's fees and/or statutes of limitations), and the remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. This Agreement will be deemed automatically modified to comply with governing law if such law requires: (a) a greater time period for notice of the termination of, or refusal to renew, this Agreement; or (b) the taking of some other action not described in this Agreement. We may modify any invalid or unenforceable provision to the extent required to be valid and enforceable and you will be bound by the modified provisions.

19.18 Waivers. Our waiver of any breach(es) under this or any other agreement (whether by failure to exercise a power or right available to us, failure to insist on strict compliance with the terms, obligations or conditions of any agreement, development of a custom or practice between you and us (or others) which is at variance with the terms of any agreement, acceptance of partial or other payments or otherwise), whether with respect to you or others, will not affect our rights with regard to any breach by you or anyone else or constitute a waiver of our right to demand exact compliance by you with the terms of this Agreement or otherwise. Subsequent or other acceptance by us of any payments or performance by you will not be deemed a waiver of any preceding or other breach by you of this Agreement or otherwise. The rights and remedies provided in this Agreement are cumulative and we will not be prohibited from exercising any rights or remedies provided under this Agreement or permitted under law or equity.

19.19 Choice of Law. You and we, both agreeing on the practical business importance of certainty as to the law applicable to your and our relationship and its possible effect on the development and competitive position of the My Gym System, jointly agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act and except to the extent governed by

the United States Trademark Act and other federal laws, or as provided elsewhere in this Agreement, this Agreement (including any claims, counter-claims or otherwise by you and/or any Affiliate of yours) and all other matters concerning you (and/or any Affiliate of yours) and us (and/or any Affiliate of ours), and/or you (and/or any Affiliate of yours) and any of the Franchisor-Related Parties, including your/our/their respective rights and obligations, will be governed by, and construed and enforced in accordance with, the laws of the state in which our then-current principle office is located (currently, California), without regard to the laws of such state relating to conflicts of laws or choice of law; provided, however, that if the covenants in Section 18 of this Agreement would not be enforceable under the laws of such state, and your Mobile Business is located or operated outside of such state, then such covenants shall be interpreted and construed under the laws of the state in which you Mobile Business is located or operated; provided, further, that provisions of any law of such state regarding franchises (including registration, disclosure, or relationship, and the regulations thereunder) shall not apply unless such state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section.

20. FORCE MAJEURE

20.1 Impact. Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (a) acts of God; (b) acts of war, terrorism, or insurrection; (c) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or (d) our or our affiliates' or our supplier's inability to manufacture, purchase, and/or cause delivery of any Products used in the operation of your Mobile Business.Transmittal of Funds. The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of Section 20.1 above. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you shall remain obligated to promptly pay all fees owing and due to us hereunder, without any such delay or extension.

21. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manuals will be deemed so delivered at the time delivered by hand, immediately on transmission by facsimile transmission or other electronic system, including e-mail or any similar means, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the addresses as listed in Exhibit A.

All payments and reports required by this Agreement will be directed to us at our address as specified above. Any required payment or report not actually received by us during regular business hours on the date due will be deemed delinquent. Notice to you, or of your owners, shall be deemed effective as to all owners of yours.

22. ACKNOWLEDGMENTS AND REPRESENTATIONS, ENTIRE AGREEMENT, ETC.

22.1 Acknowledgements. The following acknowledgements apply to all franchisees and My Gym Mobile Businesses:

22.1.1 No Fiduciary Relationship. You and we agree that the relationship between you and us is an ordinary commercial relationship between independent businesspeople intended for mutual but independent economic benefit and is not in any sense, nor is intended to be, a fiduciary, trust or similar special relationship, that each party has dealt with each other at arm's length and as businesspersons with equivalent bargaining power, notwithstanding the relationship of you and us, and that you have alternative business opportunities (some of which are franchised) which you have investigated and in which you can invest.

22.1.2 No Conflicting Obligations. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

22.1.3 Your Responsibility to Run your Mobile Business. Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your Mobile Business, you retain the right and sole responsibility for the day-to-day management and operation of your Mobile Business and the implementation and maintenance of My Gym System standards at your Mobile Business.

22.1.4 Franchise Offerings to Others. You acknowledge and agree that we may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

22.1.5 Receipt of Franchise Disclosure Document and Agreement. You acknowledge that you received a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, as well as a copy of our current franchise disclosure document, at such time(s) as required by the applicable federal and state franchise laws and regulation.

22.2 Acknowledgements in Certain States. The following acknowledgements apply to all franchisees and My Gym Businesses, except those that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin:

22.2.1 Advice of Lawyers, Alternative Investment Opportunities You acknowledge that you've had the opportunity (and we have strongly advised you) to have this Agreement and all other documents reviewed by your own attorney and that you have read, understood, had an opportunity to discuss with us, and agreed to each provision of this Agreement. You agree that you've been under no compulsion to sign this Agreement, that you've considered other franchise opportunities as well as the possibility of your entering our industry as a non-franchised participant and that, therefore, this Agreement will be deemed to have been drafted by you and us in equal parts and that no presumptions or inferences concerning this Agreement's terms, interpretation or otherwise will result by reason of the fact that we prepared this Agreement or may be unwilling to change its terms

22.2.2 No Earnings Information. You have not received or relied on (nor have we or anyone else provided) any: sales, income or other historical results, projections or otherwise, of any kind or nature or any statements, representations, data, charts, tables, spreadsheets or mathematical calculations or otherwise which stated or suggested any level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise and neither we nor anyone else has made, nor have you relied on, any

promises, representations or warranties as to any profits or otherwise you may realize in the operation of a My Gym Business, nor have you received or relied on any representations regarding any working capital or other funds necessary to reach any "break-even" or any other financial level. We cannot reliably predict, forecast or project future performance, revenues, profits or otherwise of any My Gym Business, even including one owned and/or operated by us, due to the large number of factors outside our control, and we certainly cannot reliably predict what your results might be. You understand that results will vary from unit to unit. If any such information, promises, representations and/or warranties has been provided to you, they have not been authorized and should not be relied on. We will not be bound by them and, if you do rely on any such information, promises, representations and/or warranties, you do so at your own risk.

22.2.3 Representations and Warranties. You and your Principals represent and warrant to us that: (a) neither you nor any of your Principals have made any untrue statement of any material fact nor omitted to state any material fact in obtaining the rights granted herein; (b) neither you nor any of your Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a competitive business, except as otherwise completely and accurately disclosed in your license application materials; and (c) you and your Principals have a legal right to own and operate your Mobile Business. You recognize that we approved you in reliance on all of the statements you and your Principals have made in connection therewith, and that you have a continuing obligation to advise us of any material changes in these statements and representations made to us in this Agreement or in the license application.

22.2.4 Business Risks. You acknowledge and agree that you (i) are a sophisticated person, or an entity with sophisticated management personnel, (ii) recognize the transactions contemplated by this Agreement involve substantial business risks, and that your, your business' and your Mobile Business's success will be largely dependent upon your ability and efforts as an independent business owner, (iii) recognize that the success of the business venture contemplated under this Agreement is speculative and also depends upon market conditions, area competition, availability of product, quality of services provided, number and skills of management and staff, as well as other factors; and (iv) have made an independent investigation of all aspects of this Agreement you deem necessary or advisable. We do not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

22.3 Employees. Under no circumstances shall your managerial personnel or other employees be deemed to be employees of ours. You acknowledge that you are the sole employer of the employees in your Mobile Business and that you are solely responsible for the labor relations and employment practices in your Mobile Business. You acknowledge we do not dictate or control labor or employment matters for you and you employees. Any materials, guidance and assistance that we may provide with respect to employment-related policies or procedures, whether in the Manuals or otherwise, are solely for your optional use. You will determine to what extent, if any, these materials, guidance or assistance should apply to your employees. You agree to indemnify and hold us harmless from any and all liability, including costs, attorneys' fees or other damages which result directly or indirectly from your employees or independent contractors.

22.4 Complete Agreement. You and we jointly intend, represent, warrant and agree that (1) this Agreement contains the final, complete and exclusive expression of the terms of your and our agreement and the final, complete and exclusive expression of your and our intent, and entirely supersedes and replaces any and all prior and/or concurrent understandings, agreements, inducements, prior course(s) of dealing, representations

(financial or otherwise), promises, options, rights-of-first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) between you and us, (2) there are no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights-of-first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) which are not fully expressed in this Agreement; (3) no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights-of-first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) of any kind or nature whatsoever have been made by us or anyone else, nor have been relied upon by you nor will have any force or effect; excepting only the written representations made by you in connection with its application for this franchise; (4) this Agreement and the exhibits referred to herein are binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest and will not be modified or supplemented except by means of a written agreement signed by both you and our President or one of our Vice Presidents except for those permitted to be made unilaterally by us hereunder; and (5) no other officer, field representative, salesperson or other person has the right or authority to sign on behalf of us, to make oral or written modifications to the Agreement or to make any representations on behalf of us, and any such modifications and/or representations shall not be binding on us. **Notwithstanding the foregoing, nothing in this Agreement or any related agreement is intended to disclaim the representations that Franchisor made in the most recent Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative, subject to any agreed-upon changes to the contract terms and conditions described in that Disclosure Document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement).**

22.5 Anti-Terrorism Laws. You and your Principals agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and your Principals certify, represent, and warrant that none of your and their property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws, and that you and your Principals are not otherwise in violation of any of the Anti-Terrorism Laws. "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, the USA Freedom Act, and all other present and future U.S. federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you, you Principals, or your and their employees, or any "blocking" of your assets under the Anti-Terrorism Laws shall constitute grounds for immediate termination of this Agreement and any other agreement you have entered with us or one of our Affiliates, in accordance with the termination provisions of this Agreement.

22.6 Your Release. You, for yourself and on behalf of your Affiliates, and their respective shareholders, directors, officers, limited liability company members, managers and employees, and their respective successors and assigns, and on behalf of the your Principals, hereby (i) releases and forever discharges us and Franchisor-Related Parties, from any and all claims, demands and causes of action, whether known or unknown, of any kind or nature, absolute or contingent, if any, at law or in equity, arising prior to or on the Effective Date, and (ii) agrees that none of them will institute any litigation or other legal action or proceeding, at law or in equity, against us or Franchisor-Related Parties, directly or indirectly, relating to any claim or demand released under this Section 22.6. You shall take whatever actions are necessary or appropriate to carry out the terms of this release and

covenant not to sue upon our request. This Section 22.6 shall survive the expiration or termination of this Agreement.

22.7 No Waiver or Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in duplicate on the day and year first above written.

[Signature Page Follows]

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in duplicate on the day and year first above written.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A

DATA SHEET

1. TERRITORY: The Territory shall be:

Type of Your Fixed Center for the same Territory:

 Small Model Fixed Center

 Large Model Fixed Center

2. OPENING DATE: The Opening Date of your Mobile Business is _____, 20__.

3. ADDRESSES FOR NOTICES:

To Franchisor: 15300 Ventura Blvd., Suite 523
 Sherman Oaks, CA 91403
 Fax:
 Tel.: (818) 907-6966
 Fax: (818) 907-0735
 Attn: President

To Franchisee: _____

 Tel.: _____
 Fax: _____
 Attn: _____

Initials	
_____	_____
Franchisee	Franchisor

EXHIBIT B

OWNER'S GUARANTY

In consideration of, the execution by Gym Consulting LLC, a California limited liability company, ("Franchisor") of the franchise agreement of even date herewith (the "Agreement") between Franchisor and _____, a(n) _____ corporation (the "Franchisee"), each of the undersigned hereby personally, jointly and severally: (1) guarantees to Franchisor, its affiliates, the Franchisor-Related Parties (as defined in the Agreement) and each of their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the undersigned will be bound by, and punctually pay and perform, each and every covenant set forth in the Agreement; (2) agrees to be personally bound by, and personally liable for, the breach of, each and every provision in the Agreement; and (3) agrees to be personally bound by, and personally liable for, each obligation of the Franchisee to Franchisor and/or any company affiliated or related in any way with or to Franchisor, including all past, current and/or future obligations of the Franchisee. Franchisor (and/or its affiliates) need not bring suit first against the undersigned in order to enforce this guarantee and may enforce this guarantee against any or all of the undersigned as it chooses in its sole and absolute discretion.

Each of the undersigned consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty will be joint and several;
- (2) he and/or she will render any payment or performance required under the Agreement on demand if the Franchisee fails or refuses to do so punctually;
- (3) the liabilities and obligations of the undersigned, whether under this document or otherwise, will not be diminished or otherwise affected by the termination, rescission, expiration or otherwise of the Agreement; and
- (4) the provisions of Articles 19 and 21 of the Agreement are incorporated in and will apply to this document as if fully set forth herein and shall apply to any dispute involving the Franchisor and any of the undersigned. ALL DISPUTES INVOLVING A GUARANTOR (WHETHER OR NOT RELATED TO THE GUARANTEE) SHALL BE ADJUDICATED AND RESOLVED IN ACCORDANCE WITH THE PROVISIONS APPLICABLE TO FRANCHISEE WHICH ARE SET FORTH IN SECTION 19 OF THE FRANCHISE AGREEMENT, WHICH SECTION, AMONG OTHER THINGS, INCLUDES A ARBITRATION, MUTUAL WAIVER OF TRIAL BY JURY, LIMITATIONS ON THE TIME WITHIN WHICH TO COMMENCE AN ACTION, AND A WAIVER TO THE EXTENT PERMITTED BY LAW OF ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES.

In connection with such guarantee and the Franchisor (a) not requiring that the Franchise be initially awarded in the name of one or more of the Guarantors and/or (b) not requiring the payment of a full transfer fee in connection with any related transfer from the undersigned to the Franchisee, each of the undersigned hereby grants a general release, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against the Franchisor and/or any or all of the Franchisor-Related Parties.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has here unto affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Printed Name: _____

Home Address: _____

EXHIBIT C

LIST OF OWNERS

Name of Owner	Address and Telephone	Email address	Interest %

Initials	
_____	_____
Franchisee	Franchisor

EXHIBIT D

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS (DIRECT DEBITS)

_____ (Name of Person or Legal Entity)

_____ (ID Number)

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Gym Consulting, LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below to debit or credit such account(s) pursuant to Franchisor's instructions. A check marked "void" and drawn on the same account is attached for the record.

_____ Depository

_____ Branch

_____ City

_____ State

_____ Zip Code

_____ Bank Transit/ABA Number

_____ Account Number

This authorization is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

_____ Depositor (Franchisee)

By: _____

Printed Name: _____

Title: _____

Date: _____

EXHIBIT E

**FORM OF NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
BETWEEN FRANCHISEE AND ITS MANAGERS**

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made this _____ day of _____, 20____, by and between _____ (the "**Franchisee**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Developer (the "**Manager**").

RECITALS:

WHEREAS, Gym Consulting, LLC ("**Company**"), as franchisor, and as the result of the expenditure of its time, skill, effort and money have developed and own a unique system (the "**System**") relating to the operation of businesses providing fitness services to children (a "**My Gym Business**"), under the Proprietary Marks (as defined below), and specializing in offering fitness services to children ("**Services**"), as well as the sale of associated proprietary and/or private label products and services, if and when developed, prepared for sale in the system (the "**Products**"), and which Centers utilize Company's System and Proprietary Marks (defined below), all of which Company may periodically change, improve, and/or further develop;

WHEREAS, Company identifies Centers by the MY GYM, MY GYM CHILDREN'S FITNESS CENTER marks and such other proprietary marks as Company may periodically designate in writing (together, the "**Proprietary Marks**");

WHEREAS, Company and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a My Gym Business (the "**Center**") under the terms and conditions of the Franchise Agreement;

WHEREAS, the Manager, by virtue of his or her position with Franchisee, will gain access to certain of Company's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Development is bound by.

IN CONSIDERATION of these promises, Manager's employment with Franchisee, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Manager shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Manager or of which Manager may be apprised by virtue of Franchisee's operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which Company designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Company; or which, at or after the time of disclosure by Company to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Manager specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Manager will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Company and the System.

(b) Manager covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Company, Manager shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Center or of any My Gym Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Company's Proprietary Marks and the System.

(ii) Employ or seek to employ any person who is at that time employed by Company, Franchisee, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Center.

(c) Manager covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Company, Manager shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business that is same as or similar to the Center and which business is (or is intended to be) located within a ten (10) mile radius of either the Territory of the Center or any other My Gym Business operating at the time that the obligations under this commence.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of one (1) year from the date of: (a) a transfer permitted under Section 14 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of Manager's employment with Franchisee; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity).

3. Injunctive Relief. Manager acknowledges that any failure to comply with the requirements of this Agreement will cause Company irreparable injury, and Manager agrees to pay all court costs and reasonable attorney's fees incurred by Company in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Manager agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Company's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Manager agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Company or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Manager hereby acknowledges and agrees that Company is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Manager attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this _____ day of _____, 20_____.

FRANCHISEE

MANAGER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT B

MOBILE BUSINESS AUTHORIZATION ADDENDUM

**GYM CONSULTING, LLC
FIXED CENTER FRANCHISE AGREEMENT**

Fixed Center Franchisee Mobile Business Authorization Addendum

THIS FIXED CENTER FRANCHISEE MOBILE BUSINESS AUTHORIZATION ADDENDUM ("Addendum") is made this ____ day of _____, 20____, by and between:

- Gym Consulting, LLC, a California limited liability company with its principal office at 15300 Ventura Boulevard, Suite 523, Sherman Oaks, California 91403 ("**Franchisor**"); and
- _____ a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ ("**Fixed Center Franchisee**").

RECITALS:

WHEREAS, Franchisor and Fixed Center Franchisee are entering into or have entered into a Fixed Center Franchise Agreement dated _____, 20____ (the "**Franchise Agreement**"), for the establishment and operation of a Fixed Center. All terms used herein and not otherwise defined shall have the same meaning as set forth in the Fixed Center Franchise Agreement.

WHEREAS, Franchisor has promised, under the Fixed Center Franchise Agreement, not to operate, or license other third parties to operate, another Mobile Business providing Services and Products to Institutional Facilities located within the Territory.

WHEREAS, Franchisor and Fixed Center Franchisee wish to amend the Franchise Agreement to allow Franchisor to operate, or license other third parties to operate, one or more Mobile Businesses to provide Services and Products to Institutional Facilities located within the Territory.

NOW THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. No Violation of Territory Exclusivity. Fixed Center Franchisee agrees that Franchisor's operation of and/or licensing others to operate the Mobile Businesses within the Territory does not violate any provisions of the Franchise Agreement, notwithstanding anything to the contrary therein.

2. Mobile Business Franchisee. The term "Mobile Center Franchisee" shall refer to My Gym franchisees who operates or will operate Mobile Businesses within the Territory.

3. Franchisee Services. Fixed Center Franchisee agrees to provide, without charging Franchisor or any Mobile Business Franchisee any fee except as provided for under Section 4 hereof, certain services to Mobile Business Franchisees as directed by Franchisor from time to time (the "**Franchisee Services**"), which may include telephone support, training, providing use of the Center, on-site visits to Mobile Business customers, and other oversight services that Franchisor designates.

4. Service Fee. In consideration of Fixed Center Franchisee's provision of Franchisee Services, Franchisor shall pay to Fixed Center Franchisee, within ninety (90) days after the end of Franchisor's fiscal year, twenty percent (20%) of the Royalty Fees that it actually receives from the Mobile Business Franchisee during such fiscal year (the "**Service Fee**").

5. Remainder of the Agreement. This addendum constitutes an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

15300 Ventura Boulevard, Suite 523
Sherman Oaks, California 91403
Fax: 818.907.0735
Attn: _____

Fax: _____
Attn: _____

EXHIBIT C

LIST OF ADMINISTRATORS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p>CALIFORNIA Commissioner of Department of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 <u>or (866) 275-2677</u> Website: www.dfpi.ca.gov Email: ask.DFPI@dfpi.ca.gov</p>	<p>NEW YORK NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236</p>
<p>HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>NORTH DAKOTA North Dakota Securities Department 600 East Boulevard Avenue, Suite 414 Bismarck, North Dakota 58505-0510 (701) 328-2910</p>
<p>ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>RHODE ISLAND Securities Division Department of Business Regulation John O. Pastore Complex, Bldg. 69-1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9500</p>
<p>INDIANA Secretary of State Indiana Securities Division, Franchise Section 302 West Washington St., Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>SOUTH DAKOTA Director of Division of Insurance – Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>
<p>MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>	<p>VIRGINIA Clerk of the State Corporation Commission Division of Securities and Retail Franchising Tyler Building 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p>
<p>MICHIGAN MICHIGAN Michigan Attorney General’s Office Consumer Protection Div. Division Attn: Franchise Section 670 G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 335-7567</p>	<p>WASHINGTON Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760</p>
<p>MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1500</p>	<p>WISCONSIN Division of Securities Department of Financial Institutions 4822 Madison Yarts Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-9555</p>

EXHIBIT D

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Department of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 <u>or (866) 275-2677</u> Website: www.dfpi.ca.gov Email: ask.DFPI@dfpi.ca.gov	NEW YORK New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, NY 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner North Dakota Securities Department State Capitol, 14th Floor, Dept. 414 600 East Boulevard Avenue, Suite 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Securities Division John O. Pastore Complex – Buidling 69-1 1511 Pontiac Avenue, Cranston, RI 02920 (401) 462-9500
INDIANA Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531	SOUTH DAKOTA Director of Division of Insurance— Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner at the Office of Attorney General – Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	VIRGINIA Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General’s Office Consumer Protection Division Attn: Franchise Section G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 335-7567	WASHINGTON Director of Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Securities Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1500	WISCONSIN Administrator, Division of Securities Department of Financial Institutions 4822 Madison Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT E

CURRENT FRANCHISEES

As of December 31, ~~2022~~2023

OWNER	GYM PHONE	ADDRESS	CITY	STATE	ZIP CODE
Klein, Scott & Cheryl	(480)758-5879	690 N. Cooper Road	Gilbert	AZ	85233
Wichers, Kevin	(520) 514-9192	7942 N. Oracle Road	Tucson	AZ	85704
Baik, Roberto	(714) 681-1252	8364 On The Mall, Suite S2520	Buena Park	CA	90620
Sokolevska Soto, Monta*		Coming Soon	Chino Hills	CA	
Almanza, Jordan	(559) 765-2565	1519 Tollhouse Rd Suite 101	Clovis	CA	93611
Dailey, Courtney	(951) 415-9729	780 N. Main Street	Corona	CA	90620
Grindler, Eric**	(818) 385-0888	17271 Ventura Blvd.	Encino	CA	91316
Hartley, Brent	(916) 983-4496	805 Wales Drive	Folsom	CA	95630
Theilacker, Ryan	(714) 846-2223	5900 Warner Avenue	Huntington Beach	CA	92649
Bunce, Cameron Gene Barr	(619) 356-3353	8657 Villa La Jolla Dr., La Jolla Village Squire, Suite 121B	La Jolla	CA	92037
Thompson, Amanda	(909) 593-1633	2451 Foothill Blvd., Suite B	La Verne	CA	91750
Caplin, Bill/Rick Altman**	(949) 218-1091	1701 Corporate Drive, Suite C1	Ladera Ranch	CA	92694
Krayer, Elliot	(213) 634-1368	3959 Wilshire Blvd.	Los Angeles	CA	90010
Meltzer, Robert	(310) 287-1496	1835 S. La Cienega St., Suite 255	Los Angeles	CA	90035
Meltzer, Robert	(323) 767-8050	3462 San Fernando Road	Los Angeles	CA	90065
Cavazos, Katie		Mobile Only	Monrovia	CA	
Altman, Rick**	(949) 261-5252	2040 Quail St.	Newport Beach	CA	92660
Eastman, Amy	(818) 509-1077	4821 Lankershim Blvd, Unit E	North Hollywood	CA	91601
Barbee, Jill	(818) 998-7496	9420 Reseda Blvd., Suite 12	Northridge	CA	91324
Scott, Nancy	(760) 346-6307	73760 Dinah Shore Drive, 103	Palm Desert	CA	92211
Vallaeys, Helen	(650) 330-1760	2655 Middlefield Road	Palo Alto	CA	94306
Bertisch, Jamie**	(626) 441-7800	300 E. Colorado Blvd., Suite 209	Pasadena	CA	91101
Bunce, Cameron	(858) 208-0640	12222 Poway Road, Suite 118-119	Poway	CA	92064
Frick, Stephen	(909) 980-3290	7360 Milliken Ave., Unit 130	Rancho Cucamonga	CA	91730
Gupta, Kusum	(909) 307-3929	490 Alabama Street, #106	Redlands	CA	92373
Hartley, Robin	(916) 681-0496	8765 Center Parkway, Suite D-200	Sacramento	CA	95823
Yanofsky, Bob	(650) 551-0051	189 El Camino Real	San Carlos	CA	94070
Wu, Dee	(925) 244-1171	180 Market Place	San Ramon	CA	94583
Charles Fossett	(805) 563-7336	3888 State Street, #102	Santa Barbara	CA	93105
Bangi, Pam	(562) 986-0066	3287 Industry Drive	Signal Hill	CA	90755
Manzanares, Jason	(951) 699-8800	30570 Rancho California Road, Suite 111B	Temecula	CA	92591
Sherman, Ceevan**	(805) 494-4154	2701 Thousand Oaks Blvd.	Thousand Oaks	CA	91360
Corbett, Kevin	(949) 459-8556	31991 Dove Canyon Drive, Ste G	Trabuco Canyon	CA	92679
Altman, Rick**	(949) 552-5446	3061 Edinger Avenue	Tustin	CA	92780
Chavez, Edwin**	(661) 222-7432	28331 Constellation Road	Valencia	CA	91355
Haddox, Lori	(805) 644-4600	4255 East Main St., #1	Ventura	CA	93003
Cracraft, Rebekah	(760) 646-8841	12044 Dunia Road, A1	Victorville	CA	92392
McKegney, Skyler Camez, Erika	(760) 814-2028	3245-2 Business Park Drive	Vista	CA	92081
Wu, Dee	(925) 952-9791	2256 Oak Grove Road	Walnut Creek	CA	94598
Grindler, Eric**	(818) 702-6946	22027-B Vanowen St.	Woodland Hills	CA	91303
Hanewinkel, Jeremy	(714) 695-0440	18510 Yorba Linda Blvd	Yorba Linda	CA	92886
Riley, Alex	(303) 467-3500	7705 Wadsworth Blvd, Unit E	Arvada	CO	80003

OWNER	GYM PHONE	ADDRESS	CITY	STATE	ZIP CODE
Roberson, Heidi	-	Mobile Only	Castle Rock	CO	80108
Johansen, Becka	(303) 730-3087	5690 E. County Line Place, Unit D	Highlands Ranch	CO	80126
Bastos, Saras	(860) 776-0016	136 Elm Street	Enfield	CT	06082
Debin, Ryan	(203) 659-0260	1139 Post Road	Fairfield	CT	06824
Debin, Ryan	(860) 633-8700	256 Oakwood Drive	Glastonbury	CT	06033
Brenner, Amy	(203) 795-5437	391 Boston Post Road	Orange	CT	06477
Debin, Ryan	(203) 327-3496	7 Hyde Street	Stamford	CT	06907
Bastos, Sara	(860) 521-2822	150 S. Main Street	West Hartford	CT	06107
Nouel, Luis	(305) 933-0496	17881 Biscayne Blvd.	Aventura	FL	33160
Nouel, Luis	(561) 430-3932	7461 N Federal Highway, Suite B3-4	Boca Raton	FL	33487
Giraldo, Veronica	(561) 961-8005	6651 Woolbright Road, B#118	Boynton Beach	FL	33437
Russell, Thurlowe	(813) 398-6713	2060 Badlands Drive	Brandon	FL	33511
Smath, Lee	(954) 596-9010	4800 W. Hillsboro Blvd., Suite A8	Coconut Creek	FL	33073
Miller, Spring	(904) 223-4966	13770 Beach Blvd., Suite 16	Jacksonville	FL	32224
Reifer, Mike	(904) 260-4968	10950 San Jose Blvd., Suite 10	Jacksonville	FL	32223
Reeth, Mindy	(561) 575-2434	3755 Military Trail, Suite B10	Jupiter	FL	33458
Beaulieu, Joe	(407) 333-8069	3581 Lake Emma Road	Lake Mary	FL	32746
Kozon, Summer	(813) 803-7808	26254 Wesley Chapel Blvd	Lutz	FL	33559
Beaulieu, Joe	(321) 214-9363	473 S. Orlando Avenue	Maitland	FL	32751
St. Clair, Ashley	(321) 794-2333	8530 N. Wickham Road, Suite 100	Melbourne	FL	32940
Karner, Kathy	(305) 270-0230	11735 SW 147 Avenue, Suite 34	Miami	FL	33196
Miroshnikov, Mike*	mikemiroshnikov@gmail.com	Coming Soon	Miami	FL	
Saltiel Ayra, Amanda	(305) 790-9266	6763 Main Street	Miami Lakes	FL	33014
Reeth, Mindy	(239) 431-6499	13020 Livingston Road, Suite 17	Naples	FL	34105
Jacobson, Bruce	(321) 422-4888	1501 South Alafaya Trail, Suite 110	Orlando	FL	32828
Adler, Randi	(954) 382-0222	9775 W. Broward Blvd.	Plantation	FL	33324
Welch, John*	portstlucie@mygym.com	Coming Soon	Port St. Lucie	FL	
Delo, Angela*	mrandmrsdelo@gmail.com	Coming Soon	Sarasota	FL	
Adler, Randi	(954) 434-4878	6880 Dykes Road	Southwest Ranches	FL	33331
Giraldo, Veronica	(561) 713-2768	13920 Wellington Trace, Suite 100	Wellington	FL	33414
Reeth, Mindy	(407) 654-6970	1218 Winter Garden Vineland Road	Winter Garden	FL	34787
Watley, Heather	(706) 507-2966	2501 Old Whittlesey Road, Suite N	Columbus	GA	31909
Schlamme, David	(770) 854-1088	12010 Etris Road, Suite A150	Roswell	GA	30075
Treacy, Mary	(630) 499-1299	4008 Fox Valley Center Drive	Aurora	IL	60504
Johnson, Kyle	(847) 229-1990	1622 Barclay Blvd.	Buffalo Grove	IL	60089
Saleh, Saira** & Schnoll, Bob	(312) 600-9772	1333 S. Wabash Ave.	Chicago	IL	60605
Schnoll, Bob	(773) 975-9600	1461 W. Webster	Chicago	IL	60614
Wisniewski, Lindley	(708) 209-1600	7625 W. Lake Street	River Forest	IL	60305
Wisniewski, Lindley	(847) 677-6949	9179 Gross Point Road	Skokie	IL	60077
Miroballi, Lisa	(630) 221-0555	43 Danada Square East	Wheaton	IL	60189
Robinson, Kendall	(317) 288-4337	10290 E. 96th Street	Fishers	IN	46037
Carter, Emily	(765) 807-5441	2049 Veterans Memorial Parkway, Suite 3	Lafayette	IN	47909
Carter, Emily*	(317) 785-3131	Coming Soon – 15966 Spring Mill Road	Westfield	IN	46074
Foote, Angie	(913) 685-9005	8502 W. 133rd St.	Overland Park	KS	66213

OWNER	GYM PHONE	ADDRESS	CITY	STATE	ZIP CODE
Brown, Troy & King, Kayla	(785) 260-0280	1921 SW Gage Blvd.	Topeka	KS	66604
Reid, Jenna	(316) 260-9122	2434 N Woodlawn Blvd., Suite 370	Wichita	KS	67220
Berndt, Bill	(502) 614-6001	11770 Shelbyville Road, Suite 101	Louisville	KY	40243
Debin, Ryan	(617) 789-3669	1065 Commonwealth Ave.	Boston	MA	02215
Debin, Ryan	(617) 789-3669	157 Bedford Street	Burlington	MA	01803
Ames, David	(781) 383-8800	790 Chief Justice Cushing Highway	Cohasset	MA	02025
Debin, Ryan	(508) 370-9496	855 Worcester Road	Framingham	MA	01701
Hendison, Matthew	(781) 582-2255	182 Summer Street	Kingston	MA	02364
Debin, Ryan	(508) 242-5276	67 West Street	Medfield	MA	02052
Debin, Ryan	(617) 243-9496	30 Ossipee Road	Newton	MA	02464
Ames, David	(781) 659-2611	400 Washington Street #5	Norwell	MA	02061
Shifflett, Christin	(410) 573-9899	302 Harry S. Truman Parkway, Suite G	Annapolis	MD	21401
Gschwind, Pamela	(410) 838-3042	1206-C Agora Drive	Bel Air	MD	21014
Lemar, Mandy	(301) 652-2820	5110 Ridgefield Road, 2nd Floor	Bethesda	MD	20816
Fowlkes, Ayanna	(301) 818-1496	23415 Three Notch Road, Unit 2022	California	MD	20619
Shifflett, Christin	(410) 290-7008	6905-C Oakland Mills Rd.	Columbia	MD	21045
Shifflett, Christin	(301) 926-5969	620 Center Point Way	Gaithersburg	MD	20878
Shifflett, Christin	(410) 774-5424	1119 State Route 3 North Suite 205	Gambrills	MD	21054
Lemar, Mandy	(301) 983-5300	11325 Seven Locks Road	Potomac	MD	20854
Guerra, Megan	(410) 308-1288	2080 York Road, Suite 230	Timonium	MD	21093
Fowlkes, Ayanna	(301) 932-8000	1148 Smallwood Drive	Waldorf	MD	20603
Holland, Joelle	(952) 906-0028	6545 Flying Cloud Dr. Suite 110	Eden Prairie	MN	55344
Hahn, Ryan	(704) 522-6966	5110 2D Park Road	Charlotte	NC	28209
Hahn, Ryan	(704) 543-0682	9852 Rea Road, Suite A2	Charlotte	NC	28277
Stuckey, Josh	(704) 543-0682	16610 West Catawba Avenue	Huntersville	NC	28078
Mahajan, Arvind	(919) 234-1149	4181 Davis Drive, Suite 300	Morrisville	NC	27560
Braeckel, Robin	(910) 725-0254	262A Pinehurst Avenue	Southern Pines	NC	28387
Pegler, Marian	(402) 802-9982	2755 Jamie Lane, Suite 4	Lincoln	NE	68516
Morg, Sarah	(603) 668-7196	410 South River Road	Bedford	NH	03110
Rudin, Alyse	(201) 444-4644	522 Broad Street	Glen Rock	NJ	07452
Vega, Tatiana	(201) 758-8390	720 Monroe Street, Suite E312	Hoboken	NJ	07030
Vega, Tatiana	(201) 205-1218	252 9th Street	Jersey City	NJ	07302
Nguyen, Tien	(732) 536-9496	520 Route 9 North	Manalapan	NJ	07726
Rudin, Alyse	(908) 665-2122	1330 Springfield Avenue	New Providence	NJ	07974
Vega, Tatiana	(201) 222-1616	8400 River Road	North Bergen	NJ	07047
Simmons, Gina	(973) 731-2022	235 Prospect Ave. #1011	West Orange	NJ	07052
Rudin, Alyse	(908) 317-0888	1100 South Avenue West	Westfield	NJ	07090
Lamberti, Rayna	(702) 547-7496	1300 W Sunset Road, Suite 1737	Henderson	NV	89014
Alston, Megan Gaines	(702) 222-1600	4245 S. Grand Canyon Drive, Suite 126-127	Las Vegas	NV	89147
Aleevski, Melissa	(718) 489-1125	28-22 Astoria Blvd.	Astoria	NY	11102
Wacht, Evan	(718) 788-2200	209 Smith Street	Brooklyn	NY	11201
Wacht, Evan	(917) 282-9883	367 5th Avenue	Brooklyn	NY	11215
Dorfman, Jeff	(315) 449-4496	3218 Erie Blvd. East	Dewitt	NY	13214
Schlamme, David	(914) 591-5437	43 Hamilton Street	Dobbs Ferry	NY	10522
Borrero, Maria	(718) 380-4599	176-60 Union Turnpike, #310	Fresh Meadows	NY	11366
Greenberg, Evan Mason Pulde	(631) 427-4967	128 W. Jericho Turnpike	Huntington	NY	11746

OWNER	GYM PHONE	ADDRESS	CITY	STATE	ZIP CODE
Schlamme, David	(914) 698-0470	1030 W. Boston Post Road	Mamaroneck	NY	10543
Debin, Ryan	(845) 624-0811	249 W. Route 59	Nanuet	NY	10954
Uy, Chris*		Coming Soon	Nanuet	NY	
Rubin, Liz	(212) 249-0894	1608 First Avenue	New York	NY	10028
Rubin, Liz	(212) 421-9496	250 East 60th Street	New York	NY	10022
Debin, Ryan	(212) 724-3400	258 St. Nicholas Avenue	New York	NY	10027
Rubin, Liz	(917) 438-9200	209 W. 79 th Street	New York	NY	10024
Greenberg, Debbie Mason Pulde	(631) 751-5437	1320 Stony Brook Rd, Bldg. D, Suite 4	Stony Brook	NY	11790
Greenberg, Debbie Mason Pulde	(631) 669-4043	985 W. Montauk Hwy.	W. Babylon	NY	11704
Debin, Ryan	(914) 302-7705	42 Triangle Shopping Center	Yorktown Heights	NY	10598
Anderson-Vue, Jen	(503) 766-2238	16052 SE 82nd Drive	Clackamas	OR	97015
Wolf, Alexis	(503) 610-1272	16080 SW Tualatin-Sherwood Rd.	Sherwood	OR	97140
Farooq, Awais	(610) 363-6090	138 Eagleview Blvd.	Lionville	PA	19353
Quinn, Carolyn	(717) 737-1936	5103 Carlisle Pike	Mechanicsburg	PA	17050
Edwards, Dana	(570) 558-1311	3 West Olive Street	Scranton	PA	18508
Gruszka, Mikel	(610) 543-4444	1001 Baltimore Pike, Springfield Square South	Springfield	PA	19064
Meyer, Mary Elizabeth	(215) 321-1500	734 Stonyhill Rd.	Yardley	PA	19067
Lanman, Joe/Ryah Hahn	(803) 881-2700	1135 Stonecrest Blvd. Suite 109	Tega Cay	SC	29708
Weber, Stacey	(615) 371-5437	330 Franklin Rd	Brentwood	TN	37027
Davidson, Morgan*		Coming Soon	Allen	TX	
Phillips, Shannon	(281) 645-6657	18455 W Lake Houston Pkwy	Atascocita	TX	77346
Gragg, Heather	(512) 444-6496	5307 W. Highway 290	Austin	TX	78735
Perez, Jessica		Mobile Only	Cibolo	TX	
Inman, Addie	(214) 387-0330	5454 Main Street, #120	Frisco	TX	75033
Thompson, Christina	(832) 437-8940	414 West Grand Parkway South, Suite 112	Katy	TX	77494
Friske, Paul	(830) 583-7733	Coming soon 2065 S. Walnut Street	New Braunfels	TX	78130
Smith, Tony	(214) 218-0702	Coming soon 6505 W. Park Blvd, #208	Plano	TX	75093
Padilla, Olga	(210) 580-4636	15614 Huebner Road, Suite 103	San Antonio	TX	78248
Phillips, Shannon	(281) 645-6330	525 Sawdust Rd. Suite 109	The Woodlands	TX	77380
Dicks, Jamie	(802) 614-0123	1978 N. Heritage Blvd.	Layton	UT	84041
Larsen, Tiffany*	Tiffanylarsen8@gmail.com	Coming Soon	St. George	UT	
Reid, Katie	(703) 971-5437	5810 Kingstowne Center, Suite 110	Alexandria	VA	22315
Dannan, Michelle	(703) 425-5327	9566 Burke Road	Burke	VA	22015
Edwards, John	(703) 378-3100	4300 Chantilly Shopping Center – Unit 2C	Chantilly	VA	20151
Dannan, Michelle	(703) 844-0538	7849 Sudley Road	Manassas	VA	20109
Khatri, Neema	(571) 565-3448	6825-A Tennyson Drive	McLean	VA	22101
Kim, Henry and Stephen Vereb*	Stephenvereb88@gmail.com	Coming Soon	Potomac Yards	VA	
Khatri, Neema	(571) 327-5671	133 Park Street SE	Vienna	VA	22180
Reeth, Mindy	(757) 425-7600	1554 Laskin Road, Suite 118-120	Virginia Beach	VA	23451
Ritscher, April	(425) 451-1393	13800 Bel-Red Road, #3	Bellevue	WA	98005
Massimino, Joanne	(253) 630-8880	24030 132nd Avenue SE	Kent	WA	98042
Anderson-Vue, Jen	(503) 974-9227	1825 SE 164 th Avenue, Suuite 112	Vancouver	WA	98683

*As of December 31, ~~2022~~2023, these franchisees have signed franchise agreements, but have not yet opened units.

** As of December 31, ~~2022~~2023, these 8 children’s fitness centers in California are operated by individuals who are former and current executives of ours. As described in Item 1, these centers are authorized to use our trademarks, but do not pay us any royalty fees or advertising contributions to the Marketing Fund.

AFFILIATE-OPERATED FRANCHISEES*

As of December 31, ~~2022~~2023

OWNER	GYM PHONE	ADDRESS	CITY	STATE	ZIP CODE
RBMBT, LLC	(424) 402-8034	11677 San Vicente Blvd, Sute 204	Los Angeles	CA	90049
RBMBT, LLC	(310) 796-1300	1836 N. Sepulveda Blvd.	Manhattan Beach	CA	9026694583
RBMBT, LLC	(310) 318-2288	1216 Beryl Street	Redondo Beach	CA	9027791360
RBMBT, LLC	(310) 530-7200	3511 Pacific Coast Highway, Suite K	Torrance/Palos Verdes	CA	9050591601

*As of December 31, ~~2022~~2023, these 34 children’s fitness centers are operated by our affiliate. As described in Item 1, these centers are authorized to use our trademarks, but do not pay us any royalty fees; however, they do make advertising contributions to the Marketing Fund.

FRANCHISEES WHO LEFT THE SYSTEM

(As of December 31, ~~2022~~2023)

Terminations 2023

NAME	CITY	STATE	PHONE
Miller, Spring	Jacksonville	FL	(904) 223-4966

Closures ~~2022~~2023 (Mutual Terminations)

NAME	CITY	STATE	PHONE
Giampietro, Lindsay Roberson, Heidi	Palmdale Castl e Rock	CA CO	661-878-9190 hkroberson@co mcast.net
Chen, William Mahajan, Arvind	Rowland HeightsMorris ville	CA NC	626-839-4083 mahajan.arvind @yahoo.com
Gold-Megan Lamberti, Rayna	Kailua Henders on	HI NV	808-230-8222 rlamberti@myg ym.com
Helcomb	Raleigh	NC	919-847-8990
Obregon, Alvaro	Newport News	VA	757-344-7123

~~Transferred 2022~~

Transferred 2023

NAME	CITY	STATE	Phone/Email
Moss, Mike Cameron Bunce	Clevis La Jolla	CA	559-765-2565 cameronbunce@mac .com
Theilacker, Ryan Skyler McKegney	Huntington BeachVista	CA	714-846-2223 skylermckegney@gm ail.com
Miroballi, Lisa Evan & Debbie Greenberg	Aurora Huntin gton	IL NY	630-499-1299 egegeg57@outlook.c om
Gruszka, Mike Evan & Debbie Greenberg	Exton Stony Brook	PA NY	610-363-6090 egegeg57@outlook.c om
Cuchia, Celestina Evan & Debbie Greenberg	Austin W. Babylon	TX NY	512-444-6496 egegeg57@outlook.c om
Chang, Nancy	Katy	TX	832-437-8940
Ritscher, April	Kent	WA	253-630-8880

~~Franchised Locations Reacquired by Franchisor 2022~~

NAME	CITY	STATE	Phone
Scott Myers	Manhattan Beach	CA	818-907-6966

Scott Myers	Redondo Beach	CA	818-907-6966
Scott Myers	Torrance	CA	818-907-6966

* If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT F

GYM CONSULTING, LLC'S FINANCIAL STATEMENTS

Gym Consulting, LLC

Financial Statements

Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gym Consulting, LLC
Sherman Oaks, California

Opinion

We have audited the financial statements of Gym Consulting LLC (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, the related statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Hutchinson and Bloodgood LLP

March 29, 2024
Glendale, California

GYM CONSULTING, LLC

Balance Sheets

December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash	\$ 2,219,837	\$ 1,848,420
Accounts receivable, net	606,800	1,089,990
Loans receivable, current portion	100,000	--
Loans receivable, related parties, current portion	525,169	400,572
Inventories	215,104	179,881
Prepaid expenses	<u>5,371</u>	<u>7,679</u>
Total current assets	3,672,281	3,526,542
Loans receivable, related parties, less current portion	231,505	350,000
Property and equipment, net	46,280	69,538
Operating lease right-of-use asset	115,080	230,160
Investments	--	36,919
Intangible Assets	<u>101,304</u>	<u>101,304</u>
Total assets	<u>\$ 4,166,450</u>	<u>\$ 4,314,463</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	\$ 44,694	\$ 31,596
Accrued expenses and other payables	149,846	272,189
Deferred revenue, current portion	270,177	283,323
Operating lease liability, current portion	<u>117,182</u>	<u>112,978</u>
Total current liabilities	581,899	700,086
Note payable	150,000	150,000
Other payable	66,330	80,802
Operating lease liability, net of current portion	--	117,182
Deferred revenue, net of current portion	<u>2,182,843</u>	<u>1,901,834</u>
Total liabilities	<u>2,981,072</u>	<u>2,949,904</u>
Commitments and contingencies (Note 10)		
Members' equity	<u>1,185,378</u>	<u>1,364,559</u>
Total liabilities and members' equity	<u>\$ 4,166,450</u>	<u>\$ 4,314,463</u>

GYM CONSULTING, LLC

Statements of Operations

Years Ended December 31, 2023 and 2022

	2023	2022
Revenues		
Royalty fee revenue	\$ 3,932,540	\$ 3,274,053
Equipment and product sales	880,712	987,510
Franchise fee revenue	306,137	292,359
Sponsorship revenue	53,433	60,132
Advertising revenue	232,748	330,425
Other income	618,175	391,469
Total revenues	<u>6,023,745</u>	<u>5,335,948</u>
Cost of goods sold		
Cost of equipment and products	<u>644,332</u>	<u>602,903</u>
Gross profit	<u>5,379,413</u>	<u>4,733,045</u>
General and administrative expenses		
Salaries and payroll taxes	2,994,447	2,696,274
Bad debt expense	282,402	384,822
Professional and consulting fees	502,527	676,290
Advertising expense	294,097	213,494
Other	1,085,549	781,300
Total expenses	<u>5,159,022</u>	<u>4,752,180</u>
Operating income (loss) before other expenses	<u>220,391</u>	<u>(19,135)</u>
Other expenses		
Interest expense	12,647	5,625
Loss on foreign exchange	6	922
Loss on due from related parties	--	79,334
Losses on investments	36,919	313,081
Total other expenses	<u>49,572</u>	<u>398,962</u>
Net income (loss)	<u>\$ 170,819</u>	<u>\$ (418,097)</u>

GYM CONSULTING, LLC

Statements of Changes in Members' Equity Years Ended December 31, 2023 and 2022

	Members' Equity (Deficit)		Total Members' Equity
	GCHI	MEGA	
Balances, December 31, 2021	\$ (1,971,056)	\$ 3,753,712	\$ 1,782,656
Net loss	<u>(292,668)</u>	<u>(125,429)</u>	<u>(418,097)</u>
Balances, December 31, 2022	(2,263,724)	3,628,283	1,364,559
Net income	119,573	51,246	170,819
Distributions	<u>(350,000)</u>	<u>--</u>	<u>(350,000)</u>
Balances, December 31, 2023	<u>\$ (2,494,151)</u>	<u>\$ 3,679,529</u>	<u>\$ 1,185,378</u>

GYM CONSULTING, LLC

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 170,819	\$ (418,097)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	23,258	23,258
Non-cash operating lease expense	115,080	
Provision for bad debt	282,402	384,822
Loss on due from related parties	--	79,334
Losses on investments	36,919	313,081
Changes in assets and liabilities:		
Accounts receivable	200,788	(539,016)
Other tax receivable	--	287,910
Inventories	(35,223)	8,344
Prepaid expenses	2,308	7,771
Accounts payable	13,098	10,556
Accrued expenses and other payables	(122,343)	34,858
Change in operating lease liability	(112,978)	--
Deferred rent	--	(1,241)
Deferred revenue	267,863	88,141
Net cash provided by operating activities	<u>841,991</u>	<u>279,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Chalk of Tarzana, LLC	--	(250,000)
Installment payments on acquired intangible asset	--	(6,030)
Net cash used in investing activities	<u>--</u>	<u>(256,030)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances to related parties	(106,102)	(589,083)
Distributions	(350,000)	--
Principal payments on other payable	(14,472)	--
Net cash (used in) provided by financing activities	<u>(470,574)</u>	<u>(589,083)</u>
Net increase (decrease) in cash	371,417	(565,392)
CASH, beginning of year	<u>1,848,420</u>	<u>2,413,812</u>
CASH, end of year	<u>\$ 2,219,837</u>	<u>\$ 1,848,420</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 15,794</u>	<u>\$ 731</u>
Cash paid during the year for taxes	<u>\$ 800</u>	<u>\$ 800</u>

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

Gym Consulting, LLC (GCLLC) was formed in October 2014 as the successor in interest to Gym Consulting, Inc. (GCI) which was converted from a California S-Corporation to a California limited liability company. GCI was incorporated in August 1994 for the purpose of development, ownership, marketing, promotion, management, operation and franchising of children fitness centers. The Company's ownership is held by two members, Gym Consulting Holding, Inc. (GCHI) and MEGA Education Inc. (MEGA).

The Amended and Restated Limited Liability Company Operating Agreement (the Agreement) provides that GCLLC shall continue in existence perpetually subject to earlier dissolution pursuant to the Agreement.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed the federal insured limit of \$250,000 per financial institution. The Company has not experienced any losses in its cash accounts and believes it is not exposed to any significant risk.

Accounts and Loans Receivable: Accounts receivable consists of equipment sales to franchisees, royalties receivable, franchise fees receivable, and miscellaneous expenses charged to franchisees. Credit is generally extended based on the terms of the franchise agreement.

Loans receivable consists of agreements made with various related parties. Agreements carry an interest component based on an agreed-upon interest rate. Interest income on loans receivable is calculated and recorded using amortization schedules created prior to the inception of the receivable.

Accounts and loans receivable are periodically reviewed for collectability and, when deemed uncollectible, are written off based on management's determination.

Allowance for Credit Losses: Accounts and loans receivable have been reflected net of allowance for credit losses in the amounts of \$659,299 and \$384,822 as of December 31, 2023 and 2022, respectively. In accordance with the accounting guidance adopted on January 1, 2023, as described further in this report, management develops general and specific reserve for the credit losses. Management determined that specific reserve component was adequate at December 31, 2023 and 2022, while no general reserve was required at December 31, 2023 and 2022.

Inventories: Inventories consist of gym equipment and products inventory generally held for sale to the franchisees and are stated at the lower of cost (first-in, first-out basis) or net realizable value. As of December 31, 2023 and 2022, the inventory is finished goods.

Property and Equipment: Property and equipment are recorded at cost. Equipment is depreciated over its estimated useful life ranging from eighteen months to five years using accelerated and straight-line methods. Recording masters and software are depreciated over ten years using accelerated and straight line methods. Tenant improvements are amortized over the life of the leases.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The Company uses the cost method to account for its investment in CHKN not Chicken, Inc. (CHKN). The accounting is based on the Company's inability to exert significant influence over the investee. Under the cost method, the Company's investment is recorded at cost and adjusted through earnings for observable price changes and any subsequent impairment.

The Company uses the equity method to account for its investment in Chalk of Tarzana, LLC (Chalk). The accounting is based on the Company's ability to exert significant influence over the investee. Under the equity method, the Company's investment is increased for its proportionate interest in the investee's earnings and is decreased for distributions from the investee and for its proportionate interest in the investee's losses.

The Company assesses its investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Any difference between the carrying value of the investment and its estimated fair value is recognized as an impairment change if the loss in value is deemed other than temporary.

Management determined that its investment in the CHKN was impaired at December 31, 2023 and 2022 and recorded an impairment loss of \$10,000 and \$90,000, respectively. Management determined that its investment in the Chalk became impaired during 2023, and recorded an impairment loss of \$26,919 at December 31, 2023. Management considers both CHKN and the Chalk fully impaired as of December 31, 2023.

Revenue Recognition: Franchise fee revenue consists of the initial and sub licensing franchise fees. Revenue from these fees is recognized over the term of the individual agreements. Unamortized non-refundable deposits collected in relation to the sale of franchise and sub licensing agreements are recorded as deferred franchise fees. Revenue from royalties is recognized when the underlying franchisee revenues (on which the royalties are based) have been earned by the franchisee. Equipment sales are considered earned when the equipment has been delivered. Franchisee deposits totaling \$2,453,020 and \$2,185,157 at December 31, 2023 and 2022, respectively, relate to unearned franchise fees and have been reflected as deferred revenues.

Advertising: The Company requires advertising contributions based on a percentage of net sales from franchisees which are deposited and maintained in the Marketing Fund. The Company also receives, from time to time, payments from vendors that are to be used for advertising. Advertising funds collected are required to be spent for specific advertising purposes. Advertising costs are expensed either as incurred or the at time the advertising takes place. Advertising revenues in excess of advertising expenditures are carried over and used in the following year. At December 31, 2023 and 2022, the Marketing Fund had balances of \$55,922 and \$194,947, respectively, for future advertising expenditures.

Income Taxes: The Company is treated as a partnership for federal and state income tax purposes. Consequently, the tax effects of the Company's income or loss are passed through to the members and reported in the members' income tax returns. For state purposes, the Company is subject to the LLC gross receipts fee and the \$800 state minimum tax. For the years ended 2023 and 2022, the gross receipts fee and minimum tax amounted to \$12,590.

The Company recognizes any corresponding interest or penalties associated with its income tax position in other expense. There were no corresponding interest or penalties incurred for 2023 or 2022.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertain Tax Positions: The Company recognizes tax positions in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of December 31, 2023 and 2022, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. As of December 31, 2023, the Company's annual tax filings for the prior three years are open for audit by federal and four years by state tax agencies.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Concentration of Credit Risk: The Company has accounts and loans receivable which are subject to credit risk. Management believes adequate allowances for uncollectible accounts have been provided, and the Company is not exposed to any additional collection risk on its receivables.

Recently Adopted Accounting Pronouncement: Effective January 1, 2023, the Company adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses ("Topic 326"): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Company that are subject to ASU 2016-13 include trade accounts receivable and loans receivable. The adoption of this ASU did not have a material impact on the Company's financial statements.

NOTE 3. RELATED PARTY TRANSACTIONS

Due from Related Parties consists of loans to other related parties as follows at December 31:

	2023	2022
Loans receivable from related parties, 3% interest, due April 2024 to June 2028	\$ 200,000	\$ 350,000
Loan receivable, non-interest bearing, due on demand	100,000	--
Loans receivable from related parties, non-interest bearing, due on demand	<u>556,674</u>	<u>400,572</u>
	856,674	750,572
Less current portion	<u>625,169</u>	<u>400,572</u>
Loans receivable from related parties, less current portion	<u>\$ 231,505</u>	<u>\$ 350,000</u>

Mega's affiliate, My Gym China, is the master franchisee for China. At December 31, 2023 and 2022 approximately \$649,000 and \$769,000, respectively or 51% and 80% respectively of the Company's accounts receivable, was due from My Gym China. For the years ended December 31, 2023 and 2022 equipment sales revenue generated through My Gym China amounted to \$0 and approximately \$107,000, respectively. At December 31, 2023 and 2022, the Company has an allowance of approximately \$649,000 and \$385,000, respectively, against the receivable from My Gym China.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2023 and 2022

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2023	2022
Office equipment	\$ 34,168	\$ 34,168
Recording masters	107,214	107,214
Software	232,583	232,583
Tenant improvements	<u>14,359</u>	<u>14,359</u>
	388,324	388,324
Accumulated depreciation	<u>342,044</u>	<u>318,786</u>
	<u>\$ 46,280</u>	<u>\$ 69,538</u>

For the years ended December 31, 2023 and 2022, depreciation and amortization expense was \$23,258 in both years.

NOTE 5. INVESTMENTS

On August 4, 2021, the Company purchased 104,373 shares of A Preferred Stock for \$100,000 of the CHKN. This represents approximately 2.4% of the outstanding shares. At December 31, 2023 and 2022, the Company recognized an impairment loss in the amount of \$10,000 and \$90,000 on its investment in CHKN, reducing its investment in CHKN to \$0.

On January 1, 2022, the Company purchased a 19.23% membership interest of Chalk in the amount of \$250,000. For the years ended December 31, 2023 and 2022, the Company recorded a loss of \$26,919 and \$223,081 from its investment in Chalk, reducing its investment balance in Chalk to \$0 and \$26,919, respectively.

NOTE 6. INTANGIBLE ASSETS

On August 4, 2022, the Company entered into an agreement to acquire a trademark from a related party for a total purchase price of \$101,304. The purchase price is payable in monthly installments of \$1,206 over 84 months with an option to delay payment for up to 36 months but not to extend the payment period beyond 120 months. The agreement is noninterest bearing and matures on August 4, 2032. Management determined that trademark was not impaired at December 31, 2023 or 2022.

Future principal payments due over the next five years and thereafter are as follows:

Year ending December 31:	
2024	\$ 14,472
2025	14,472
2026	14,472
2027	14,472
2028	14,472
Thereafter	<u>8,442</u>
	80,802
Less current portion	<u>(14,472)</u>
Other payable, less current portion	<u>\$ 66,330</u>

The current portion due on the intangible asset purchase is included in accrued expenses and other payable at December 31, 2023 and 2022.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2023 and 2022

NOTE 7. NOTES PAYABLE

On June 12, 2020, the Company was granted an Economic Injury Disaster Loan (EIDL) in the amount of \$150,000 under the U.S. Small Business Administration (SBA). The SBA loan bears interest at a rate of 3.75% per annum and matures on June 12, 2050. On March 16, 2021, the SBA extended the deferment period for all COVID-19 EIDL loans from 12 to 24 months. Then on March 15, 2022 the SBA extended the deferment period for all COVID-19 EIDL loans from 24 months to 30 months. Monthly payments of \$731 began in December 2022. Payments are first applied towards the accrued interest, with any remaining balance reducing principal. Accrued interest of \$10,472 and \$5,625, is included in accompanying balance sheets under accrued expenses and other payables as of December 31, 2023 and 2022, respectively. Due to the deferment of payment of accrued interest, principal paydowns are not expected to occur until after 2026.

NOTE 8. MEMBERS' EQUITY

GCLLC initially authorized Class A Units and Class B Units of 70,000 and 30,000 units, respectively. The Class A Units and the Class B Units have identical rights and privileges, including with respect to profit and loss allocations and cash distributions. The Class A Units (70,000 units) were issued in October 2014 to Gym Consulting Holding, Inc. (GCHI), for the net assets of GCI as of September 30, 2014. The Class B Units (30,000 units) were issued in April 2015 to MEGA for \$4,500,000. Effective April 1, 2015 GCHI and MEGA were the members of GCLLC and net income (loss) was allocated to them in relation to the units owned.

NOTE 9. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses for the years ended December 31 are comprised of the following:

	2023	2022
Bank charges	\$ 41,604	\$ 42,227
Computer maintenance and supplies	59,439	47,440
Franchise development	60,918	34,087
Freight and postage	59,205	35,008
Insurance	66,167	61,097
Office expense	27,667	35,559
Rent	125,210	37,708
Supplies	31,947	30,142
Telephone	39,272	35,920
Travel	140,323	141,473
Website and hosting	189,402	174,475
Other expenses	<u>244,395</u>	<u>106,164</u>
	<u>\$ 1,085,549</u>	<u>\$ 781,300</u>

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2023 and 2022

NOTE 10. COMMITMENT AND CONTINGENCIES

Operating Lease: The Company leases its headquarters office space in Sherman Oaks, California under non-cancelable operating lease which expired in February 2022. The office rent for March 1 to December 31, 2022 was on the month to month basis.

In December 2022, the Company entered into a two-year lease for its headquarter office beginning January 1, 2023. The monthly payments are \$10,000 per month through December 31, 2024.

At December 31, 2022, the Company recorded a right-of-use asset and lease liability of \$230,160. The recorded asset and liability were reflected as a noncash transaction for purposes of the statement of cash flows at December 31, 2022.

Future lease obligations for the operating lease are as follows:

Year Ending December 31, 2024:	\$ 120,000
Less amount representing interest	<u>(2,818)</u>
Present value of minimum lease payments	117,182
Less current portion	<u>(117,182)</u>
	<u>\$ --</u>

Weighted-average remaining lease term is 12 months. Weighted-average discount rate is 4.41%.

Rent expense was approximately \$125,000 and \$38,000 for the years ended December 31, 2023 and 2022, respectively. Rent expense for the year ended December 31, 2022, is net of rent waived by the landlord of approximately \$127,000. At December 31, 2023 and 2022, included in accrued expenses and other payables is back rent in the amount \$25,200 and \$50,400, respectively, the Company owes on its prior lease. The back rent is payable in 24 monthly payments of \$2,100 from January 1, 2023 to December 31, 2024.

Litigation: The Company is periodically involved in litigation in the normal course of business. The Company's policy is to defend all claims that may be asserted. The Company maintains adequate liability insurance, and in the option of management, the ultimate liability from such claims will not have a material adverse effect on the balance sheets, statements of operations or cash flows of the Company. Legal expenses related to such claims are expensed as incurred.

NOTE 11. UNCERTAINTIES

The outbreak of COVID-19, a global pandemic, adversely impacted the broad economy, affecting most industries. In addition, Russia's invasion of Ukraine, high inflation and high interest rates, the disruption of global supply chains, and recent bank failures are putting strain on the U.S. and world economy. It is not possible to know the full extent of the long-term impact of these and other current events.

NOTE 12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 29, 2024, the date on which the financial statements were available to be issued and has determined that no events or transactions, need to be recognized or disclosed in these financial statements.

GYM Consulting, LLC

Financial Report

Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gym Consulting, LLC
Sherman Oaks, California

Opinion

We have audited the financial statements of Gym Consulting LLC (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, the related statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Hatchinson and Bloodgood LLP

Glendale, California
March 24, 2023

GYM CONSULTING, LLC

Balance Sheets

December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash	\$ 1,848,420	\$ 2,413,812
Accounts receivable, net	1,089,990	935,796
Loans receivable, related parties, current portion	400,572	240,823
Other tax credits receivable	--	287,910
Inventories	179,881	188,225
Prepaid expenses	<u>7,679</u>	<u>15,450</u>
Total current assets	3,526,542	4,082,016
Loans receivable, related parties, less current portion	350,000	--
Property and equipment, net	69,538	92,796
Operating lease right-of-use assets	230,160	--
Investments	36,919	100,000
Intangible Assets	<u>101,304</u>	<u>--</u>
Total assets	<u>\$ 4,314,463</u>	<u>\$ 4,274,812</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	\$ 31,596	\$ 21,040
Accrued expenses and other payables	272,189	222,859
Deferred rent, current portion	--	1,241
Deferred revenue, current portion	283,323	284,790
Operating lease liabilities, current portion	<u>112,978</u>	<u>--</u>
Total current liabilities	700,086	529,930
Note payable	150,000	150,000
Other payable, less current portion	80,802	--
Operating lease liabilities, less current portion	117,182	--
Deferred revenue, net of current portion	<u>1,901,834</u>	<u>1,812,226</u>
Total liabilities	<u>2,949,904</u>	<u>2,492,156</u>
Commitments and contingencies (Note 10)		
Members' equity	<u>1,364,559</u>	<u>1,782,656</u>
Total liabilities and members' equity	<u>\$ 4,314,463</u>	<u>\$ 4,274,812</u>

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

GYM CONSULTING, LLC

Statements of Operations

Years Ended December 31, 2022 and 2021

	2022	2021
Revenues		
Royalty fee revenue	\$ 3,274,053	\$ 2,122,355
Equipment and product sales	987,510	754,801
Franchise fee revenue	292,359	281,194
Sponsorship revenue	60,132	52,023
Advertising revenue	330,425	218,427
Other income	391,469	568,700
Total revenues	<u>5,335,948</u>	<u>3,997,500</u>
Cost of goods sold		
Cost of equipment and products	<u>602,903</u>	<u>468,515</u>
Gross profit	<u>4,733,045</u>	<u>3,528,985</u>
General and administrative expenses		
Salaries and payroll taxes	2,696,274	1,952,419
Bad debt expense	384,822	4,768
Professional and consulting fees	676,290	331,564
Advertising expense	213,494	229,959
Other	781,300	689,238
Total expenses	<u>4,752,180</u>	<u>3,207,948</u>
Operating (loss) income before other income (expense)	<u>(19,135)</u>	<u>321,037</u>
Other income (expense)		
Interest expense	(5,625)	(14,508)
Loss on foreign exchange	(922)	(751)
Loss on due from related parties	(79,334)	--
Gain on extinguishment of debt, PPP loans	--	937,984
Losses on investments	<u>(313,081)</u>	<u>--</u>
Total other income (expense)	<u>(398,962)</u>	<u>922,725</u>
Net (loss) income	<u>\$ (418,097)</u>	<u>\$ 1,243,762</u>

GYM CONSULTING, LLC

Statements of Changes in Members' Equity Years Ended December 31, 2022 and 2021

	Members' Equity		Total Members' Equity
	GCHI	MEGA	
Balances, December 31, 2020	\$ (2,841,689)	\$ 3,380,583	\$ 538,894
Net income	<u>870,633</u>	<u>373,129</u>	<u>1,243,762</u>
Balances, December 31, 2021	(1,971,056)	3,753,712	1,782,656
Net loss	<u>(292,668)</u>	<u>(125,429)</u>	<u>(418,097)</u>
Balances, December 31, 2022	<u><u>\$ (2,263,724)</u></u>	<u><u>\$ 3,628,283</u></u>	<u><u>\$ 1,364,559</u></u>

GYM CONSULTING, LLC

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (418,097)	\$ 1,243,762
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	23,258	23,259
Provision for bad debt	384,822	4,768
Loss on due from related parties	79,334	--
Losses on investments	313,081	--
Gain on extinguishment of debt, PPP loans	--	(937,984)
Changes in assets and liabilities:		
Accounts receivable	(539,016)	(135,664)
Loans receivable	--	4,967
Other tax receivable	287,910	(287,910)
Inventories	8,344	(16,631)
Prepays	7,771	43,919
Accounts payable	10,556	(10,053)
Accrued expenses and other payables	34,858	(26,673)
Deferred rent	(1,241)	(6,788)
Deferred revenue	88,141	(206,194)
Net cash provided by (used in) operating activities	<u>279,721</u>	<u>(307,222)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in CHKN not Chicken, Inc.	--	(100,000)
Investment in Chalk of Tarzana, LLC	(250,000)	--
Installment payments on acquired intangible asset	(6,030)	--
Net cash used in investing activities	<u>(256,030)</u>	<u>(100,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances to related parties	(589,083)	(67,873)
Proceeds from PPP loans	--	468,992
Net cash (used in) provided by financing activities	<u>(589,083)</u>	<u>401,119</u>
Net decrease in cash	(565,392)	(6,103)
CASH, beginning of year	<u>2,413,812</u>	<u>2,419,915</u>
CASH, end of year	<u>\$ 1,848,420</u>	<u>\$ 2,413,812</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 731</u>	<u>\$ 2,732</u>
Cash paid during the year for taxes	<u>\$ 800</u>	<u>\$ 2,400</u>

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2022 and 2021

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

Gym Consulting, LLC (GCLLC) was formed in October 2014 as the successor in interest to Gym Consulting, Inc. (GCI) which was converted from a California S-Corporation to a California limited liability company. GCI was incorporated in August 1994 for the purpose of development, ownership, marketing, promotion, management, operation and franchising of children fitness centers. The Company's ownership is held by two members, Gym Consulting Holding, Inc. (GCHI) and MEGA Education Inc. (MEGA).

The Amended and Restated Limited Liability Company Operating Agreement (the Agreement) provides that GCLLC shall continue in existence perpetually subject to earlier dissolution pursuant to the Agreement.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed the federal insured limit of \$250,000 per financial institution. The Company has not experienced any losses in its cash accounts and believes it is not exposed to any significant risk.

Accounts and Loans Receivable: Accounts receivable consists of equipment sales to franchisees, royalties receivable, franchise fees receivable, and miscellaneous expenses charged to franchisees. Credit is generally extended based on the terms of the franchise agreement.

Loans receivable consists of agreements made with various related parties. Agreements carry an interest component based on an agreed-upon interest rate. Interest income on loans receivable is calculated and recorded using amortization schedules created prior to the inception of the receivable.

Accounts and loans receivable are periodically reviewed for collectability and, when deemed uncollectible, are written off to bad debt based on management's determination.

Allowance for Doubtful Accounts: Accounts and loans receivable have been reflected net of allowances for uncollectible accounts in the amount of \$384,822 and \$128,919 as of December 31, 2022 and 2021, respectively. These accounts have been reviewed by management and it has been determined that the above allowances are adequate.

Inventories: Inventories consist of gym equipment and products inventory generally held for sale to the franchisees and are stated at the lower of cost (first-in, first-out basis) or net realizable value. As of December 31, 2022 and 2021, the inventory is finished goods.

Property and Equipment: Property and equipment are recorded at cost. Equipment is depreciated over its estimated useful life ranging from eighteen months to five years using accelerated and straight-line methods. Recording masters and software are depreciated over ten years using accelerated and straight line methods. Tenant improvements are amortized over the life of the leases.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: The Company uses the cost method to account for its investment in CHKN not Chicken, Inc. (CHKN). The accounting is based on the Company's inability to exert significant influence over the investee. Under the cost method, the Company's investment is recorded at cost and adjusted through earnings for observable price changes and any subsequent impairment.

The Company uses the equity method to account for its investment in Chalk of Tarzana, LLC (Chalk). The accounting is based on the Company's ability to exert significant influence over the investee. Under the equity method, the Company's investment is increased for its proportionate interest in the investee's earnings and is decreased for distributions from the investee and for its proportionate interest in the investee's losses.

The Company assesses its investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Any difference between the carrying value of the equity method investment and its estimated fair value is recognized as an impairment change if the loss in value is deemed other than temporary. Management determined that its investment in the CHKN was impaired at December 31, 2022 and recorded an impairment loss of \$90,000.

Revenue Recognition: Franchise fee revenue consists of the initial and sub licensing franchise fees. Revenue from these fees is recognized over the term of the individual agreements. Unamortized non-refundable deposits collected in relation to the sale of franchise and sub licensing agreements are recorded as deferred franchise fees. Revenue from royalties is recognized when the underlying franchisee revenues (on which the royalties are based) have been earned by the franchisee. Equipment sales are considered earned when the equipment has been delivered. Franchisee deposits totaling \$2,185,157 and \$2,097,016 at December 31, 2022 and 2021, respectively, relate to unearned franchise fees and have been reflected as deferred revenues.

Advertising: The Company requires advertising contributions based on a percentage of net sales from franchisees which are deposited and maintained in the Marketing Fund. The Company also receives, from time to time, payments from vendors that are to be used for advertising. Advertising funds collected are required to be spent for specific advertising purposes. Advertising costs are expensed either as incurred or the at time the advertising takes place. Advertising revenues in excess of advertising expenditures are carried over and used in the following year. At December 31, 2022 and 2021, the Marketing Fund had balances of \$194,947 and \$73,095, respectively, for future advertising expenditures.

Income Taxes: The Company is treated as a partnership for federal and state income tax purposes. Consequently, the tax effects of the Company's income or loss are passed through to the members and reported in the members' income tax returns. For state purposes, the Company is subject to the LLC gross receipts fee and the \$800 state minimum tax. For the years ended 2022 and 2021, the gross receipts fee and minimum tax amounted to \$12,590.

The Company recognizes any corresponding interest or penalties associated with its income tax position in other expense. There were no corresponding interest or penalties incurred for 2022 or 2021.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertain Tax Positions: The Company recognizes tax positions in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of December 31, 2022 and 2021, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. As of December 31, 2022, the Company's annual tax filings for the prior three years are open for audit by federal and four years by state tax agencies.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Concentration of Credit Risk: The Company has accounts and loans receivable which are subject to credit risk. Management believes adequate allowances for uncollectible accounts have been provided, and the Company is not exposed to any additional collection risk on its receivables.

Accounting Pronouncement Adopted in Current Year: In February 2016, the Financial Accounting Standards Board (FASB) issued Auditing Standards Codification (ASC) Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, Leases.

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

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

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's operating leases as disclosed in Note 10. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

NOTE 3. RELATED PARTY TRANSACTIONS

Due from Related Parties consists of loans to other related parties as follows at December 31:

	2022	2021
Loans receivable from related parties, 3% interest, due April 2024	\$ 350,000	\$ --
Loans receivable from related parties, non-interest bearing, due on demand	<u>400,572</u>	<u>240,823</u>
	750,572	240,823
Less current portion	<u>400,572</u>	<u>240,823</u>
Loans receivable from related parties, less current portion	<u>\$ 350,000</u>	<u>\$ --</u>

Mega's affiliate, My Gym China, is the master franchisee for China. At December 31, 2022 and 2021 approximately \$769,000 and \$662,000, respectively or 80% and 70% respectively of the Company's accounts receivable, was due from My Gym China. For the years ended December 31, 2022 and 2021 equipment sales revenue generated through My Gym China amounted to approximately \$107,000 and \$314,000, respectively. At December 31, 2022, the Company has an allowance of approximately \$385,000 against the receivable from My Gym China.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2022 and 2021

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Office equipment	\$ 34,168	\$ 34,168
Recording masters	107,214	107,214
Software	232,583	232,583
Tenant improvements	<u>14,359</u>	<u>14,359</u>
	388,324	388,324
Accumulated depreciation	<u>318,786</u>	<u>295,528</u>
	<u>\$ 69,538</u>	<u>\$ 92,796</u>

For the years ended December 31, 2022 and 2021, depreciation expense was \$23,258 and \$23,259, respectively.

NOTE 5. INVESTMENTS

On August 4, 2021, the Company purchased 104,373 shares of A Preferred Stock for \$100,000 of the company CHKN not Chicken, Inc. (CHKN). This represents approximately 2.4% of the outstanding shares. At December 31, 2022, the Company recognized an impairment loss in the amount of \$90,000 on its investment in CHKN, reducing its investment in CHKN to \$10,000.

On January 1, 2022, the Company purchased a 19.23% membership interest of the company Chalk of Tarzana, LLC (Chalk) in the amount of \$250,000. For the year ended December 31, 2022, the Company recorded a loss of \$223,081 from its investment in Chalk, reducing its investment balance in Chalk to \$26,919.

NOTE 6. INTANGIBLE ASSETS

On August 4, 2022, the Company entered into an agreement to acquire a trademark from a related party for a total purchase price of \$101,304. The purchase price is payable in monthly installments of \$1,206 over 84 months with an option to delay payment for up to 36 months but not to extend the payment period beyond 120 months. The agreement is noninterest bearing and matures on August 4, 2032.

Future principal payments due over the next five years and thereafter are as follows:

Year ending December 31	
2023	\$ 14,472
2024	14,472
2025	14,472
2026	14,472
2027	14,472
Thereafter	<u>22,914</u>
	95,274
Less current portion	<u>(14,472)</u>
Other payable, less current portion	<u>\$ 80,802</u>

The current portion due on the intangible asset purchase is included in accrued expenses and other payable at December 31, 2022.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2022 and 2021

NOTE 7. NOTES PAYABLE

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Stimulus (CARES) Act and administered by the Small Business Administration (SBA). In April 2020, the Company was granted a PPP loan in the amount of \$468,992 (PPP loan #1). PPP loan #1 bore interest at a rate of 1.00% per annum and matured April 2022. Loan payments were deferred if the Company applied for loan forgiveness until the SBA remitted the Company's loan forgiveness amount to the lender. The Company used the entire PPP loan #1 amount for qualifying expenses and the PPP loan #1 was forgiven in August 2021.

In March 2021, the Company was granted a second PPP loan in the amount of \$468,992 (PPP loan #2). PPP loan #2 bore interest at a rate of 1.00% per annum and was to mature in April 2026. Loan payments were deferred if the Company applied for loan forgiveness until the SBA remitted the Company's loan forgiveness amount to the lender. The Company used the entire second PPP loan #2 amount for qualifying expenses and the PPP loan #2 was forgiven in July 2022.

Both PPP loans, in the aggregate amount of \$937,984, were taken into income and reported in the accompanying statement of operations as gain on extinguishment of debt, PPP loans, for the year ended December 31, 2021.

On June 12, 2020, the Company was granted an Economic Injury Disaster Loan (EIDL) in the amount of \$150,000 under the SBA. The SBA loan bears interest at a rate of 3.75% per annum and matures on June 12, 2050. On March 16, 2021, the SBA extended the deferment period for all COVID-19 EIDL loans from 12 to 24 months. Then on March 15, 2022 the SBA extended the deferment period for all COVID-19 EIDL Loan from 24 months to 30 months. Monthly principal and interest payments of \$731 are due to begin in December 2022. Payments is first applied to pay accrued interest with any remaining balance to reduce principal. Accrued interest of \$5,625 and \$5,731, is included in accompanying balance sheets under accrued expenses and other payables as of December 31, 2022 and 2021, respectively.

Due to the deferment of payment of accrued interest, principal paydowns are not expected to occur until after 2026.

NOTE 8. MEMBERS' EQUITY

GCLLC initially authorized Class A Units and Class B Units of 70,000 and 30,000 units, respectively. The Class A Units and the Class B Units have identical rights and privileges, including with respect to profit and loss allocations and cash distributions. The Class A Units (70,000 units) were issued in October 2014 to Gym Consulting Holding, Inc. (GCHI), for the net assets of GCI as of September 30, 2014. The Class B Units (30,000 units) were issued in April 2015 to MEGA for \$4,500,000. Effective April 1, 2015 GCHI and MEGA were the members of GCLLC and net income (loss) was allocated to them in relation to the units owned.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2022 and 2021

NOTE 9. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses for the years ended December 31 are comprised of the following:

	2022	2021
Bank Charges	\$ 42,227	\$ 25,122
Computer maintenance and supplies	47,440	33,216
Franchise development	34,087	27,663
Freight and postage	35,008	2,140
Insurance	61,097	42,623
Office expense	35,559	30,349
Rent	37,708	141,975
Supplies	30,142	25,669
Telephone	35,920	33,272
Travel	141,473	69,470
Website and hosting	174,475	150,065
Other expenses	<u>106,164</u>	<u>107,674</u>
	<u>\$ 781,300</u>	<u>\$ 689,238</u>

NOTE 10. COMMITMENT AND CONTINGENCIES

Operating Lease: The Company leases its headquarters office space in Sherman Oaks, California under non-cancelable operating leases which expired in February 2022. The office rent for March 1 to December 31, 2022 was on the month to month basis.

In December 2022, the Company entered into a two-year lease for its headquarter office beginning January 1, 2023. The monthly payments are \$10,000 per month through December 31, 2024.

As discussed earlier, the Company adopted Topic 842 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. The Company implemented ASC Topic 842 using certain practical expedients. Adoption of the new lease standard resulted in the recording of a right-of-use asset and lease liability of \$230,160 on the above lease executed in December 2022 and effective January 1, 2023. The recorded asset and liability are reflected as a noncash transaction for purposes of the statement of cash flows.

Future lease obligations for the operating lease is as follows:

Year Ending December 31:	
2023	\$ 120,000
2024	<u>120,000</u>
Total minimum lease payments	240,000
Less amount representing interest	<u>(9,840)</u>
Present value of minimum lease payments	230,160
Less current portion	<u>(112,978)</u>
	<u>\$ 117,182</u>

Weighted-average remaining lease term is 24 months. Weighted-average discount rate is 4.41%.

GYM CONSULTING, LLC

Notes to Financial Statements
December 31, 2022 and 2021

NOTE 10. COMMITMENT AND CONTINGENCIES (Continued)

Operating Lease (continued): Rent expense was approximately \$38,000 and \$142,000 for the years ended December 31, 2022 and 2021, respectively. Rent expenses for the year ended December 31, 2022, is net of rent waived by the landlord of approximately \$127,000. At December 31, 2022, included in accrued expenses and other payables is back rent in the amount \$50,400 the Company owes on its prior lease. The back rent is payable in 24 monthly payments of \$2,100 from January 1, 2023 to December 31, 2024.

Litigation: The Company is periodically involved in litigation in the normal course of business. The Company's policy is to defend all claims that may be asserted. The Company maintains adequate liability insurance, and in the option of management, the ultimate liability from such claims will not have a material adverse effect on the balance sheets, statements of income or cash flows of the Company. Legal expenses related to such claims are expensed as incurred.

NOTE 11. COVID RESPONSE

The outbreak of COVID-19 continues to impact the behavior of businesses and people in a manner that may have a negative effect on the Company's financial condition through impact on the U.S. and global economies and the measures taken by governments domestically and internationally. At this time neither the duration nor scope of the outbreak and the related effects can be predicted.

NOTE 12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 24, 2023, the date on which the financial statements were available to be issued and has determined that no events or transactions, except as noted above, need to be recognized or disclosed in these financial statements.

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

GYM CONSULTING, LLC
Balance Sheet
Q1 2024

As of: 3/31/2024

ASSETS

Current assets

Cash	2,362,971
Accounts receivable	564,500
Loans receivable	100,000
Loans receivable, related	525,169
Inventories	218,965
Prepaid expenses	-

Total current assets	3,771,605
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Loans receivable, related, less current	231,505
PP&E	46,280
Operating lease right-of-use	84,600
Investments	-
Intangible assets	101,304

TOTAL ASSETS	4,235,294
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LIABILITIES & MEMBERS' EQUITY

Current liabilities

AP	53,654
Accrued expenses	169,850
Deferred revenue	270,177
Operating lease liability, current	95,632

Total current liabilities	589,313
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Note payable	150,000
Other payable	64,120
Operating lease liability, net of current	-

Deferred revenue, net of current	2,182,843
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TOTAL LIABILITIES	2,986,276
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MEMBERS EQUITY	1,249,018
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TOTAL LIABILITIES & MEMBERS' EQUITY	4,235,294
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GYM CONSULTING, LLC
Statement of Operations
Q1, 2024

Revenues	Q1-2024
Royalties	1,012,121
Equip. & product	216,598
Franchise fee	108,215
Sponsorship	7,500
Advertising	59,687
Other	176,930
Total Revenues	<u>1,581,051</u>
COGS	
Cost of equipment & Products	<u>163,511</u>
Gross Profit	<u>1,417,540</u>
General & Administrative	
Salaries & payroll tax	769,987
Bad debt	-
Consulting	145,600
Advertising	75,987
Other	311,654
Total G&A	<u>1,303,228</u>
Operating Income	<u><u>114,312</u></u>

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

EXHIBIT G

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 - *Teaching from your Diaphragm (1)*
 - *Training Teachers to Make Stronger Announcements (2)*
 -
6. 7- Step Enrollment Protocol (4)
7. Transitions and Class Systems (10)
8. Discipline Tips and Tactics (7)
 - *How to Keep Children Focused (2)*
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9. Safety & Accident Protocol (12)
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 - *Weekly Meeting Protocol, Outline, Program Review & Equipment Setup (5)*
 - *Pre-& Post-Shift, Guest Reviews (3)*
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EXHIBIT H

STATE-SPECIFIC DISCLOSURES

ADDITIONAL DISCLOSURES FOR THE MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF GYM CONSULTING, LLC

The following are additional disclosures for the Multi-state Franchise Disclosure Document of Gym Consulting, 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.

NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

California Franchise Disclosure Document Addendum

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for Gym Consulting, LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. Our website, www.my-gym.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.gov.

2. The California Franchise Investment Law required that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

3. 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.

4. 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).

5. In Item 3, "Litigation," shall be amended by the addition of the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

6. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph(s) at the conclusion of the Item:

The following notice is required to be inserted in this Disclosure Document by the state of California whenever an applicable provision is included in a Franchise Agreement.

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

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

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

The Franchise Agreement requires binding arbitration. The arbitration will occur at the then-current headquarters of the Franchisor, which is currently in the State of California, with the costs being borne by each individual party, except as provided further in the Franchise Agreement. Prospective Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the then-current headquarters of the Franchisor, which is currently in the State of California. However, should the then-current headquarters not be in the State of California at any time, this provision may not be enforceable under California law.

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

8. 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.

9. The highest interest rate allowed by law in California is 10% annually.

Hawaii Franchise Disclosure Document Addendum

The following paragraphs are to be added in the state cover page:

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

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

THIS ADDENDUM AND THE DISCLOSURE DOCUMENT CONTAIN A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Franchise Disclosure Document for Gym Consulting, LLC in connection with the offer and sale of franchises for use in the State of Hawaii shall be amended to include the following:

1. [The following paragraph is added to the end of Item 17 of the Franchise Disclosure Document:](#)

[No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of \(i\) waiving any claims under any applicable state franchise law, including fraud in the inducement, or \(ii\) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.](#)

2. ~~1.~~ Item 20 "Outlets and Franchisee Information," shall be amended by the addition of the following paragraph:

This proposed registration is effective/exempt from registration or will shortly be on file in California, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, Rhode Island, Texas, Utah,

Virginia, Washington, and Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

3. [Exhibit K \(Franchisee Certification\) to the Franchise Disclosure Document is hereby ~~deleted in its entirety.~~](#)

4. ~~2.~~ Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Addendum to the Disclosure Document.

Illinois Franchise Disclosure Document Addendum

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Franchise Disclosure Document for Gym Consulting, LLC for use in the State of Illinois shall be amended as follows:

1. Item 17 (g), "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following at the conclusion of the Summary:

Sec. 705/19 of the Illinois Franchise Disclosure Act provides that a reasonable opportunity must be given to cure such default, which in no event needs to be more than 30 days.

2. Item 17 (v) and (w), "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following at the conclusion of the Summary:

Sec. 705/4 of the Illinois Franchise Disclosure Act provides that "any provision in a Franchise Agreement that designates jurisdiction or venue in a forum outside this state [Illinois] is void."

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the deletion of provision "w" in its entirety, and the following provision shall be substituted in its place:

PROVISION	SECTION IN FIXED CENTER FRANCHISE AGREEMENT	SECTION IN MOBILE BUSINESS FRANCHISE AGREEMENT	SUMMARY
w. Choice of law	§ 19.19	§ 19.19	Illinois.

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

5. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

Maryland Franchise Disclosure Document Addendum

The Franchise Disclosure Document for Gym Consulting, LLC for use in the State of Maryland is amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

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

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

The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language to the summary of Provision "h":

Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.

3. The following [paragraph](#) is added to the [end of Item 17 of the Franchise Disclosure Document](#):

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

4. Do not sign the Franchisee Compliance Certification that is attached as Exhibit K to the Franchise Disclosure Document.

Minnesota Franchise Disclosure Document Addendum

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for Gym Consulting, LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 13, "Trademarks," shall be amended by deleting the 4th paragraph and substituting the following paragraph in lieu thereof:

You must promptly notify us of any suspected infringement of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, or your right to use, the Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights which you have to use our proprietary marks.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

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

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

3. The following paragraph is added to the end of Item 17 of the Franchise Disclosure Document:

~~3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the Disclosure Document.~~

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

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the Disclosure Document.

New York Franchise Disclosure Document Addendum

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document for Gym Consulting, LLC for use in the State of New York shall be amended as follows:

1. The following information is added to the State Cover Page of the Franchise Disclosure Document as an additional Risk Factor:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 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. Item 3, "Litigation," shall be supplemented by the addition of the following at the beginning of the Item:

Except as described 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 part 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 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. Except as described above, no such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending

or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. Item 4, "Bankruptcy," shall be supplemented by the following:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. Item 5, "Initial Fees," is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our sole discretion.

5. Within Item 17(d), "Termination by franchisee," the "Summary" section is replaced by the following:

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

6. Within Item 17(j), "Assignment of contract by franchisor," the "Summary" section is replaced by the following:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

7. The "Summary" sections of Item 17(w) ("Choice of forum") and Item (w) ("Choice of law") are supplemented by the following:

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.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

North Dakota Franchise Disclosure Document Addendum

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Disclosure Document for Gym Consulting, LLC shall be amended by the addition of the following language:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute (i.e., Item 17(c) of the Franchise Disclosure Document, which references Section 15.1 of the Fixed Center Franchise Agreement and Section 15.1 of the Mobile Franchise Agreement).

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business (i.e., Item 17(u) of the Franchise Disclosure Document, which references Section 19.1 of the Fixed Center Franchise Agreement and Section 19.1 of the Mobile Franchise Agreement).

C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota (i.e., Item 17(v) of the Franchise Disclosure Document, which references Section 19.3 of the Fixed Center Franchise Agreement and Section 19.3 of the Mobile Franchise Agreement).

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties (i.e., Item 17(i) of the Franchise Disclosure Document, which references Section 17 of the Fixed Center Franchise Agreement and Section 17 of the Mobile Franchise Agreement) .

E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota (i.e., Item 17(w) of the Franchise Disclosure Document, which references Section 19.20 of the Fixed Center Franchise Agreement and Section 19.20 of the Mobile Franchise Agreement).

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury (i.e., Item 17(u) of the Franchise Disclosure Document, which references Section 19.1 of the Fixed Center Franchise Agreement and Section 19.1 of the Mobile Franchise Agreement).

G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages (i.e., Item 17(u) of the Franchise Disclosure Document,

which references Section 19.1 of the Fixed Center Franchise Agreement and Section 19.1 of the Mobile Franchise Agreement).

H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise (i.e., Item 17(m) of the Franchise Disclosure Document, which references Section 14.3 of the Fixed Center Franchise Agreement and Section 14.3 of the Mobile Franchise Agreement).

2. Contractual Statute of Limitations: Requiring North Dakota franchisees to bring claims within one year.

3. Each provision of this addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-1 through 51-19-17, are met independently without reference to this addendum to the Disclosure Document.

Rhode Island Franchise Disclosure Document Addendum

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for Gym Consulting, LLC for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

§ 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."

2. This addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this addendum to the Disclosure Document.

Virginia Franchise Disclosure Document Addendum

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Gym Consulting, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. 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 to surrender any right given to him under the franchise. If any provision of the **Franchise Agreement** involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. This Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum to the Disclosure Document.

Washington Franchise Disclosure Document Addendum

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Franchise Disclosure Document for Gym Consulting, LLC in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

If any of the provisions in this Franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Act, the provisions of the Act will prevail over the inconsistent terms of the Franchise Disclosure Document or Franchise Agreement.

RCW §19.100.180 and court decisions may supersede the Franchise Agreement in your relationship with us, including in the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. In addition, if litigation is not precluded by the Franchise Agreement, you 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 will not include rights under the Washington Franchise Investment Protection Act, 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 in Washington.

Transfer fees are collectable to the extent that they reflect our 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.

2. Each provision of this addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the Disclosure Document.

EXHIBIT I
AGREEMENT AMENDMENTS

Hawaii Fixed Center Franchise Agreement Amendment

In recognition of the requirements of Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the parties to the attached Gym Consulting, LLC Fixed Center Franchise Agreement (the "Agreement") agree as follows:

1. Section 15.1.6 of the Agreement, under the heading "Successor Term," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

15.1.6 You (and each owner and/or Affiliate of yours) have executed a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If you fail to execute such a release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and My Gym System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release, particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise, excluding only such claims as you may have under the Hawaii Franchise Investment Law.

2. Section 14.3.11 of the Agreement, under the heading "Transfer," shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

14.3.11 You (and your owners) and transfer (and its owners) must execute a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties, excluding only such claims as you may have under the Hawaii Franchise Investment Law.

3. Section 16 of the Agreement, under the heading "Termination" shall be amended by the addition of the following new paragraph 16.9, which shall be considered an integral part of the Agreement:

16.9 Notwithstanding anything to the contrary in this Section 16, My Gym shall comply with Hawaii law which currently requires that My Gym compensate you upon termination or refusal to renew the franchise for the fair market value, at the time of the termination or expiration of the franchise, of any inventory, supplies, equipment and furnishings which were purchased from My Gym or a supplier designated by My Gym. Personalized materials which have no value to My Gym need not be compensated for. If My Gym refuses to renew a franchise for the purpose of converting your business to one owned and operated by My Gym, My Gym, in addition, must compensate you for the loss of goodwill. My Gym may deduct reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment and furnishings pursuant to these requirements, and may offset any moneys due My Gym.

4. This Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Hawaii amendment to the Fixed Center Franchise Agreement on the same date as the Fixed Center Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Hawaii Mobile Business Franchise Agreement Amendment

In recognition of the requirements of Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the parties to the attached Gym Consulting, LLC Mobile Business Franchise Agreement (the "Agreement") agree as follows:

1. Section 15.1.5 of the Agreement, under the heading "Successor Term," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

15.1.5 You (and each owner and/or Affiliate of yours) have executed a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If you fail to execute such a release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and My Gym System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release, particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise, excluding only such claims as you may have under the Hawaii Franchise Investment Law.

2. Section 14.3.11 of the Agreement, under the heading "Transfer," shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

14.3.11 You (and your owners) and transfer (and its owners) must execute a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties, excluding only such claims as you may have under the Hawaii Franchise Investment Law.

3. Section 16 of the Agreement, under the heading "Termination" shall be amended by the addition of the following new paragraph 16.8, which shall be considered an integral part of the Agreement:

16.8 Notwithstanding anything to the contrary in this Section 16, My Gym shall comply with Hawaii law which currently requires that My Gym compensate you upon termination or refusal to renew the franchise for the fair market value, at the time of the termination or expiration of the franchise, of any inventory, supplies, equipment and furnishings which were purchased from My Gym or a supplier designated by My Gym. Personalized materials which have no value to My Gym need not be compensated for. If My Gym refuses to renew a franchise for the purpose of converting your business to one owned and operated by My Gym, My Gym, in addition, must compensate you for the loss of goodwill. My Gym may deduct reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment and furnishings pursuant to these requirements, and may offset any moneys due My Gym.

4. Sections 22.1 and 22.2 of the Agreement, with the headings "Acknowledgments" and "Acknowledgements in Certain States," respectively, shall be deleted from the Agreement and have no force or effect.

45. This Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Hawaii amendment to the Fixed Center Franchise Agreement on the same date as the Mobile Business Franchise Agreement was executed.

GYM CONSULTING, LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Illinois Fixed Center Franchise Agreement Amendment

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Gym Consulting, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 15 of the Agreement, under the heading "Successor Term," shall be supplemented by the addition of the following new paragraph 15.3, which shall be considered an integral part of the Agreement:

15.3 If any of the provisions of this Section 15 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If Franchisor refuses to renew this Agreement, Franchisor shall compensate Franchisee if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 16 of the Agreement, under the heading "Termination," shall be supplemented by the addition of the following new paragraph 16.9, which shall be considered an integral part of the Agreement:

16.9 If any of the provisions of this Section 16.9 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Section 19.2 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be amended by the addition of the following:

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act is void."

4. Sections 19.3 and 19.19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

19.3 Choice of Venue; No Class Action. Without in any way limiting or otherwise affecting your and our obligations regarding mediation/binding arbitration, you and we agree that any litigation between you and us (and/or involving any Owner and/or Affiliate of yours, and/or which could be brought by you or on your behalf, involving any of the Franchisor-Related Parties), whether to enforce an arbitration award or involving any litigation, dispute, controversy, claim, proceeding or otherwise which is not subject to any agreement regarding mediation/arbitration (or in the event that a court having jurisdiction should hold that any agreement regarding mediation and/or arbitration is not enforceable) or otherwise, and bearing in mind your and our joint interest in having a single court determine issues in a consistent manner for application throughout the My Gym System and not having us or our franchisees exposed to inconsistent decisions, will be held exclusively before a court in the most immediate judicial district encompassing our then-current headquarters and having subject matter jurisdiction or the United States District Court encompassing our then-current headquarters (where a basis for federal jurisdiction exists, all filings, proceedings and otherwise will be exclusively in such Federal court, in preference to state court), you and we consenting to the exclusive jurisdiction of such court(s) and WAIVING ALL RIGHTS TO TRIAL BY JURY; provided that, in our sole and absolute discretion, any action by us (and/or an Affiliate) to

obtain possession of any real and/or personal property (including any action in unlawful detainer, ejectment or otherwise) may be brought in a state or Federal court having jurisdiction over the real and/or personal property at issue. **ANY CLAIM, AND ANY LITIGATION, WILL BE CONDUCTED AND RESOLVED ON AN INDIVIDUAL BASIS ONLY AND NOT ON A CLASS-WIDE, MULTIPLE PLAINTIFF OR SIMILAR BASIS;** *provided that this Agreement may provide for arbitration in a forum outside of the State of Illinois.*

19.19 Choice of Law. You and we, both agreeing on the practical business importance of certainty as to the law applicable to our relationship and its possible effect on the development and competitive position of the My Gym System, jointly agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act and except to the extent governed by the United States Trademark Act and other federal laws, or as provided elsewhere in this Agreement, this Agreement (including any claims, counter-claims or otherwise by you and/or any Affiliate of yours) and all other matters concerning you (and/or any Affiliate of yours) and us (and/or any Affiliate of ours), and/or you (and/or any Affiliate of yours) and any of the Franchisor-Related Parties, including your/our/their respective rights and obligations, will be governed by, and construed and enforced in accordance with, **the laws of the state of Illinois**, without regard to the laws of such state relating to conflicts of laws or choice of law, provided, however, that if the covenants in Section 18 of this Agreement would not be enforceable under the laws of such state, and your Center is located outside of such state, then such covenants shall be interpreted and construed under the laws of the state in which you Center is located; provided, further, that provisions of any law of such state regarding franchises (including registration, disclosure, or relationship, and the regulations thereunder) shall not apply unless such state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section. Nothing in this Section 19.20 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Illinois to which it would not otherwise be subject.

5. Section 19.7.1, paragraphs (1) and (2) of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

(1) three (3) years after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(2) three (3) years after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

6. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be supplemented by the addition of the following new Section 19.20, which shall be considered an integral part of the Agreement:

19.20 Nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met).

7. Illinois law governs the Franchise Agreement.

8. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Fixed Center Franchise Agreement on the same date as the Fixed Center Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Illinois Mobile Business Franchise Agreement Amendment

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Gym Consulting, LLC Franchise Agreement (Mobile Unit) (the "Agreement") agree as follows:

1. Section 15 of the Agreement, under the heading "Successor Term," shall be supplemented by the addition of the following new paragraph 15.3, which shall be considered an integral part of the Agreement:

15.3 If any of the provisions of this Section 15 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If Franchisor refuses to renew this Agreement, Franchisor shall compensate Franchisee if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 16 of the Agreement, under the heading "Termination," shall be supplemented by the addition of the following new paragraph 16.8, which shall be considered an integral part of the Agreement:

16.8 If any of the provisions of this Section 16.8 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Section 19.2 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be amended by the addition of the following:

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act is void."

4. Sections 19.3 and 19.19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

19.3 Choice of Venue; No Class Action. Without in any way limiting or otherwise affecting your and our obligations regarding mediation/binding arbitration, you and we agree that any litigation between you and us (and/or involving any Owner and/or Affiliate of yours, and/or which could be brought by you or on your behalf, involving any of the Franchisor-Related Parties), whether to enforce an arbitration award or involving any litigation, dispute, controversy, claim, proceeding or otherwise which is not subject to any agreement regarding mediation/arbitration (or in the event that a court having jurisdiction should hold that any agreement regarding mediation and/or arbitration is not enforceable) or otherwise, and bearing in mind your and our joint interest in having a single court determine issues in a consistent manner for application throughout the My Gym System and not having us or our franchisees exposed to inconsistent decisions, will be held exclusively before a court in the most immediate judicial district encompassing our then-current headquarters and having subject matter jurisdiction or the United States District Court encompassing our then-current headquarters (where a basis for federal jurisdiction exists, all filings, proceedings and otherwise will be exclusively in such Federal court, in preference to state court), you and we consenting to the exclusive jurisdiction of such court(s) and WAIVING ALL RIGHTS TO TRIAL BY JURY; provided that, in our sole and absolute discretion, any action by us (and/or an Affiliate) to

obtain possession of any real and/or personal property (including any action in unlawful detainer, ejectment or otherwise) may be brought in a state or Federal court having jurisdiction over the real and/or personal property at issue. **ANY CLAIM, AND ANY LITIGATION, WILL BE CONDUCTED AND RESOLVED ON AN INDIVIDUAL BASIS ONLY AND NOT ON A CLASS-WIDE, MULTIPLE PLAINTIFF OR SIMILAR BASIS;** *provided that this Agreement may provide for arbitration in a forum outside of the state of Illinois.*

19.19 Choice of Law. You and we, both agreeing on the practical business importance of certainty as to the law applicable to our relationship and its possible effect on the development and competitive position of the My Gym System, jointly agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act and except to the extent governed by the United States Trademark Act and other federal laws, or as provided elsewhere in this Agreement, this Agreement (including any claims, counter-claims or otherwise by you and/or any Affiliate of yours) and all other matters concerning you (and/or any Affiliate of yours) and us (and/or any Affiliate of ours), and/or you (and/or any Affiliate of yours) and any of the Franchisor-Related Parties, including your/our/their respective rights and obligations, will be governed by, and construed and enforced in accordance with, **the laws of the state of Illinois**, without regard to the laws of such state relating to conflicts of laws or choice of law; provided, however, that if the covenants in Section 18 of this Agreement would not be enforceable under the laws of such state, and your Center is located outside of such state, then such covenants shall be interpreted and construed under the laws of the state in which you Center is located; provided, further, that provisions of any law of such state regarding franchises (including registration, disclosure, or relationship, and the regulations thereunder) shall not apply unless such state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section. Nothing in this Section 19.20 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Illinois to which it would not otherwise be subject.

5. Section 19.7.1, paragraphs (1) and (2) of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

(1) three (3) years after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(2) three (3) years after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

6. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be supplemented by the addition of the following new Section 19.20, which shall be considered an integral part of the Agreement:

19.20 Nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met).

7. Illinois law governs the Franchise Agreement.

8. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Mobile Business Franchise Agreement on the same date as the Mobile Business Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Maryland Fixed Center Franchise Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg., §§ 14-201 through 14-233, the parties to the attached Gym Consulting, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 19.3 of the Agreement, under the heading "Choice of Venue; No Class Action," shall be amended by adding the following sentence:

The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Section 19.7 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be amended by adding the following sentence:

This Section 19.7 does not apply to any and all claims arising under the Maryland Franchise Registration and Disclosure Law, which shall be commenced within three (3) years from the grant of the franchise.

3. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be supplemented with the following new Section 19.20:

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

4. Section 22 of the Agreement, under the heading "Acknowledgments and Representations, Entire Agreement, Etc.," shall be supplemented with the following new Section 22.8:

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

5. Section 22 of the Agreement, under the heading "Acknowledgments and Representations, Entire Agreement, Etc.," shall be supplemented by the following:

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

6. Sections 22.1 and 22.2 of the Agreement, with the headings "Acknowledgments" and "Acknowledgements in Certain States," respectively, shall be deleted from the Agreement and have no force or effect.

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

8. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Fixed Center Franchise Agreement on the same date as the Fixed Center Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Maryland Mobile Business Franchise Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg., §§ 14-201 through 14-233, the parties to the attached Gym Consulting, LLC Franchise Agreement (Mobile Unit) (the "Agreement") agree as follows:

1. Section 19.3 of the Agreement, under the heading "Choice of Venue; No Class Action," shall be amended by adding the following sentence:

The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Section 19.7 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be amended by adding the following sentence:

This Section 19.7 does not apply to any and all claims arising under the Maryland Franchise Registration and Disclosure Law, which shall be commenced within three (3) years from the grant of the franchise.

3. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be supplemented with the following new Section 19.20:

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

4. Section 22 of the Agreement, under the heading "Acknowledgments and Representations, Entire Agreement, Etc.," shall be supplemented with the following new Section 22.8:

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

5. Section 22 of the Agreement, under the heading "Acknowledgments and Representations, Entire Agreement, Etc.," shall be supplemented by the following:

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

6. Sections 22.1 and 22.2 of the Agreement, with the headings "Acknowledgments" and "Acknowledgements in Certain States," respectively, shall be deleted from the Agreement and have no force or effect.

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

8. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Mobile Business Franchise Agreement on the same date as the Mobile Business Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Minnesota Fixed Center Franchise Agreement Amendment

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached Gym Consulting, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 15.1.6 of the Agreement, under the heading "Successor Term," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

15.1.6 You (and each owner and/or Affiliate of yours) have executed a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If you fail to execute such a release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and My Gym System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release, particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise; excluding only such claims as You may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

2. Section 15 of the Agreement, under the heading "Successor Term," shall be amended by the addition of the following new paragraph:

15.3 Minnesota law provides you with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that you be given 180 days' notice of non-renewal of the Franchise Agreement.

3. Section 6 of the Agreement, under the heading "Marks," shall be amended by the addition of the following new paragraph 6.5:

6.5 Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), We are required to protect any rights You may have to Our Proprietary Marks.

4. Section 14.3.11 of the Agreement, under the heading "Transfer," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

14.3.11 You (and your owners) and transfer (and its owners) must execute a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties; excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

5. Section 14 of the Agreement, under the heading "Transfer," shall be amended by the addition of the following new paragraph 14.12:

14.12 Minnesota law provides You with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

6. Section 16 of the Agreement, under the heading "Termination," shall be amended by the addition of the following new paragraph 16.9:

16.9 Minnesota law provides you with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement.

7. Section 19.7.2 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

19.7.2 The foregoing limitations may, where brought into effect by our failure to commence an action within the time periods specified, operate to exclude our right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent us from (i) terminating your rights and our obligations under this Agreement as provided herein and under applicable law nor prevent us from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination or (ii) seeking and/or enforcing a temporary restraining order, preliminary injunction, permanent injunction or other equitable relief (whether by an arbitrator or a court) with respect to any operational non-compliance by you, irrespective of when such operational non-compliance occurred or came to our attention, in each case you agreeing that such relief is appropriate so that we can, among other things, protect the goodwill inherent in the Marks and the related investments by us and all other franchisees.

8. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be amended by the addition of the following new paragraph 19.20, which shall be considered an integral part of the Agreement:

19.20 Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

9. Notwithstanding anything to the contrary in this Agreement, in the event that a claim is brought pursuant to Minn. Stat. § 80C.17, that claim must be commenced no more than three (3) years after the cause of action accrues, pursuant to Minn. Stat. § 80C.17 (Subd. 5).

10. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Fixed Center Franchise Agreement on the same date as the Fixed Center Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Minnesota Mobile Business Franchise Agreement Amendment

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached Gym Consulting, LLC Mobile Franchise Agreement (the "Agreement") agree as follows:

1. Section 15.1.5 of the Agreement, under the heading "Successor Term," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

15.1.5 You (and each owner and/or Affiliate of yours) have executed a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If you fail to execute such a release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and My Gym System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release, particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise; excluding only such claims as You may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

2. Section 15 of the Agreement, under the heading "Successor Term," shall be amended by the addition of the following new paragraph:

15.3 Minnesota law provides You with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that You be given 180 days' notice of non-renewal of the Franchise Agreement.

3. Section 6 of the Agreement, under the heading "Marks," shall be amended by the addition of the following new paragraph 6.5:

6.5 Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), We are required to protect any rights You may have to Our Proprietary Marks.

4. Section 14.3.11 of the Agreement, under the heading "Transfer," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

14.3.11 You (and your owners) and transfer (and its owners) must execute a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties; excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

5. Section 14 of the Agreement, under the heading "Transfer," shall be amended by the addition of the following new paragraph 14.12:

14.12 Minnesota law provides You with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

6. Section 16 of the Agreement, under the heading "Termination," shall be amended by the addition of the following new paragraph 16.8:

16.8 Minnesota law provides You with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a [franchisee/licensee] be given 90 days' notice of termination (with 60 days to cure) of the [Franchise/License] Agreement.

7. Sections 19.3 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

19.3 Choice of Venue; No Class Action. Without in any way limiting or otherwise affecting your and our obligations regarding mediation/binding arbitration, you and we agree that any litigation between you and us (and/or involving any Owner and/or Affiliate of yours, and/or which could be brought by you or on your behalf, involving any of the Franchisor-Related Parties), whether to enforce an arbitration award or involving any litigation, dispute, controversy, claim, proceeding or otherwise which is not subject to any agreement regarding mediation/arbitration (or in the event that a court having jurisdiction should hold that any agreement regarding mediation and/or arbitration is not enforceable) or otherwise, and bearing in mind your and our joint interest in having a single court determine issues in a consistent manner for application throughout the My Gym System and not having us or our franchisees exposed to inconsistent decisions, will be held exclusively before a court in the most immediate judicial district encompassing our then-current headquarters and having subject matter jurisdiction or the United States District Court encompassing our then-current headquarters (where a basis for federal jurisdiction exists, all filings, proceedings and otherwise will be exclusively in such Federal court, in preference to state court), you and we consenting to the exclusive jurisdiction of such court(s) and WAIVING ALL RIGHTS TO TRIAL BY JURY; provided that, in our sole and absolute discretion, any action by us (and/or an Affiliate) to obtain possession of any real and/or personal property (including any action in unlawful detainer, ejectment or otherwise) may be brought in a state or Federal court having jurisdiction over the real and/or personal property at issue. **ANY CLAIM, AND ANY LITIGATION, WILL BE CONDUCTED AND RESOLVED ON AN INDIVIDUAL BASIS ONLY AND NOT ON A CLASS-WIDE, MULTIPLE PLAINTIFF OR SIMILAR BASIS.**

8. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution ", shall be amended by the addition of the following new paragraph 19.20, which shall be considered an integral part of the Agreement:

19.20 Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

9. Notwithstanding anything to the contrary in this Agreement, in the event that a claim is brought pursuant to Minn. Stat. § 80C.17, that claim must be commenced no more than three (3) years after the cause of action accrues, pursuant to Minn. Stat. § 80C.17 (Subd. 5).

10. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Mobile Franchise Agreement on the same date as the Mobile Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

New York Fixed Center Franchise Agreement Amendment

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Gym Consulting, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 15.1.6 of the Agreement, under the heading "Successor Term," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

15.1.6 You (and each owner and/or Affiliate of yours) have executed a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If you fail to execute such a release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and My Gym System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release, particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise, provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 14.3.11 of the Agreement, under the heading "Transfer," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

14.3.11 You (and your owners) and transfer (and its owners) must execute a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties; provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 17.7 of the Agreement, under the heading "Obligations Upon Termination or Expiration," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

17.7 Damages and Costs. You shall pay us all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 17.

4. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be supplemented by the addition of the following language:

Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

5. There are circumstances in which an offering made by Gym Consulting, LLC would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. Gym Consulting, LLC is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Fixed Center Franchise Agreement on the same date as the Fixed Center Franchise Agreement was executed.

GYM CONSULTING, LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

New York Mobile Business Franchise Agreement Amendment

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Gym Consulting, LLC Franchise Agreement (Mobile Business) (the "Agreement") agree as follows:

1. Section 15.1.5 of the Agreement, under the heading "Successor Term," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

15.1.5 You (and each owner and/or Affiliate of yours) have executed a general release, in a form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us and/or any or all of the Franchisor-Related Parties. If you fail to execute such a release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and My Gym System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release, particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise, provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 14.3.11 of the Agreement, under the heading "Transfer," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

14.3.11 You (and your owners) and transfer (and its owners) must execute a general release, in form satisfactory to us, of any and all claims, known or unknown, against us and/or any or all of the Franchisor-Related Parties; provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 17.7 of the Agreement, under the heading "Obligations Upon Termination or Expiration," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

17.7 Damages and Costs. You shall pay us all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 17.

4. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be supplemented by the addition of the following language:

Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

5. There are circumstances in which an offering made by Gym Consulting, LLC would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. Gym Consulting, LLC is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Mobile Business Franchise Agreement on the same date as the Mobile Business Franchise Agreement was executed.

GYM CONSULTING, LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

North Dakota Fixed Center Franchise Agreement Amendment

In recognition of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, and the policies of the office of the State of North Dakota Securities Commission, the parties to the attached Gym Consulting, LLC Franchise Agreement (Fixed Center) (the "Agreement") agree as follows:

1. The Agreement shall be amended by the addition of the following Section 27.13:

27.13 The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute (i.e., Section 18.3 of the Agreement).

B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business (i.e., Section 19.1).

C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota (i.e., Section 19.3 of the Agreement).

D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties (i.e., Section 17.7 of the Agreement).

E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota (i.e., Section 19.19 of the Agreement).

F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury (i.e., Section 19.2 of the Agreement).

G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages (i.e., Sections 17.7 and 19.4 of the Agreement).

H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise (i.e., Sections 14.3.11 and 15.1.6 of the Agreement).

I. Limitations on Claims. Any provision requiring North Dakota franchisees to bring claims within one (1) year (i.e., Section 19.7 of the Agreement).

2. This Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this North Dakota amendment to the Gym Consulting, LLC Franchise Agreement (Fixed Center) on the same date as the Gym Consulting, LLC Franchise Agreement (Fixed Center) was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

North Dakota Mobile Business Franchise Agreement Amendment

In recognition of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51 19 01 through 51 19 17, and the policies of the office of the State of North Dakota Securities Commission, the parties to the attached Gym Consulting, LLC Franchise Agreement (Mobile Business) (the "Agreement") agree as follows:

1. The Agreement shall be amended by the addition of the following Section 27.13:

27.3 The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

- A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute (i.e., Section 18.3 of the Agreement).
- B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business (i.e., Section 19.1).
- C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota (i.e., Section 19.3 of the Agreement).
- D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties (i.e., Section 17.7 of the Agreement).
- E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota (i.e., Section 19.19 of the Agreement).
- F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury (i.e., Section 19.2 of the Agreement).
- G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages (i.e., Sections 17.7 and 19.4 of the Agreement).
- H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise (i.e., Sections 14.3.11 and 15.1.5 of the Agreement).
- I. Limitations on Claims. Any provision requiring North Dakota franchisees to bring claims within one (1) year (i.e., Section 19.7 of the Agreement).

2. This Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this North Dakota amendment to the Gym Consulting, LLC Franchise Agreement (Mobile Business) on the same date as the Gym Consulting, LLC Franchise Agreement (Mobile Business) was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Rhode Island Fixed Center Franchise Agreement Amendment

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Gym Consulting, LLC Fixed Center Franchise Agreement (the "Agreement") agree as follows:

1. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be supplemented by the addition of the following new paragraph 19.20:

19.20 § 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."

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Fixed Center Franchise Agreement on the same date as the Fixed Center Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Rhode Island Mobile Franchise Agreement Amendment

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Gym Consulting, LLC Mobile Business Franchise Agreement (the "Agreement") agree as follows:

1. Section 19 of the Agreement, under the heading "Dispute Avoidance and Resolution," shall be supplemented by the addition of the following new paragraph 19.20:

19.20 § 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."

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Mobile Business Franchise Agreement on the same date as the Mobile Business Franchise Agreement was executed

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Washington Addendum to the Fixed Center Franchise Agreement, Franchisee Compliance Certification, and Related Agreements

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Gym Consulting, LLC Fixed Center Franchise Agreement agree 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.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington amendment to the Fixed Center Franchise Agreement on the same date as the Fixed Center Franchise Agreement was executed.

GYM CONSULTING, LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Washington Addendum to the Mobile Business Franchise Agreement, Franchisee Compliance Certification, and Related Agreements

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Gym Consulting, LLC Franchise Agreement (Mobile Unit) agree 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.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington amendment to the Mobile Business Franchise Agreement on the same date as the Mobile Business Franchise Agreement was executed.

GYM CONSULTING, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT J

Sample General Release

The following is our current general release language that we expect to include in a release that a franchisee, developer, and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release.

General Release

THIS GENERAL RELEASE (the "Release") is made and entered into on this ____ day of _____, 20__ (the "Effective Date"), by and between:

- _____, a _____ corporation whose principal place of business is _____ ("Franchisor"); and

- _____
_____ a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____
_____ ["Franchisee"] ["Developer"] ["Transferor"].

BACKGROUND:

A. Franchisor and Franchisee are party to a [Franchise Agreement] [Development Agreement] dated _____ (the "Agreement");

B. Franchisor and Franchisee have agreed, pursuant to the Agreement, [to renew or extend Franchisee's rights under the Agreement (the "Renewal Transaction")] [to permit a transfer or assignment of _____ pursuant to the Agreement (the "Transfer Transaction")], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Developer] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. [Franchisee] [Developer] [Transferor], its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "Franchisee Group"), hereby forever release and discharge, and forever hold harmless [FRANCHISOR], its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "Franchisor Group"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Agreement, the relationship created by the Agreement, or the development, ownership, or operation of the [BUSINESS]. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or

consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Agreement or the [BUSINESS]. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.

2. General Terms.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and shall neither amend nor modify the terms hereof.

2.5. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.6. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Franchisor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT K

Franchisee Compliance Certification

EXHIBIT K

**GYM CONSULTING, LLC
FRANCHISEE COMPLIANCE CERTIFICATION**

THIS FRANCHISEE COMPLIANCE ~~QUESTIONNAIRE AND~~ CERTIFICATION SHALL NOT BE COMPLETED OR SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE MY GYM BUSINESS IS SUBJECT TO THE STATE FRANCHISE DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

DO NOT SIGN THIS FRANCHISEE COMPLIANCE CERTIFICATION IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA OR MARYLAND.

As you know, Gym Consulting, LLC (the "Franchisor") and you are preparing to enter into a Franchise Agreement for the establishment and operation of a My Gym Business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

- a. _____, 20__ The date of my first face-to-face meeting with any person to discuss the possible purchase of a My Gym Business franchise
Initials _____
- b. _____, 20__ The date on which I received Franchisor's Franchise Disclosure Document ("FDD")
Initials _____
- c. _____, 20__ The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.
Initials _____
- d. _____, 20__ The date on which I signed the Franchise Agreement.
Initials _____

2. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Have you received and personally reviewed the FDD that was provided to you?

Yes _____ No _____

5. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

6. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

7. Have you discussed the benefits and risks of establishing and operating a My Gym Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your My Gym Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

9. Do you understand that no agreement or addendum is effective until it is also signed and dated by the Franchisor?

Yes _____ No _____

10. Do you understand that here are no promises, agreements, "side deals," arrangements, written or oral that are not in the Franchise Agreement.

Yes _____ No _____

11. If you have answered No to any one of questions 8-10, please provide a full explanation of each No answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered No to each of questions 8-10, please leave the following lines blank.

12. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the revenues, profits or operating costs of a My Gym Business operated by the Franchisor or its franchisees, that is contrary to the information contained in the FDD?

Yes _____ No _____

13. Has any employee or other person speaking for the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Club that is contrary to the information contained in the FDD?

Yes _____ No _____

14. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the total amount of revenue the My Gym Business will generate, that is contrary to the information contained in the FDD?

Yes _____ No _____

15. Has any employee or other person speaking for the Franchisor made any statement or promise regarding the costs you may incur in operating the My Gym Business that is contrary to or different from, the information contained in the FDD?

Yes _____ No _____

16. Has any employee or other person speaking for the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a My Gym Business?

Yes _____ No _____

17. Has any employee or other person speaking for the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

18. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

19. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

20. If you have answered Yes to any one of questions 12-19, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered No to each of questions 12-19, please leave the following lines blank.

21. Do you understand that all disputes and claims you may have against the Franchisor must be heard in the federal or state courts in California?
Yes _____ No _____
22. Do you understand that the Franchise Agreement provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?
Yes _____ No _____
23. Do you understand that the Franchise Agreement includes a waiver of jury trials?
Yes _____ No _____
24. Do you understand that the Franchise Agreement includes a statement that claims need to be brought within one year after they arise or they may no longer be brought after that time?
Yes _____ No _____
25. I have spoken with current and former *My Gym Business* franchisees, and I chose which franchisees, and how many franchisees, to speak with.
Yes _____ No _____

If you answered Yes to this question 25, please complete chart below (attach additional pages, as needed, and refer to them below.) If you have not spoken with any *My Gym Business* franchisees, then please leave the chart blank.

Name of <i>My Gym Business</i> Franchisee I Spoke With	On This Date

Please understand that your responses to these questions are important to us and that we will rely on them.

[\[Signatures contained on following page.\]](#)

By signing this [Questionnaire Franchisee Compliance Certification](#), you are representing that you have responded truthfully, accurately, and completely to each of the above questions.

FRANCHISE APPLICANT

Signed

Printed Name

_____, 20____

Date

EXHIBIT L
STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This 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:

STATES	EFFECTIVE DATE
California	September 6, 2023 Pending
Hawaii	May 4, 2023 Pending
Illinois	May 16 17 , 2023 2024
Indiana	April 26 May 17 , 2023 2024
Maryland	July 18, 2023 Pending
Michigan	April 25 May 17 , 2023 2024
Minnesota	July 20, 2023 Pending
New York	July 14, 2023 Pending
Rhode Island	May 15, 2023 Pending
Virginia	April 26, 2023 Pending
Washington	July 26, 2023 Pending
Wisconsin	April 26 May 17 , 2023 2024

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

RECEIPTS

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 Gym Consulting, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that Gym Consulting, LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Gym Consulting, LLC give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Gym Consulting, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal business address, and telephone number of each franchise seller is as follows:

Name: _____, Telephone: _____
Address: _____

Issuance Date: ~~April 25, 2023~~ May 13, 2024

Gym Consulting, LLC authorizes the agents listed in Exhibit D to receive service of process for it.

I have received a Disclosure Document dated ~~April 25, 2023~~ May 13, 2024 that included the following Exhibits and other Attachments:

A-1. Franchise Agreement (Fixed Center)	F. Financial Statements
A-2. Franchise Agreement (Mobile Business)	G. Table of Contents for Manuals
B. Mobile Business Authorization Addendum	H. State-specific Disclosures
C. List of State Administrators	I. State-specific Agreement Amendments
D. Agents for Service of Process	J. Sample General Release
E. List of Current/Former Franchisees	K. Franchisee Compliance Certification
	L. State Effective Dates Page

Date Received

By: _____
Prospective Franchisee

Printed Name

Address

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B. Mobile Business Authorization Addendum	H. State-specific Disclosures
C. List of State Administrators	I. State-specific Agreement Amendments
D. Agents for Service of Process	J. Sample General Release
E. List of Current/Former Franchisees	K. Franchisee Compliance Certification
	L. State Effective Dates Page

Date Received

By: _____
Prospective Franchisee

Printed Name

Address