

FRANCHISE DISCLOSURE DOCUMENT



TYG ENTERPRISES, LLC
a Delaware Limited Liability Company
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Franchised Gym: We offer franchises for the operation of a boutique strength and conditioning fitness studio identified by THE YARD GYM trademarks (“Licensed Marks”) specializing in functional strength, conditioning, and anerobic group classes using pro-level proprietary fitness equipment and featuring individual fitness coaching in an aesthetically-inviting and high-energy space.

Total Initial Investment: The total investment necessary to begin operation of a Franchised Gym ranges from ~~\$336,500~~\$340,500 to \$908,000 unless you are a conversion franchisee. This includes from ~~\$138,000~~\$137,000 to ~~\$185,000~~\$172,000 that must be paid to us or our affiliates before your Franchised Gym opens for business.

If you qualify as a conversion franchisee, the total investment necessary to begin operation of a Franchised Gym ranges from ~~\$184,000~~\$188,500 to \$490,000. This includes from ~~\$113,000~~\$112,000 to ~~\$157,000~~\$147,000 that must be paid to us or our affiliates before you may reopen your remodeled fitness facility as a Franchised Gym. We reduce the Initial Franchise Fee payable by a conversion franchisee by 50%.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dan Bova, CEO, TYG Enterprises, LLC, 1/2 Cawarra Road, Caringbah, NSW, 2229, Australia (telephone: 858-241-4134); franchise@theyardgym.com.au.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., 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: February 16, 2024

Special Risks to Consider About *This Franchise*

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

1. **Out-of-state dispute resolution.** The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the state in the United States where we maintain our principal place of business. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. If you do not operate in the same state where we maintain our principal place of business, it may also cost more to mediate, arbitrate, or litigate with us than in your own state.
- ~~2. **Personal Guarantees.** A franchisee must be a business entity. All persons who own 5% or more of the equity or voting rights in the franchisee business entity and their spouses (if applicable) must execute personal guarantees. This requirement places the personal and marital assets of the franchise owner(s) at risk.~~
2. ~~3.~~ **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. ~~4.~~ **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
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.
5. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer. ~~Under the Franchise Agreement, the franchisor must indemnify you against any third party claims arising out of your use of the trademarks in accordance with the Franchise Agreement.~~

6. ~~Other Risks. There may be other risks concerning this franchise.~~ **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
7. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
8. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

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In 2023, our TYG Affiliate sold two licenses for the right to open and operate a THE YARD GYM facility in San Diego, California. The first licensed location opened in February, 2023, and the second licensed THE YARD GYM facility owned by a different licensee opened in July, 2023. We include both locations in Item 20 as operating outlets even though our TYG Affiliate awarded these licenses, not us. See Item 20 and **Exhibit K** for their locations. Our TYG Affiliate plans to assign its contracts with its San Diego licensees to us in 2024.

We were formed specifically to administer THE YARD GYM franchise program in the United States, which is modeled after THE YARD GYM franchise program that our affiliate, The Yard Gym Pty Ltd, operates in Australia. We have no predecessor. [While we have not conducted a business of the type to be operated by the franchisee, our affiliate, The Yard Gym Pty, Ltd., has operated a THE YARD GYM in Caringbah, Australia since July 13, 2020.](#)

We are not engaged in any other businesses and have never offered franchises in any other line of business. Our TYG Affiliate is not engaged in any other businesses and has never offered franchises in any other line of business.

The Franchises We Offer.

In this Disclosure Document, references to “Network Gym” and “Network Member” respectively refer to any THE YARD GYM fitness facility anywhere in the world and their owner, whether we, our affiliate, or another franchisee or licensee of ours or one of our affiliates owns and operates the Network Gym. References to “Franchised Gym” specifically refer to your THE YARD GYM franchised studio.

A YARD GYM franchise offers you the right to own and operate a boutique strength and conditioning fitness facility under the Licensed Marks that caters to all fitness levels and age groups with a distinctive system of strength, endurance, cardio, and short, intense anaerobic exercises. Members and clients of THE YARD GYM enjoy group fitness classes using world-class, pro-level proprietary fitness equipment branded and fabricated to our specifications. All group classes are pre-recorded 50-minute sessions that run continuously at set times during each day according to the schedule that you will determine for your Franchised Gym and publicize on the individual subpage (“Franchised Gym Subpage”) that we host on our website, www.theyardgym.com.au (the “TYG Website”), which you may customize.

The pre-recorded fitness classes feature our best THE YARD GYM instructors, who demonstrate a system of exercises targeting three main fitness goal - strength, power and endurance training. These exercises adhere to the basic fitness principles of progression, specificity, and individualization. You will display these pre-recorded instructor-led classes on television screens strategically placed in your Franchised Gym’s workout space so that clients who sign up for the class are able to perform the exercises as they watch our featured instructors on the television monitor illustrate form and technique. At least one of your training coaches must be on the workout floor throughout each group session to provide individual guidance to your clients to correct their form and proper use of fitness equipment and encourage clients to achieve progressive goals.

Our pre-recorded group classes fall into three main categories, “RIG,” “TURF,” AND “PAY DAY.” RIG strength and endurance classes run from Monday through Friday, with the first two days of RIG exercises focusing on building lower body strength; the next two days on building upper body strength; and the fifth day focusing on pushing, pulling, and deadlift exercises. We intersperse each day with pre-recorded TURF group sessions that mix different cardiovascular movements and exercises designed to build energy systems and augment power through interval weight training. Our floor coaches guide clients to improve their endurance progressively without the risk of injury or joint pain. Our

Saturday PAY DAY classes mix RIG and TURF exercises and organize clients into teams to build resilience and a fitness community at the same time. Franchisees may also offer evening sessions focusing on yoga and other mat exercises for which we do not furnish pre-recorded group classes. Each week we create and send new pre-recorded 50-minute “RIG,” “TURF,” AND “PAY DAY” class sessions to you that vary the exercises around our core principles to sustain client interest and motivation.

The Franchise Agreement gives you the right to own and operate one Franchised Gym at an “Approved Location,” the term we use to designate the premises that we approve for the location of your Franchised Gym. As we explain in Item 5, we will discount the Initial Franchise Fee by up to 20% if you desire to acquire and we agree to sell you additional franchises.

Network Gyms are distinguished by an elegant, calming, minimalist design aesthetic and energized vibe in a relatively compact space ranging from 2,000 to 4,400 square feet, and offer many of the same core amenities as larger full-service gyms. We supply significant support to help you open your Franchised Gym including providing you with a layout and floor plan for a prototype THE YARD GYM and detailed specifications for design, appearance, and trade dress elements. We will sell you an equipment package with all of the fitness equipment and props that you will need for your Franchised Gym all of which is branded and fabricated to our specifications. We describe the items in the equipment package in **Exhibit N** to this Disclosure Document. See additional disclosures in Item 5.

In addition, we will sell you “Branded Retail Merchandise” consisting of fitness apparel, water bottles, hats, beanies, towels, and other merchandise and accessory items that either display the Licensed Marks or are produced to our specifications. In the future, we may expand Branded Retail Merchandise to include wearable fitness tracking monitors (e.g., heart rate monitors) and proprietary nutritional foods, beverages, vitamins and supplements at prices that we publish in the Brand Standards Manual. You must offer to sell our entire Branded Retail Merchandise line from your Franchised Gym.

You will use best-in-class third-party software allowing your members and clients to buy class packages and memberships and sign-up for classes from their personal computer or cell phone on your personalized Franchised Gym Subpage. We will run a social media campaign to help publicize the opening of your Franchised Gym to help you attract members and build awareness for the Licensed Marks in your market area.

We offer optional assistance to help you manage your financial books and records by designating a third-party bookkeeping service provider (“Bookkeeping Service”) that you may choose to use to prepare your accounts payable, provide payroll services, and prepare financial reports for your Franchised Gym.

You must identify your Franchised Gym and classes using the specific Licensed Marks and signs that we designate, construct and build-out your Franchised Gym so that it conforms to our design and appearance specifications, and operate your Franchised Gym according to the mandatory comprehensive business methods including scheduling the specific group fitness classes that we authorize a minimum number of times per day and per month. These comprehensive business methods unify operations across Network Gyms owned by different Network Members, which, in turn, strengthens consumer awareness of the Licensed Marks helping to attract new members and clients.

Our comprehensive business methods cover most every aspect of a Network Gym’s operation including the following subject matters: (i) requirements for trade dress, equipment, fixtures, furnishings and layout of Network Gyms; (ii) specific fitness curriculum through pre-recorded group classes designed according to our “RIG,” “TURF,” AND “PAY DAY” training principles using our pro-level proprietary fitness equipment; (iii) training in how to train clients in properly using exercise machines

and props and related safety issues; (iv) client service standards; (v) local marketing and advertising programs; (vi) the retail sale of Branded Retail Merchandise; (vii) the sale of memberships, class packages and, if we introduce them, gift cards; (viii) standards for the genre and style of music that you may play during opening hours; (ix) use of specific business software applications and financial accounting and recordkeeping support; and (x) requirements for the use of the Licensed Marks and “Company’s Intellectual Property,” a term that we use to refer collectively to all of the intellectual property that we license you to use under the conditions in the Franchise Agreement, including information that we classify as “Confidential Information.” We refer to all of our recommended, mandatory and optional business methods, operating systems, and programs that we license you to use collectively as the “System.”

We promote Network Gyms on the TYG Website and will provide each Franchised Gym with their own “click through” Franchised Gym Subpage, where we customize the content to provide current information to your existing and prospective members and clients about your Franchised Gym’s operating hours, class descriptions, schedules and other services, prices, instructor profiles, location and travel directions, and special events, and where the public can sign-up for classes and childcare services (when a Franchised Gym has sufficient space to offer this service) remotely. You may use your Franchised Gym Subpage to sell membership and class packages for your own Franchised Gym.

In the future, we may introduce a membership program allowing reciprocity access at any Network Gym and a system-wide electronic gift card program covering all Network Gyms and require you to participate in these programs. We will notify you before we launch any network-wide membership or gift card programs and explain the reciprocity rules in the Brand Standards Manual including addressing when we recognize membership sales and gift card transactions in the calculation of Gross Revenue and other exchange conditions.

After you sign the Franchise Agreement, we will give you access to our confidential operating manuals (“Brand Standards Manual”), which contain our policies and procedures relevant to your franchise duties and operations and explains THE YARD GYM culture and System standards. We post the Brand Standards Manual on our “Network Portal,” a private, secure area on the TYG Website where you will find other sample marketing materials, announcements and information relevant to the System.

We offer franchises to operators with at least two years prior experience and own and operate a strength and conditioning gym at a location readily adaptable to a Network Gym and meet our financial and general background criteria. Before you sign the Franchise Agreement, we will evaluate your application and existing gym facility and let you know if you qualify as a “conversion franchisee.” Among other things, we extend a 50% discount to conversion franchisees off of the Initial Franchise Fee (see Item 5) and excuse conversion franchisees from paying Royalty Fees and Marketing Fees for the first 8 weeks after the Opening Date of their Franchised Gym. A conversion franchisee will sign a Conversion Addendum to the Franchise Agreement in the form of **Exhibit O** to reflect these terms when they sign the Franchise Agreement.

General Market For Your Products or Services and General Description of Competition.

The market for retail fitness is developed and highly competitive as new exercise concepts emerge. Your competitors may include other franchised and non-franchised strength and conditioning fitness programs that offer similar types of fitness classes that Network Gyms do, as well as exercise-specific studios featuring yoga or Pilates, larger-scale health clubs and gyms with different price-points and ranging from basic to luxury facilities, and personal fitness trainers. The availability of exercise videos and third party applications for purchase and download are another potential source of competition.

Besides the specific type of exercise, prospective and existing clients base their choice of fitness classes on a variety of other factors including price, class times, location, convenience of access, instructor, and the availability of ancillary services like showers and other locker room facilities and childcare services.

~~Your business will also be affected by its location, the locations of other fitness providers, your financial and managerial capabilities, the availability of labor, prevailing interest rates, changes in traffic patterns, and demographic and prevailing economic conditions. Some of our competitors have greater financial resources and longer operating histories than we have. There is also active competition for management and service personnel and for attractive commercial space suitable for Network Gyms.~~

In our experience, Network Gyms experience some changes in demand during certain periods of the year with higher demand immediately after each January 1 and slower demand during school holidays and summer vacation season.

Laws and Regulations.

Network Gyms are subject to federal and state laws specifically regulating health and fitness studios. Local laws may establish minimum health and safety standards, requirements for the sale of memberships, and requirements for contracts with consumers including refund conditions. Some state laws may require fitness studios that sell memberships to register with a state agency or post a bond. Other state laws may (i) require training to use and maintain safely equipment like automated external defibrillators and other first aid equipment and items; or (ii) require training and certification in ~~cardio~~ pulmonary cardiopulmonary resuscitation (CPR). Laws regulating fitness studios vary by jurisdiction.

In addition to laws that specifically apply to fitness facilities, Network Gyms are subject to laws and regulations affecting businesses generally. Among the laws that apply to businesses generally are those pertaining to zoning and construction; public accommodations; accessibility by persons with disabilities; health and safety requirements including the Occupational Safety and Health Act and state law counterparts; fire codes; environmental laws; smoking rules; labor laws; business licensing requirements; false advertising and other unfair business practices, and the USA Patriot Act and Executive Order 13224.

You are responsible for investigating and complying with all laws that will apply to your Franchised Gym and should consider their effect and cost of compliance.

Our Prior Experience.

Our CEO, Dan Bova, co-founded THE YARD GYM with his wife, Tiarne Bova, our Creative Director. Through our affiliate, The Yard Gym Pty, Ltd., they opened the first THE YARD GYM in a Sydney, Australia suburb on July 13, 2020 during the Covid-19 pandemic. We derive our experience from their experience. See additional information about our principals in Item 2.

ITEM 2

BUSINESS EXPERIENCE

Dan Bova – Managing Member, CEO.

In 2020, Dan Bova co-founded THE YARD GYM fitness concept with his wife, Tiarne Bova. Mr. Bova has worked in the fitness industry since 2012 when he set up his first fitness business offering bootcamp-style fitness franchises. In 2014, with partners, he acquired his first F45 franchise, a functional gym facility, in New South Wales Australia eventually adding two more franchise locations over the next 3 years also in New South Wales Australia. Mr. Bova served as head personal trainer for the F45 franchises and managed the ~~3~~three franchised outlets. Mr. Bova sold his interest in the F45 franchises in December, 2019, and through our affiliate, The Yard Gym Pty, Ltd., of which he is CEO, opened and operated the first THE YARD GYM in Australia on July 13, 2020. Mr. Bova organized our TYG Affiliate in 2021 and, under his leadership, as of the issuance date of this Disclosure Document, our TYG Affiliate has signed Franchise Agreements with 36 franchisees with 20 franchisee-owned THE YARD GYM facilities for locations in Australia and New Zealand. Mr. Bova is responsible for our company's strategic expansion into the United States, marketing programs, fitness program development, uniform business systems and quality control programs; and financial control and business administration.

Tiarne Bova – Managing Member and Creative Director.

Tiarne Bova co-founded THE YARD GYM fitness concept in 2020 with her husband, Dan Bova, and helped launch its franchise program in Australia. She serves as a managing member and Creative Director of our company, our TYG Affiliate, and our affiliate, The Yard Gym Pty, Ltd. She is responsible for the creative design, layout, aesthetics, and branding of Network Gyms and Branded Retail Merchandise, which influences our franchise program. In June 2010, Ms. Bova co-founded the on-line fashion label, ZALIAH (<https://zaliah.com.au/>), which she continues to operate as CEO of Zaliah PTY LTD., an Australian limited liability company, which maintains ~~its~~ principal place of business in Caringbah, Australia.

Cory George – Global Head of Growth.

Cory George has served as our Global Head of Growth since October, 2023. He is responsible for managing our franchise program in the U.S., including production innovation, ~~and strategic growth of THE YARD GYM brand in the U.S.~~ and strategic growth of THE YARD GYM brand in the U.S. ~~Prior to~~ Before joining our company, he was employed as the Global Ambassador/Athletics Director for F45 Training Incorporated from September, 2017, to September, 2023, based in West Hollywood, California. In this capacity, he was responsible for qualifying candidates and selling the F45 franchise; leading inductions and onboarding week for new F45 franchisees; heading athletic and performance workshops globally; hosting F45 community immersive events around the world; visiting F45 studios; securing and maintaining brand partnership; developing social media content; and overall global representation of the F45 brand. Mr. George is still based in West Hollywood, California.

Carl Giammarco – Head of Sales.

Carl Giammarco is our Head of Sales. He has been in that role since January 2024, and is based in Sydney, Australia. He is responsible for building, implementing and streamlining our U.S. and Australian sales teams, and he also sells THE YARD GYM franchises in Australia. Prior to joining our company, he was employed by Fitstop Australia from July 2023 through January 2024 in Brisbane,

ITEM 5

INITIAL FEES

Initial Franchise Fee – Start-Up Franchisee.

The Initial Franchise Fee is \$50,000 (“Initial Franchise Fee”) for the first franchise that you buy.

If we mutually agree to enter into a second or additional Franchise Agreement for another THE YARD GYM franchise, we extend a progressive 5% discount off of the then-current Initial Franchise Fee that we are charging Network Members in the United States buying their first franchise up to a maximum 20% discount, as shown in the following chart.

Number of Existing Franchise Agreements Previously Entered Into By and Between You or Your Affiliate and Us	Percentage Discount
0	0
1	5%
2	10%
3	15%
4	20%
Each Franchise Agreement Above 4	20%

You are under no obligation to buy an additional franchise, and we are under no obligation to sell you an additional franchise. If we agree to sell you a new franchise, the Initial Franchise Fee that we may charge in the future may be higher than the amount that you pay for your first franchise.

The Initial Franchise Fee is payable in full when you sign the Franchise Agreement, less the amount of the Application Fee that you must pay us when you submit an application to buy THE YARD GYM franchise. The Initial Franchise Fee is fully earned when paid and no portion of it is refundable except under the conditions that we explain in this Item 5.

We determine the Initial Franchise Fee in a uniform matter for Network Members in the United States. However, we may excuse or reduce the Initial Franchise Fee in individual cases in our discretion. For example, we may excuse or reduce the Initial Franchise Fee if we sell a franchise for a location in the United States to friends and family members of our owners or members of our or our affiliates’ management, or to an employee of a Network Gym anywhere in the world with at least two years management-level experience.

Initial Franchise Fee – Conversion Franchisee.

A conversion franchisee will pay an Initial Franchise Fee equal to 50% of our Initial Franchise Fee. Conversion franchisees also enjoy a progressive 5% discount off of 50% of the then-current Initial Franchise Fee if we agree to enter into a second or additional Franchise Agreement with the conversion franchisee even if, for the second or additional franchise, the conversion franchisee does not physically convert an existing fitness facility that they own and operate to a Franchised Gym and must identify a suitable location for the Approved Location of their second or additional franchise.

Application Fee.

~~You~~ [Whether you are a start-up or a conversion franchisee, you](#) will pay us an application deposit of \$5,000 when you submit an application (**Exhibit M**) to purchase a franchise. If we approve your application, we credit this amount to the Initial Franchise Fee. If we do not approve your application or

you decide to withdraw your application after we approve it, we will refund \$2,500 of the deposit and retain \$2,500, which is non-refundable. You pay the entire balance of the Initial Franchise Fee when you sign the Franchise Agreement. There is no application fee in connection with your purchase of an additional franchise.

Other Initial Fees.

Before the “Opening Date” of your Franchised Gym, which is the date on which your Franchised Gym first starts to offer group classes to members of the public, you must make the following payments to us or our TYG Affiliate:

1. When you execute the Franchise Agreement, you must pay us a Grand Opening Launch Fee of \$7,000 to cover our expenses to prepare and place social media publicizing the opening of your Franchised Gym. This fee is not refundable except under the conditions that we describe in this Item 5. [This fee applies equally to start-up and conversion franchisees.](#)

2. Once we approve the premises (“Approved Location”) of your Franchised Gym, [or, if you are a conversion franchisee, after you sign the Franchise Agreement,](#) we will prepare a proposed layout and floor plan for a workout space and designate the initial equipment package that you must buy based on the size and configuration of the workout area and separate stretch area if the Approved Location is large enough to accommodate a separate stretch area. The initial equipment package will include the categories and types of fitness equipment that we list on **Exhibit N**, all of which is branded and fabricated for us to our specifications. We anticipate the cost of the initial equipment pack will range from \$75,000 to \$105,000. The specific number of units of equipment that you will buy does not vary significantly based on the total square footage of your Approved Location, which will range from 2,000 to 4,400 square feet. We help you design your gym floor space to accommodate the fitness equipment package. You will pay us 100% of the cost of the equipment package when you sign the Franchise Agreement. We will arrange with the designated third party supplier of our proprietary fitness equipment to deliver the equipment package directly to your Franchised Gym. We pass through the shipping and delivery costs to you, which you must reimburse us for within 30 days of invoice. While we try to coordinate delivery with the completion of the construction and development of your Approved Location, you may incur additional expenses payable to third parties to store the equipment package off-site if the Approved Location is not ready for installation of equipment when the designated third party supplier ships the equipment package. The Brand Standards Manual identifies additional fitness equipment including rowing machines that you must purchase from a third party supplier.

3. ~~You~~[If you are a start-up franchisee, you](#) must use your best efforts to diligently complete the development and construction of the Approved Location, hire and train staff members, prepare your Franchised Gym for the Opening Date, and open your Franchised Gym for business to the public within 180 days from the date that you take possession of the Approved Location after signing the lease and “Addendum to Lease,” which is a contract between you, us and the landlord of the proposed franchise premises in the form of **Exhibit D** that gives us the option to assume your lease if the Franchise Agreement expires or terminates for any reason. See Item 8. If, despite using your best efforts, the Opening Date is delayed for reasons not attributable to an event of Force Majeure, which we define in the Franchise Agreement as events beyond your reasonable control, you must pay us a non-refundable Opening Date extension fee of \$5,000 for each 30 day extension until the actual Opening Date. We do not prorate the Opening Date extension fee if the actual extension period is less than 30 days.

[If you are a conversion franchisee, you are expected to use your best efforts to complete the conversion requirements as expeditiously as possible. The Opening Date extension fee does not apply to a conversion franchisee.](#)

4. Once we designate the Approved Location [or, if you are a conversion franchisee, when you sign the Franchise Agreement](#), you must purchase an initial inventory of Branded Retail Merchandise from us. Based on a prototype-size THE YARD GYM of 2,000 to 4,400 square feet, we anticipate the cost of an opening inventory will range from \$5,000 to ~~\$15,000~~[10,000](#). Payment in full is due at the time of invoice. We will arrange to ship the Branded Retail Merchandise to your Franchised Gym and pass through shipping and delivery costs, which you must reimburse us for within 30 days of invoice. In the future, Branded Retail Merchandise may include nutritional supplements and beverages.

Security Deposit.

When you sign the Franchise Agreement, in addition to the Initial Franchise Fee, you must pay us a refundable Security Deposit of \$5,000 (the “Security Deposit”). The Security Deposit is non-interest-bearing and will be held by us as security for your performance of all obligations under the Franchise Agreement. [The Security Deposit applies equally to start-up and conversion franchisees.](#)

We may charge the Security Deposit if you fail to pay Royalty Fees, Marketing Fees, or other amounts due to us or our affiliate under the Franchise Agreement, to reimburse us for Non-Compliance Fees (See Item 6), or if you breach the Franchise Agreement in some other material respect. By charging the Security Deposit, we do not waive our right to enforce any other remedies that we may have arising from your default including terminating the Franchise Agreement in accordance with its terms. If we debit the Security Deposit, we will notify you in writing of the amount of the debit, and allow you 15 days in which to restore the Security Deposit to the full amount.

When the Franchise Agreement terminates or expires, we may apply any balance of the Security Deposit on hand to any outstanding amount that you owe to us at that time. We will refund the balance of the Security Deposit to you within 30 days after the expiration or termination of the Franchise Agreement. You must sign our form of general release (**Exhibit E**) as a condition to obtaining the refund.

Initial Franchise Fee - Refund Conditions.

~~Either~~[If you are a start-up franchisee, either](#) you or we may terminate the Franchise Agreement if, within 180 days following execution of the Franchise Agreement, you have not completed all of the following steps in the development process of your Franchised Gym: (i) obtained our written approval to a site for your Franchised Gym; (ii) provided us with an executed copy of the lease and an Addendum to Lease in the form of **Exhibit D** to this Disclosure Document; and (iii) executed Schedule A to the Franchise Agreement to identify the Approved Location’s address and the Territory of your Franchised Gym. If either one of us elects to terminate the Franchise Agreement for this reason, we will refund all but \$5,000 of the Initial Franchise Fee, and the entire Security Deposit and Grand Opening Launch Fee. You must sign our form of general release (**Exhibit E**) as a condition to obtaining the refund.

Otherwise, none of the initial fees that we describe in this Item 5 [that are payable by a start-up or conversion franchisee](#) are refundable.

ITEM 6

OTHER FEES

<u>TYPE OF FEE</u>	<u>AMOUNT</u>	<u>DUE DATE</u>	<u>REMARKS</u>
Royalty Fee (See Note 1)	<p>The greater of (i) 7% of the Gross Revenue of the Franchised Gym; or (ii) \$1,500 per Calendar Month prorated for any partial Calendar Month.</p> <p>The minimum Royalty Fee does not begin until the first Calendar Month after the aggregate Gross Revenue of the Franchised Gym in any Calendar Month exceeds \$30,000.</p> <p>We may increase the minimum Royalty Fee by up to 10% per year over the prior year's rate.</p>	<p>Payable monthly on or before the 15th day of the month based on Gross Revenue during the prior calendar month, starting from the Opening Date. Payment is accomplished by following the procedures of our designated electronic funds transfer ("EFT") system.</p> <p><u>The minimum Royalty Fee does not begin until the first Calendar Month after the aggregate Gross Revenue of the Franchised Gym in any Calendar Month exceeds \$30,000.</u></p>	<p>We define Gross Revenue in the Franchise Agreement.</p> <p>We may change the Accounting Period for payment periodically on 30 days prior written notice.</p> <p>Applicable to conversion franchisees only: for each Franchised Gym that a conversion franchisee owns, we excuse the conversion franchisees from paying Royalty Fees for the first 8 weeks after the Franchised Gym's Opening Date.</p> <p><u>We may increase the minimum Royalty Fee by up to 10% per year over the prior year's rate.</u></p>
Marketing Fee (See Note 1)	<p>The greater of (i) 2% of the Gross Revenue of the Franchised Gym; or (ii) \$200 per Calendar Month prorated for any partial Calendar Month.</p> <p><u>Payable monthly at the same time and in the same manner as the Royalty Fee.</u></p> <p>The minimum Marketing Fee is subject to the same conditions as the minimum Royalty Fee and begins when the minimum Royalty Fee begins.</p> <p>We may increase the minimum Marketing Fee by up to 10% per year over the prior year's rate. Payable monthly at the same time and in the same manner as the Royalty Fee.</p>		<p>See Item 11 for additional disclosures.</p> <p>Applicable to conversion franchisees only: for each Franchised Gym that a conversion franchisee owns, we excuse the conversion franchisees from paying Marketing Fees for the first 8 weeks after the Franchised Gym's Opening Date.</p> <p><u>We may increase the minimum Marketing Fee by up to 10% per year over the prior year's rate.</u></p>
New proprietary fitness equipment, props, accessories, and replacement parts after the sale of the initial equipment package	<p>According to the then-current price list and on the terms that we will publish in the Brand Standards Manual. <u>At this time, we currently estimate this cost will range between \$75,000 - \$105,000.</u></p>	<p>Payment is payable in full when you place the order. We may change our payment terms at any time on no less than 30 days written notice.</p>	<p>Payable to our TYG Affiliate until further notice.</p> <p><u>See additional disclosures in Item 7.</u></p>
Branded Retail Merchandise	<p>According to the then-current price list and on the terms that we will publish in the Brand Standards Manual. <u>At this time, we currently estimate this cost will range between \$5,000 - \$10,000.</u></p>	<p>Payment is payable in full when you place the order. We may change our payment terms at any time on no less than 30 days written notice.</p>	<p>Payable to our TYG Affiliate until further notice.</p> <p><u>See additional disclosures in Item 7.</u></p>
Non-Compliance Fees (See Note 2)	<p>Non-Compliance Fees range from \$250 to \$2,000 per infraction and are imposed if</p>	<p>We may debit your Security Deposit or sweep your operating account for</p>	<p>We may increase each Non-Compliance Fee by up to 10% per year over the prior</p>

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	<p>you fail to cure a deficiency by the deadline in our citation notice (“Citation Deadline”). We publish Non-Compliance Fees in the Brand Standards Manual.</p>	<p>the amount of the Non-Compliance Fee if you fail to correct the deficiency by the Citation Deadline.</p>	<p>year’s rate. Imposition of Non-Compliance Fees is not in lieu of our right to terminate the Franchise Agreement based on the same deficiency nor does our receipt of Non-Compliance Fees preclude us from seeking other remedies. We publish Non-Compliance Fees in the Brand Standards Manual.</p>
<p>Fee for Additional On-Site Training or Special Visit after the Opening Date</p>	<p>If you request additional training after the Opening Date or wish to qualify another person as a General Manager, you must pay us our then-current per diem training fee, which at this time is \$500 per person per day (8 hours with no proration for a partial day) plus reimbursement of our reasonable travel costs to send one of our employees to your Franchised Gym if we provide additional training or make a special visit to your Franchised Gym after the Opening Date at your request. We charge a per diem training fee for any travel day involving more than 3 hours of travel each way to or from your Franchised Gym in addition to reimbursement of reasonable travel costs.</p>	<p>Post-Opening training fees are payable in full before training begins. Reimbursement of our travel expenses is payable within 30 days of our invoice date. We do not prorate the per diem rate for less than a full day (8 hours) of training. If we provide additional training in your Franchised Gym, we charge for travel days before and after training if travel takes longer than two hours in each direction from our training staff member’s home.</p>	<p>See Item 11 for additional information regarding our Operations training tracks. We may increase the daily training fee each year by up to 10% above the prior year’s rate. This fee is imposed if you request additional training or support beyond our normal visits or we require remedial training. We charge a per diem training fee for any travel day involving more than 3 hours of travel each way to or from your Franchised Gym in addition to reimbursement of reasonable travel costs.</p>
<p>Service Charge for Insurance (See Note 3)</p>	<p>The cost of purchasing replacement insurance plus 25%.</p>	<p>Upon receipt of invoice.</p>	<p>The service charge is only payable if you fail to carry the insurance we require and if we decide to purchase the insurance coverage for you. We have no obligation to obtain coverage for you and may, instead, at our option terminate the Franchise Agreement based on your material breach.</p>
<p>Renewal Fee</p>	<p>\$7,500</p>	<p>When you give notice of your exercise of the renewal option, at least 9 months, but not more than 12 months, before expiration of the current term.</p>	<p>See conditions of renewal in Item 17 and in the Franchise Agreement.</p>
<p>Transfer Fee</p>	<p>\$10,000.</p>	<p>When you apply for our consent to a proposed</p>	<p>If we refuse to consent to the proposed Event of Transfer, we</p>

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	<p>If you own and transfer more than one franchise simultaneously to the same proposed transferee as part of the same transaction, the maximum transfer fee that you will pay is the sum of \$10,000 for the first franchise; \$5,000 per franchise for franchises 2 through 5; and \$2,500 per franchise for each additional franchise over 5.</p>	<p>Event of Transfer. “Event of Transfer” means any of the following: (i) the sale or assignment of the Franchise Agreement; (ii) the sale of securities requiring registration or a private placement offering memorandum under applicable law; (iii) the right to appoint a majority of the directors, officers or managers of a franchisee; or (iv) the offer to sell or sale of sufficient equity interests in Franchisee to result in a change of Control.</p>	<p>may keep up to \$2,500 of the Transfer Fee to cover our expenses in reviewing the proposed transfer request.</p> <p>If we consent to the proposed Event of Transfer and exercise our right of first refusal, we may keep up to \$2,500 of the Transfer Fee to cover our expenses in reviewing the proposed transfer request.</p> <p><u>If you own and transfer more than one franchise simultaneously to the same proposed transferee as part of the same transaction, the maximum transfer fee that you will pay is the sum of \$10,000 for the first franchise; \$5,000 per franchise for franchises 2 through 5; and \$2,500 per franchise for each additional franchise over 5.</u></p>
<p>Transfer Fee - Qualified Transfers (See Note 4)</p>	<p>\$2,500 per Qualified Transfer.</p>	<p>When you apply for our consent to a proposed Event of Transfer.</p>	<p>“Qualified Transfers” are changes in ownership amounting to less than a controlling interest or the transfer of the franchise or area development rights to a newly formed entity which you wholly own.</p>
<p>Audit</p>	<p>If an audit of your books and records shows an understatement of Gross Revenue for any period of any amount, you must pay us the full amount of the underpayment with interest and late charges.</p>	<p>30 days after we complete audit results.</p>	<p>If an audit of your books and records shows an understatement of Gross Revenue for any period of 3% or more, you must also reimburse us for the cost of conducting the audit (including our reasonable accounting, legal fees and travel expenses).</p>
<p>Interest on Late Payments</p>	<p>1.5% per month per annum not to exceed the maximum legal rate of interest.</p>	<p>Interest accrues immediately after due date if you fail to pay full obligation. Late payment is a material default under the Franchise Agreement. By charging interest, we do not waive our right to terminate the Franchise Agreement on account of late payment.</p>	<p>Applies to all amounts payable to us under the Franchise Agreement. Interest is payable on the entire overdue amount beginning with the date payment is due until you pay the arrearage, late charge and interest in full.</p>
<p>Remedial Work to Correct Unhealthy or Unsafe Condition</p>	<p>Service charge equal to 25% of the cost of the remedial or corrective work if we elect to correct any unhealthy or unsafe condition at your Franchised Gym. Additionally, you must reimburse us for all of our</p>	<p>Upon receipt of invoice.</p>	<p>We have no obligation to perform remedial work and may, instead, at our option terminate the Franchise Agreement based on your material breach of the obligation to operate in compliance with all laws and in</p>

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
	actual direct costs in performing the work, including for labor, materials, travel, supervision and subcontractors.		a safe and sanitary manner.
Annual Meeting Registration Fee (Not yet required)	Up to \$500/person Attendance of your Primary Owner is mandatory.	Before an annual meeting	When we reach sufficient size, we may conduct an annual meeting of Network Members and charge a registration fee of up to \$500 per person, which we may increase by up to 10% per year. Attendance of your Primary Owner is mandatory. Additionally, you must pay for all travel expenses for you and your employees and independent contractors who attend the annual meeting. We may conduct the annual meeting in any country in the world where we have two or more franchisees.
Indemnification and Defense	All costs including attorneys' fees; amount will vary under the circumstances.	As we incur expenses and present them to you.	You must reimburse us for losses which we suffer resulting from the operation of your business. We may retain our own legal counsel. You must reimburse us for our legal and other professional expenses related to the claim.
Alternate Supplier Testing Fee	Based on our actual cost, but not to exceed \$2,500 per request.	When you request approval of an alternate supplier	See Item 8
Mystery Shopper Fee (Not yet required) (See Note 5)	Based on actual costs which we estimate may be up to \$100/month. We base our estimate of mystery shopper fees on the range of fees that mystery shopper companies charge at this time and the average number of mystery shopper visits we anticipate the mystery shopper company will make each year to each Network Gym in good standing— Actual mystery shopper fees will be higher in situations if a Franchised Gym requires multiple mystery shopper visits to correct poor scores. We may increase this fee each year by up to 10% above the prior year's rate.	We may direct you to pay us the Mystery Shopper Fee which we will forward to the mystery shopper company or have you remit payment directly to the mystery shopper company according to the company's payment terms Payment to us is due within 10 days of invoice unless we indicate otherwise.	The amount of Mystery Shopper Fees depends on the charges which the mystery shopper company imposes and the frequency of mystery shopper visits. We invoice you periodically depending on whether the mystery shopper company's invoices indicate that the company made mystery shopper visits to your Franchised Gym during the invoice period. The mystery shopper company may increase its fee at any time. We may direct the mystery shopper company to increase the number of visits to your Franchised Gym if the location's mystery shopper scores indicating operating deficiencies or client relations problems in our judgment. We base our estimate of mystery

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			<p>shopper fees on the range of fees that mystery shopper companies charge at this time and the average number of mystery shopper visits we anticipate the mystery shopper company will make each year to each Network Gym in good standing. Actual mystery shopper fees will be higher in situations if a Franchised Gym requires multiple mystery shopper visits to correct poor scores.</p> <p>We may increase this fee each year by up to 10% above the prior year's rate.</p>
<p>Management Fee (See Note 6)</p>	<p>The then-current management fee that we publish in the Brand Standards Manual, which currently is 5% Gross Revenue.</p> <p>Additionally, you must reimburse us for our reasonable and direct overhead expenses to manage your business including salary for employees, and pay us all continuing fees (e.g., Royalty Fees, Marketing Fees).</p>	<p>Payable monthly for the same period as the Royalty Fee.</p>	<p>We may impose a Management Fee if we elect to manage your Franchised Gym after a death or permanent incapacity that results in a Change of Control.</p> <p>Payment of the Management Fee is in addition to payment of all other obligations and fees required to be paid to us under the Franchise Agreement including Royalty Fees and Marketing Fees.</p>
<p>Relocation Fee</p>	<p>\$1,500 per site evaluation</p> <p>We may increase this fee each year by up to 10% above the prior year's rate.</p>	<p>Payable only if you must relocate the Approved Location.</p>	<p>We may increase this fee each year by up to 10% above the prior year's rate.</p>
<p>Administrative Fee (See Note 7)</p>	<p>\$50/month</p>	<p>Payable monthly at the same time and in the same manner as the Royalty Fee.</p>	<p>We charge \$10/month per additional email address over the 3 email addresses that we furnish for the Administrative Fee.</p>
<p>Webmaster Fee for Hosting the Franchised Gym Subpage (Payable only if you request content changes. See additional disclosures in Item 11.)</p>	<p>If you request changes to the content on your Franchised Gym Subpage after its initial setup, we may charge a Webmaster Fee for the time that it takes our webmaster to input your changes according to the then-current hourly rate posted in the Brand Standards Manual, which currently is \$100/hour.</p>	<p>Within 30 days after the date of our invoice.</p>	<p>We do not impose any fee to set up your Franchised Gym Subpage initially.</p> <p>We may increase the maximum monthly host fee by up to 10% per year over the prior year's rate.</p>
<p>Social Media Lead Generation Services (optional)</p>	<p>\$900/Calendar Month</p>	<p>Payable monthly for the same period as the Royalty Fee.</p>	<p>We may increase this fee by up to \$50/Calendar Month each Calendar Year.</p> <p>While you are not obligated to use our lead generation services,</p>

NOTE 3. ~~Insurance. The Brand Standards Manual identifies the types and minimum insurance coverage that you must carry. We make no representation that the coverage will be sufficient for your business or purposes. You need to evaluate if your business will require greater coverage or other types of insurance.~~

~~Payments for insurance are made to third party insurance companies unless you fail to have the required insurance and we elect to obtain it for you, in which case we may impose a service fee equal to 25% of our costs and immediate reimbursement of our expenses on your behalf.~~

~~Our current minimum insurance requirements for Network Gyms in the United States are as follows:~~

REQUIRED COVERAGE	MINIMUM LIMITS OF COVERAGE
General Liability Aggregate See note (1)	\$1 Million Dollars per occurrence \$2 Million Dollars aggregate coverage
Products/Completed Operations Aggregate	\$2 Million Dollars aggregate coverage
Broad form Contractual Liability; Personal and Advertising Injury	\$1 Million Dollars
Non-owned Automobile Liability	\$1 Million Dollars per occurrence
All "Risks" or "Special" form general casualty insurance	Full replacement value of your Franchised Gym and its contents based on the cost of replacing the damaged or destroyed property with property meeting Company's current specifications at the time replacement is required
Fire Damage (any one fire)	\$1 Million Dollars Fire Legal Liability or the hire amount required by the Lease
Business Interruption Insurance	\$1 Million Dollars
Workers compensation and employer's liability insurance, together with any other insurance required by law	Minimum limits required by law

~~(1) Comprehensive general liability insurance combined single limit (including broad form contractual liability), or the higher amount required by the premises lease, insuring you, us and any of our affiliates that we designate against claims for personal injury or property damage from your business operations.~~

~~You must obtain additional insurance if required by the lease of the Approved Location. Any person or firm that you hire as a general contractor or to perform comparable services must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of \$1 Million Dollars aggregate or the higher amount required by applicable law plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.~~

~~We may periodically modify our minimum requirements to reflect inflation, general industry standards or our future experience with claims. If you do not maintain the minimum insurance coverage that we require, we may obtain the above insurance coverage for you and charge you a service fee as described in the Item 6 chart. For additional conditions applicable to mandatory insurance including the requirement that your insurance policies name us as an additional insured, see the Franchise Agreement (Exhibit C) [Item 8 describes our minimum insurance requirements.](#)~~

NOTE 4. Transfer. The Franchise Agreement defines what events constitute an “Event of Transfer” and a “Qualified Transfer.” See also Item 17.

NOTE 5. Mystery Shopper Fee. In the future, we plan to introduce a mystery shopper program using the services of an outside mystery shopper company that will perform regular mystery shopper visits to your Franchised Gym to provide you with critical feedback and insight into the effectiveness of your operations from a client’s perspective. When we implement the program, you must participate in it. The mystery shopper program will supply us with benchmark data that will help us compare the performance of your Franchised Gym against local competitors and other Network Gyms and franchise owners and develop chain-wide benchmarks and competitive intelligence benefiting all Network Gyms. We may collect a Mystery Shopper Fee or, alternatively, at our option, have you pay the mystery shopper company’s fees directly to the company.

NOTE 6. Management Fee. The death or permanent incapacity of one of your Primary Owners may result in a Change of Control and trigger an Event of Transfer that requires our prior written consent. If, immediately after a death or permanent incapacity of a Primary Owner resulting in a Change of Control, your remaining management cannot demonstrate to our reasonable satisfaction that they can operate your Franchised Gym in accordance with the requirements of the Franchise Agreement, we may assume day-to-day management of your Franchised Gym for your account for up to 90 days during the interim period until they obtain our consent to an Event of Transfer. We will apply our “reasonable business judgment” to determine if your remaining management are capable of operating your Franchised Gym in accordance with the requirements of the Franchise Agreement to our reasonable satisfaction. We define “reasonable business judgment” in Section XXII.H of the Franchise Agreement.

Out of your Franchised Gym’s cash flow, we may retain enough to pay ourselves the continuing fees under the Franchise Agreement, the Management Fee, and reimburse ourselves for our out-of-pocket expenses. Your obligation for these fees does not depend on your Franchised Gym having positive cash flow.

NOTE 7. Administrative Fee. In exchange for paying us an Administrative Fee of \$50/month, we will provide you with (i) 3 email accounts (designated as “Owner@,” “Manager@,” and “Front Desk@”) linked to the Franchised Gym Subpage that we host on the TYG Website to facilitate your communications with clients; (ii) use of a secure cloud-based file sharing service facilitating the transfer of documents and information between us; and (iii) access to our Network Portal. For an additional fee of \$10 per month per email address, we will provide additional email addresses for your Primary Owner, General Manager, and any other employees whom you designate that are linked to your Franchised Gym Subpage. We may increase the Administrative Fee by up to 10% per year effective on January 1 of each calendar year during the term of your Franchise Agreement without proration for any partial period on at least 30 days’ prior written notice.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Start-Up Franchisee				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 1)	\$50,000	Immediately available funds when you sign the Franchise Agreement	\$5,000 when you submit an application; balance when you sign the Franchise Agreement	Us
Security Deposit (See Note 1)	\$5,000	Immediately available funds when you sign the Franchise Agreement		Us
Training Expenses (See Note 2)	\$1,000 to \$5,000	As incurred	As required	Miscellaneous third parties or HQ
Real Estate Lease and Lease Security Deposit (See Note 3)	\$24,000 to \$280,000	As arranged	Before you get keys to Real Estate	Landlord
Initial Exercise Pack (See Note 4)	\$75,000 -\$105,000	Immediately available funds	As required	TYG Affiliate
Professional Fees (attorney, accounting fees) (See Note 9)	\$2,000 to \$8,000	As arranged	As arranged	Third parties, including architects, lawyers and accountants
Leasehold improvements, fixtures, construction and remodeling costs, décor items, furnishings, décor and decorating costs, interior and exterior signs, architect and design fees for construction drawings (See Note 5)	\$100,000 to \$300,000	As required	As required	Third party suppliers
Opening inventory of Branded Retail Merchandise (See Note 6)	\$1,000 <u>\$5,000</u> to \$10,000	Immediately available funds	As required	Designated exclusive third

Start-Up Franchisee				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
				party supplier
Mindbody Software and Computer System Hardware and Other Business Equipment (See Note 7)	\$8,500 to \$20,000	As required	As required	Us; Mindbody; Apple or others
Security Deposits (excludes real estate deposit), utility deposits, business licenses, and other pre-paid expenses (See Note 8)	\$1,000 to \$5,000	As arranged	As arranged	Suppliers; Government Agencies; Utility Companies
Grand Opening Launch Marketing (See Note 10)	\$7,000 to \$15,000	As arranged	As arranged	HQ
Insurance (See Note 11)	\$2,000 to \$5,000	As arranged	As arranged	Miscellaneous third parties
Additional Funds (Initial period begins with date of Franchise Agreement and ends 3 months after Opening Date; excludes rent which we include in the Real Estate Lease line item) (See Note 12)	\$60,000 to \$100,000	As arranged	As arranged	Miscellaneous third parties
TOTAL	\$336,500 \$340,500 to \$908,000	As arranged	As arranged	To multiple

Conversion Franchisee				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 1)	\$25,000	Immediately available funds when you sign the Franchise Agreement	\$5,000 when you submit an application; balance when you sign the Franchise Agreement	Us
Security Deposit (See Note 1)	\$5,000	Immediately available funds when you sign the Franchise Agreement		Us
Training Expenses (See Note 2)	\$1,000 to \$5,000	As incurred	As required	Miscellaneous third parties
Real Estate Lease and Lease Security Deposit (See Note 3)	\$0	As arranged		Landlord
Initial Exercise Pack (See Note 4)	\$75,000 to \$110,000	Immediately available funds	Payable in full when you sign the Franchise Agreement.	TYG Affiliate
Professional Fees (attorney, accounting fees) (See Note 9)	\$2,000 to \$8,000	As arranged	As arranged	Third parties, including architects, lawyers and accountants
Leasehold improvements, fixtures, construction and remodeling costs, décor items, furnishings, décor and decorating costs, interior and exterior signs, architect or design fees including cost to prepare construction drawings (See Note 5)	\$50,000 to \$250,000	As required	As required	Third party suppliers
Opening inventory of Branded Retail Merchandise (See Note 6)	\$1,000 <u>\$5,000</u> to \$10,000	Immediately available funds	Before the Opening Date	TYG Affiliate
Mindbody Software and Computer	\$8,500 to	As required	As required	Mindbody; Apple

Conversion Franchisee				
Column 1	Column 2	Column 3	Column 4	Column 5
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
System Hardware and Other Business Equipment (See Note 7)	\$20,000			or other third parties
Security Deposits (excludes real estate deposit), utility deposits, business licenses, and other pre-paid expenses (See Note 8)	\$0	As Arranged	As Arranged	Suppliers; Government Agencies; Utility Companies
Grand Opening Launch Marketing (See Note 10)	\$7,000	As Arranged	Before the Opening Date	Us
Insurance (See Note 11)	\$0	As arranged	As arranged	Miscellaneous third parties
Additional Funds (Initial period begins with date of Franchise Agreement and ends 3 months after Opening Date) (See Note 12)	\$10,000 to \$50,000	As arranged	As arranged	Miscellaneous third parties
TOTAL	\$184,500 188,500 to \$490,000	As arranged	As arranged	To multiple

THE FOLLOWING NOTES ACCOMPANY THE ITEM 7 CHART

General Remarks About Item 7: Item 7 explains your likely initial investment to open and begin operating a Franchised Gym during the initial period. The initial period begins with the date of the Franchise Agreement and ends 3 months after the Opening Date.

We present a separate initial investment chart for conversion franchisees because a conversion franchisee will own and be operating a strength and conditioning gym that we believe is suitably adaptable to a Network Gym when they sign the Franchise Agreement. Therefore, a conversion franchisee will not need to incur some of the initial investment expenses that a non-conversion (i.e., “Start-Up”) franchisee will incur. The initial investment chart estimates a conversion franchisee’s incremental expenses during the initial period to convert their existing gym facility to a Franchised Gym. We include our assumptions regarding a conversion franchisee’s likely incremental costs in these notes. For example, we assume that a conversion franchisee will not have any incremental real estate costs to convert their gym to a Franchised Gym because they will have signed a lease before purchasing the franchise. If an Item 7 note does not discuss specific assumptions applicable to a conversion franchisee, we believe a conversion

franchisee's initial investment expense will be comparable to a start-up franchisee's initial investment expense.

The low/high figures in both charts are based on a Franchised Gym that ranges in size between 2,000 to 4,400 square feet. Consequently, the low estimates assume a 2,000 square foot Franchised Gym, and the high estimates assume a 4,400 square foot Franchised Gym.

These notes are an integral part of Item 7. They provide additional details about each expense category and the variables and assumptions that may influence the low and high initial investment estimates. ~~You are responsible for investigating your own initial investment expenses, which may be materially different depending on a variety of factors including prevailing economic conditions in the geographic market where you open your Franchised Gym, space availability, prevailing lease costs, and amounts paid to instructors.~~

Refund Conditions. The Initial Franchise Fee and Security Deposit are refundable under the conditions that we explain in Item 5. The security deposit that you pay to the landlord for the premises lease may be refundable at the end of the lease under the conditions in the applicable lease. Otherwise, none of the initial investment payments are refundable unless you negotiate for refund terms with the third party vendor or supplier. We make no representation regarding your ability to obtain refund terms with third parties with which you deal in establishing your Franchised Gym.

NOTE 1. Initial Franchise Fee and Security Deposit. ~~See Item 5.~~ The amount shown in the chart for the Initial Franchise Fee is for your first Franchised Gym and is if you do not qualify for a discounted Initial Franchise Fee under the conditions explained in Item 5. A \$5,000 Security Deposit is paid upon signing the Franchise Agreement.

NOTE 2. Initial Training. The low range of \$100 assumes that 2 individuals, your Primary Owner and one more person who you want to qualify as a General Manager, attend the Business Operations and Coach Training modules of the initial training program before the Opening Date and reside close enough to the San Diego, California Network Gyms where (until further notice) we intend to conduct these modules so that you may drive daily to one of the San Diego Network Gyms and therefore have no expenses for airfare, car rental, hotel, or other significant travel costs besides the cost of gas. The high estimate of \$5,000 assumes that the same 2 individuals attend both modules, but will incur airfare, car rental, hotel, and other travel costs and room and board expenses to travel to San Diego, California.

In addition to being responsible for travel expenses for those who attend our initial training program on your behalf, you are responsible for paying salaries to employees while they attend training. No allowance is made for payment of salary to your Primary Owner during the initial phase of operations (i.e., from the date that you sign the Franchise Agreement through the end of the first 3 months after the Opening Date).

NOTE 3. Real Estate.

Assumptions for Start-Up Franchisees: Item 7 assumes that you lease space for your Franchised Gym from a third party landlord and do not acquire the real estate. You must adjust the Item 7 estimates if we approve premises for your Franchised Gym that is in a building that you buy or already own.

Rental costs per square foot for commercial retail space vary considerably by geographic market (population density, demographic conditions, desirability and demand for space influence actual rent); physical size and conditions; type of retail space; the location's placement in a larger retail complex; prevailing market and economic conditions; and prior use of the space. In addition to rent, landlords also

building codes, health codes, prevailing economic conditions and the need to use union labor which is generally more expensive than non-union labor. The low estimate assumes that the approved site was previously used as a fitness facility. The high estimate assumes the approved site is a “vanilla box,” i.e., the interior condition of a new or existing building or suite that has been prepped with heating/cooling delivery systems, lighting, electrical switches and outlets, a finished ceiling, walls that are prepped for painting, plumbing and other utilities to stub, and a concrete slab floor. The low and high estimates include an allowance for architect or design fees to prepare construction drawings.

Fixtures, furnishings and décor items include a front desk, locker area, lounge furniture, sound system and video screens, and installation of televisions in the workout area. Fixtures and other fixed assets include all custom-made millwork, cabinetry and shelving, lighting, flooring, and build-out of two separate locker rooms and shower facilities with a minimum of two restrooms and sinks per locker room. Leasehold improvements include interior and exterior signs.

This category excludes costs associated with the preparation of design and construction documents, architectural fees, and building permits, which we account for separately.

Assumptions for Conversion Franchisees: A conversion franchisee will completely remodel their existing gym facility to convert it to the design and appearance requirements of a Franchised Gym.

NOTE 6. Branded Retail Merchandise - Opening Inventory. See Item 5.

You must purchase from our TYG Affiliate a sufficient inventory of Branded Retail Merchandise for resale to clients of your Franchised Gym who complete their transactions at your Franchised Gym and enough branded t-shirts for your employees to wear at work. The low/high estimates cover just your initial opening inventory costs; we include expenses to replenish Branded Retail Merchandise inventory after the Opening Date and through the end of the initial period (i.e., 3 months after the Opening Date) under Additional Funds. Your inventory needs will vary substantially according to the size of your Franchised Gym and initial client volume. Based on our experience in Australia, some franchisees focus on merchandise sales more than others. It is also possible that a franchisee that spends ~~\$1,000~~\$5,000 for an initial order of Branded Retail Merchandise before the Opening Date may spend more on reorders during the initial period than a franchisee that spends \$10,000 for an initial order of Branded Retail Merchandise before the Opening Date. The assumptions for start-up and conversion franchisees are the same.

NOTE 7. Mindbody Software, Subscription Fees, Computer System Hardware, and Other Business Equipment.

Assumptions for Start-Up Franchisees: Until we designate another business management software system, you must subscribe to and use web-based Mindbody software, which is widely used in the fitness industry and offers a full complement of management tools including instructor and class scheduling, class bookings, payroll and cash register (POS) accounting, and inventory management. Mindbody offers different subscription arrangements including a basic “gray label” subscription without our Licensed Marks and design aesthetics, and a customized “white label” subscription with our Licensed Marks and design aesthetics. Both arrangements allow your clients to schedule classes and complete transactions from their smart phone (Apple and Android mobile app formats). Eventually, we intend to roll out a proprietary customer relationship management system that will be fully branded with our Licensed Marks, incorporate features of Mindbody technology, allow customers to schedule classes and complete transactions, and allow Network Gyms to manage their instructor schedules, maintain financial recordkeeping and accounting functions, and incorporate communication features. Until we introduce our proprietary software application, we will permit our franchisees to choose between the “basic” “gray

capital requirements during the initial period. The Additional Funds low/high amounts assume that you do not make any of the following payments to us described in Item 6 during the initial three months after the Opening Date: payments for additional training; service fees for insurance or remedial work; alternative supplier testing fee; management fees; or a relocation fee.

The Additional Funds category includes an allowance for payroll expenses for your opening employees and fees to instructors who work as independent contractors, but does not include an allowance for a draw or salary to you or other owners of the franchise during the period before the Opening Date or during the first 3 months of operations. The low/high estimates assume 3 trainers at 33 hours per trainer per week during the first 3 months of operation.

The Additional Funds category does not include any allowance for payments made to a bank or financing company on any loan that you may obtain to finance initial investment expenses. We do not arrange for financing and you must investigate financing options on your own. The Additional Funds category also does not include any allowance for taxes attributable to business operations.

Assumptions for Conversion Franchisees: The low and high estimates assume that a conversion franchisee will not have incremental (additional) payroll expenses for opening employees or fees to instructors who work as independent contractors to convert an existing gym to a Franchised Gym. Additionally, the low estimate assumes that a conversion franchisee's existing gym has a suitable sound system, security cameras, and television monitors and the conversion franchisee will not incur incremental expenses for these items.

Summary: All figures in Item 7 are estimates only. ~~We cannot guarantee that you will not have additional expenses, or other categories of expenses, to open and begin operating your Franchised Gym. You should not plan to draw income from operations during the initial period.~~ You should have additional funds available in reserve, either in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses, losses or unanticipated events during the start-up and development stage or beyond. In estimating what your initial investment expenses will be, you should allow for inflation, discretionary expenditures, fluctuating interest rates and other financing costs, increased operating expenses, and local market conditions, all of which are highly variable and can result in sudden and unexpected increases in costs. You must bear all cost escalations and budget for these contingencies. We rely on the experience of our San Diego licensees and our TYG Affiliate in Australia in developing, opening and operating Network Gyms. ~~You should review these figures and notes carefully with a business advisor before making a decision to purchase the franchise.~~

Non-Designated Goods/Services before the Issuance Date of this Disclosure Document. However, in the future, we or an affiliate of ours may derive revenue on account of our or their direct sale of Non-Designated Goods/Services to Network Members in the United States or on account of transactions by Network Members in the United States and third party suppliers that we recommended. As we note, in the future, we or our affiliates may be a recommended supplier of Non-Designated Goods/Services.

Except as we disclose in this Item 8, we also have no arrangements in place at this time with any designated, recommended or approved suppliers to make payments or provide material benefits to us on account of their transactions with Network Members in the United States. However, in the future, we may arrange with designated, recommended or approved suppliers to pay us revenue or non-cash benefits on account of their transactions with Network Members in the United States. We have no obligation to notify you of these arrangements in advance or obtain your prior consent. We may condition our approval of a particular supplier on their willingness to pay us revenue or non-cash benefits on account of their transactions with Network Members in the United States.

Purchasing Arrangements.

We have purchasing arrangements in place at this time for the Designated Good/Services that we will sell to you.

We also have purchasing arrangements in place for Mindbody software applications, and with the optional third party Bookkeeping Service provider that you may use.

In the future, we may negotiate special purchasing arrangements with recommended third party suppliers of Non-Designated Goods/Services or new Designated Goods/Services. These arrangements may include price discounts based on the collective volume of purchases by all Network Members in the United States or, in our discretion, Network Members worldwide. We make no representation about our ability to secure certain prices, payment or credit terms, or delivery conditions.

There are no purchasing or distribution cooperatives in existence at this time in the United States.

Alternative Suppliers – Approval Process.

We may recommend one or more suppliers for each item of Non-Designated Goods/Services that you must use to operate your Franchised Gym. We identify current recommended suppliers of Non-Designated Goods/Services in the Brand Standards Manual and may revise the list of recommended suppliers periodically. While neither we nor any affiliate of ours is currently a recommended supplier of any Non-Designated Goods/Services, we may be included in a list of recommended suppliers in the future.

If you wish to purchase or lease any Non-Designated Goods/Services from a supplier who is not pre-approved by us, you must request our approval in writing before you may use or buy the Non-Designated Goods/Services. The Brand Standards Manual explains the procedures you must follow to apply for our approval. In some cases, we may ask you to submit samples or information about the supplier so that we can make an informed decision about whether the products, services, equipment, fixtures, furnishings, signs, inventory or supplies, and proposed supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular Non-Designated Goods/Services, but the supplier's production and delivery capability, overall business reputation and financial condition. We may inspect a proposed supplier's facilities and test its products and charge a testing fee based on our actual cost not to exceed \$2,500 per request.

We will notify you in writing within 30 days after we receive all supporting information from you and complete our inspection or testing to advise you if we approve the proposed item and/or supplier. However, our failure to send you written notice by the end of 30 days signifies that we disapprove the proposed item and/or supplier. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and confidentiality of competitive or proprietary information.

We may re-inspect or revoke our approval of a supplier or item at any time to protect the best interests of THE YARD GYM brand and Company's Intellectual Property. Revocation is effective immediately when you receive written notice from us, and following receipt of our notice, you may not place any new orders for the particular item or with the particular supplier and phase out use of the revoked item.

We will communicate any changes or additions to our purchasing standards or procedures in writing or electronically through supplements to the Brand Standards Manual. We may modify our specifications, recommended suppliers or purchasing procedures at any time in our discretion and you must adopt these changes at your sole expense without a commercially reasonable amount of time after receiving our notice.

We do not provide material benefits (for example, renewal or granting additional franchises) based on the fact that you purchase Non-Designated Goods/Services from a particular recommended supplier. We may, however, terminate your franchise if you purchase or use unapproved products, or buy Designated Goods/Services or Non-Designated Goods/Services from suppliers that are not recommended or approved by us.

Mandatory Addendum to Lease.

You, we and the landlord of the proposed franchise premises must sign our Addendum to Lease (**Exhibit D**). The Addendum is a contract that gives us the option to assume your lease if the Franchise Agreement expires or terminates for any reason. We do not derive any revenue by requiring the Addendum to Lease. The landlord's agreement to sign the Addendum to Lease is a condition to site approval.

Insurance.

Before you open your Franchised Gym, you must purchase and throughout the Franchise Agreement term maintain in full force and effect the types of insurance policies in the minimum coverage amounts and meeting the other specifications that we specify in the Brand Standards Manual and summarize ~~in Item 6 below~~. All mandatory insurance policies must name us as an additional insured. Payments for insurance are made to third party insurance companies unless you fail to have the required insurance and we elect to obtain it for you, in which case we may impose a service fee equal to 25% of our costs and immediate reimbursement of our expenses on your behalf. While we may be a beneficiary of your insurance, we do not derive any revenue from the insurance policies that you obtain for your business ~~with one exception: if unless~~ you fail to purchase required insurance, and we may, at our election (and without waiving our right to terminate the Franchise Agreement because of your breach) elect to purchase the insurance coverage for you and collect at the 25% service fee ~~from you equal to 25% of the cost of the replacement insurance.~~

Our current minimum insurance requirements for Network Gyms in the United States are as follows:

REQUIRED COVERAGE	MINIMUM LIMITS OF COVERAGE
<u>General Liability Aggregate</u> <u>See note (1)</u>	<u>\$1 Million Dollars per occurrence</u> <u>\$2 Million Dollars aggregate coverage</u>
<u>Products/Completed Operations Aggregate</u>	<u>\$2 Million Dollars aggregate coverage</u>
<u>Broad form Contractual Liability; Personal and Advertising Injury</u>	<u>\$1 Million Dollars</u>
<u>Non-owned Automobile Liability</u>	<u>\$1 Million Dollars per occurrence</u>
<u>All "Risks" or "Special" form general casualty insurance</u>	<u>Full replacement value of your Franchised Gym and its contents based on the cost of replacing the damaged or destroyed property with property meeting Company's current specifications at the time replacement is required</u>
<u>Fire Damage (any one fire)</u>	<u>\$1 Million Dollars Fire Legal Liability or the hire amount required by the Lease</u>
<u>Business Interruption Insurance</u>	<u>\$1 Million Dollars</u>
<u>Workers compensation and employer's liability insurance, together with any other insurance required by law</u>	<u>Minimum limits required by law</u>

(1) Comprehensive general liability insurance combined single limit (including broad form contractual liability), or the higher amount required by the premises lease, insuring you, us and any of our affiliates that we designate against claims for personal injury or property damage from your business operations.

You must obtain additional insurance if required by the lease of the Approved Location. Any person or firm that you hire as a general contractor or to perform comparable services must maintain general liability and builder's risk insurance with comprehensive automobile liability coverage and worker's compensation insurance in the minimum amount of \$1 Million Dollars aggregate or the higher amount required by applicable law plus additional insurance that protects against damage to the premises and structure and other course of construction hazards.

We may periodically modify our minimum requirements to reflect inflation, general industry standards or our future experience with claims. We make no representation that the minimum coverage that we require will be sufficient for your business or purposes. You need to evaluate if your business will require greater coverage or other types of insurance.

Memberships, Class Packages, and Gift Cards.

At this time, you may only offer and sell membership and class packages for your own Franchised Gym and gift cards that are redeemable only at your Franchised Gym. In the future, we may introduce a network-wide membership program or multi-class package that allows clients reciprocity access at any Network Gym or an electronic gift card program redeemable at any Network Gym besides the one where the membership, class package or gift card is bought. We may require that you participate in these network-wide programs. We will notify you before we launch any network-wide programs and explain the reciprocity rules and other conditions in the Brand Standards Manual including addressing how we treat transactions in the calculation of Gross Revenue (whether at the time of sale or redemption). We do not expect to derive revenue from the sale of membership or class packages or from the sale of gift cards except if transactions take place at an affiliate-owned Franchised Gym.

Additional Disclosure re: Suppliers.

Our CEO, Dan Bova, owns a minority interest in the optional Bookkeeping Service provider. Otherwise, our officers do not own an interest in any privately-held required, recommended or approved supplier other than our TYG Affiliate, or a material interest in any publicly-held suppliers of Designated Goods/Services or Non-Designated Goods/Services to Network Members.

UCC-1 Financing Statement.

To secure your performance under the Franchise Agreement, the Franchise Agreement includes a provision in which you grant us a security interest in and to all of the tangible and intangible property that you own and use to operate your Franchised Gym. Our rights as a secured party are subject to applicable law. To perfect our security interest, we will record a UCC-1 Financing Statement. We will subordinate our security interest to a bank or other conventional lender providing financing for your purchase of the franchise. Otherwise, you may not grant another person a security interest in the tangible or intangible assets of your Franchised Gym even if their security interest is subordinate to ours without our prior written consent.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

	OBLIGATION	PARAGRAPH IN THE FRANCHISE AGREEMENT (FA)	DISCLOSURE DOCUMENT ITEM
a.	Site selection and acquisition/lease	Article IV	Items 5, 6, 7, 11
b.	Pre-opening purchases/leases	Sections IX.D, E, and F	Items 7, 8
c.	Site development and other pre-opening requirements	Sections VI.B and C	Items 6, 7, 11
d.	Initial and ongoing training	Article VII	Items 6, 11
e.	Opening	Sections IV.C	Item 11
f.	Fees	Article IX	Items 5, 6
g.	Compliance with standards and policies/operating manual	Article XI	Items 8, 11, 14, 16
h.	Trademarks and proprietary information	Article VIII	Items 13, 14
i.	Restrictions on products/services offered	Sections XI.A and E	Items 8, 16
j.	Warranty and client service requirements	N/A Not applicable	N/A Not applicable
k.	Territorial development and sales quotas	Article III	Item 12
l.	Ongoing product/service purchases	Section XI.D	Items 8, 11
m.	Maintenance, appearance and remodeling requirements	Section XI.I	Items 6, 8
n.	Insurance	Article XIII	Items 6, 7, 8
o.	Advertising	Section XI.J	Items 6, 11
p.	Indemnification	Section XVIII.B	Item 6
q.	Owner’s participation/management/staffing	Section XI.K	Item 15
r.	Records and reports	Article X	Items 8, 11
s.	Inspection and audits	Section XII.E	Items 6, 11, 13

7. We have 15 days after we receive complete construction and design drawings based on the actual dimensions of the Approved Location in which to indicate our approval or disapproval of your plans or supply you with comments and feedback. We must approve your plans before you may begin construction and remodeling work. (Franchise Agreement, Section VI.A.5).

8. During the build-out, we will address your questions about the development and construction process, but you are solely responsible for procuring building permits, purchasing or leasing fixtures and equipment, making leasehold improvements and supervising all aspects of the build-out of your Franchised Gym. You must complete construction and remodeling at your expense in conformity with the construction drawings that we approve and applicable building codes and other laws governing fitness studios in the market area where you locate your Franchised Gym. (Franchise Agreement, Section VI.B). We may conduct a final inspection of your Franchised Gym before the Opening Date to verify that your Franchised Gym, as built, complies with our approved plans, specifications and other requirements. (Franchise Agreement, Section VI.B.6). Our final approval is solely to verify that actual develop conforms to our specifications, not to evaluate the quality of the workmanship or ratify that the improvements comply with all laws.

9. We will sell you the initial equipment pack that we describe in Item 5. We will arrange for shipping and delivery to your Franchised Gym and pass through shipping and delivery costs to you. You must reimburse us for these costs within 30 days of invoice. (Franchise Agreement, Section IX.E).

10. We will sell you an initial inventory of Branded Retail Merchandise that we describe in Item 5. We will arrange for shipping and delivery to your Franchised Gym and pass through shipping and delivery costs to you. You must reimburse us for these costs within 30 days of invoice. (Franchise Agreement, Section IX.F).

11. We will review your requests for approval of alternative suppliers or items of Non-Designated Goods/Services. (Franchise Agreement, Section XI.C).

12. We will deliver the Business Operations Training and Coach Training modules of our Initial Training Program to your Primary Owner and any other management-level employee who you want to qualify to serve as the General Manager of your Franchised Gym. (Franchise Agreement, Section VII.A).

13. We will design and deliver a Grand Opening Launch marketing program to publicize the opening of your Franchised Gym to prospective clients in your market area in exchange for your paying us the Grand Opening Launch Fee that we describe in Item 5. (Franchise Agreement, Section XII.B).

14. We will designate a third party bookkeeping service to manage your accounts payable, provide payroll services, and prepare financial reports for your Franchised Gym. Your use of the recommended bookkeeping service is optional at this time. (Franchise Agreement, Section X.A).

15. We will provide you with detailed specifications for the Computer System that you must install and use to operate the Franchise Gym, which we further describe in this Item 11. (Franchise Agreement, Section XI.H).

Members, including changes in Designated Goods/Services and Non-Designated Goods/Services, supplier relationships, industry trends, client service standards, marketing and promotional strategies, and competitive changes. If we choose to conduct an annual meeting, we will determine the content, location and length of the annual meeting; provided, however, the annual meeting shall not exceed 3 days (excluding travel days) in any 12 Calendar Month period and you will not be required to send more than one person to the annual meeting. Your Primary Owner must attend the annual meeting on your behalf, or, in their absence, and with our prior approval, an Equity Owner (someone who owns at least 5% of the equity of the Franchisee business entity) or your General Partner. We may hold the annual meeting outside of the United States in a country where we have two or more Network Members. We may impose a per person annual meeting registration fee as we describe in Item 6. You must pay the transportation, lodging, personal expenses and salary for each member of your staff you attends an annual meeting requiring travel. (Franchise Agreement, Section XII.F).

9. We will periodically revise the Brand Standards Manual to reflect changes that we make to the System and promptly supply you with all updates electronically or in writing. (Franchise Agreement, Section VIII.C.6).

10. We will review your request to use or sell Non-Designated Goods/Services not already approved by us or to purchase Non-Designated Goods/Services meeting our specifications from a supplier not on our recommended list. (Franchise Agreement, Section XI.C).

11. We or our designee will periodically inspect your operations and review your books and records including data stored on your computers to verify your compliance with the Franchise Agreement and the Brand Standards Manual. (Franchise Agreement, Sections X.C and XII.E).

12. We will administer the Marketing Fund that we describe elsewhere in this Item 11 for the benefit of Network Gyms in the United States. In our discretion, we may combine the Marketing Fund that Network Gyms in the United States contribute to with any other Marketing Fund to which Network Members outside of the United States contribute. (Franchise Agreement, Section XII.C).

13. We will review any local marketing that you create and wish to use to promote your Franchised Gym. (Franchise Agreement, Section XI.J).

14. We maintain the TYG Website where we promote Network Gyms and provide each Franchised Gym including the Franchised Gym with its own “click through” subpage. You may customize your Franchised Gym Subpage to provide the public with your Franchised Gym’s operating hours, class descriptions and schedules, location and travel directions, instructor profiles, and information about special events, with the ability for clients to sign-up for classes and other services that you offer, and purchase membership and class packages. We forbid you to have your own website for your Franchised Gym with a different URL address that is not a subpage of the TYG Website. We, alone, determine all policies pertaining to the use of the Franchised Gym Subpage, which we regard as local marketing. (Franchise Agreement, Section XII.D).

15. We plan to introduce a mystery shopper program using the services of an outside mystery shopper company that will perform regular mystery shopper visits to your Franchised Gym and provide you and us with critical feedback about the effectiveness of your operations from a client perspective and meets our standards. When we implement the program, you must participate in it and pay the Mystery Shopper Fee that we disclose in Item 6. (Franchise Agreement, Section XII.E.2).

16. We may set minimum or maximum prices and establish client refund policies to the fullest extent permitted by applicable laws for, among other things, memberships, class packages and Branded Retail Merchandise. (Franchise Agreement, Section IX.E.10).

17. ~~16.~~ When Network Gyms in the United States reach a sufficient size, we intend to implement a United States-specific franchisee advisory council (“FAC”) to provide us with input and feedback on different initiatives and programs. We will determine the FAC’s governance rules, including the number of franchisee representatives and method for conducting elections.

Advertising Services.

1. Marketing Fund. See generally, Franchise Agreement, Section XII.C.

We may deposit Marketing Fees collected from Network Members in the United States into our general operating account where we deposit our revenue from Network Members in and outside the United States. In our discretion, we may combine some or all of the Marketing Fees that Network Gyms in the United States pay to us with marketing fees paid to us or our TYG Affiliate by Network Members outside of the United States and we or our TYG Affiliate may each use the aggregate sums to engage in marketing, advertising and promotional activities for the benefit of Network Gyms worldwide. We refer to the aggregate of the Marketing Fees paid to us or any of our affiliates by Network Members in the world as the “Marketing Fund.” The Marketing Fund is not a trust, nor is it a separate, segregated account, and we do not owe you a fiduciary duty based on our or our TYG Affiliate’s handling of Marketing Fees.

As the administrator of the Marketing Fees paid by Network Gyms in the United States, we direct all advertising, marketing and promotional programs that promote the Licensed Marks and Network Gyms in the United States. We will work with our TYG Affiliate if we elect to combine Marketing Fees with sums paid by Network Members outside of the United States. Together, we have sole discretion over all creative concepts, materials and endorsements and the geographic, market and media placement of all advertising, marketing and promotional programs. We do not promise that we will impose and collect a Marketing Fee from every Network Member in the world, nor do we promise to spend Marketing Fees collected from Network Members in the United States on marketing and advertising markets in the United States to the exclusion of other markets or on social media that targets consumers in the United States to the exclusion of consumers outside of the United States. We do not promise to spend the Marketing Fund in any given geographic region or that the benefits you receive will be in proportion to your contributions. Our primary use of Marketing Fees is to enhance consumer recognition of the Licensed Marks and Network Gyms located throughout the world.

We may use the Marketing Fund to pay the cost to prepare and produce advertising materials; purchase media space or time; administer local, regional, national, or country-specific advertising programs, including buying direct mail pieces and promoting Network Gyms on social media sites; employ advertising, public relations and media buying agencies and professionals to assist us in these activities; and support general public relations, market research and other advertising and marketing activities. Additionally, in our discretion, we may use the Marketing Fund to furnish Network Members with advertising and promotional formats and materials, like advertising art, print and media templates, point of sale materials, promotional graphics, and videos, and social networking website content. We may also use the Marketing Fund to pay for any direct expenses to support the cost to maintain and update the TYG Website and the Network Portal, and to publicize new features of the System. Upon request, we will agree to provide you with a copy of marketing, advertising and promotional materials on the same basis that we make these materials available to other Network Members if you pay us to reproduce the materials for you. At this time, we develop marketing materials in-house but we may engage a local, national, or international advertising agency in our discretion at any time.

We do not charge the Marketing Fund for marketing expenses that we incur to recruit new franchisees, i.e., Network Members, in or outside the United States.

We consider a variety of demographic factors in approving locations for Network Gyms, including the following: (i) population size, population sorted by gender and age, average household income, average income by gender, and comparable statistical data; (ii) general safety and security of the area; (iii) parking availability in areas of limited public transportation; (iv) lighting, visibility of signs and general street exposure; (v) rental rates and lease terms; (vi) compatibility of neighboring and adjacent retail tenants; (vii) the proposed site's location within a larger retail complex in terms of pedestrian flow and visibility; (viii) square footage, existing condition and adaptability of the space as a fitness studio; (ix) proximity of competitors; (x) convenient ingress and egress for foot and vehicular traffic; (xi) local economic conditions; and (xii) building, health, sign and other applicable codes, ordinances, regulations and restrictions.

In obtaining site approval, you may propose two or more sites for our approval simultaneously, but in order for us to consider any site request, you must submit a complete site package for each site that you propose that includes a letter of intent or other suitable evidence confirming your ability to obtain a lease for the site and the landlord's willingness to sign our Addendum to Lease. (Franchise Agreement, Section IV.A.4(a)). [At this time, we do not generally own the premises that our franchisees lease for their Franchised Gym.](#)

We have 30 days after we receive all required site information to consent to or reject the proposed site. If you propose more than one site, we only need to approve one site. If we do not consent to any of the sites that you propose within the 30 day period, it means that we reject the site (or all sites if you propose more than one). After we give our consent to a site, you and the landlord must enter into a lease and our form Addendum to Lease (**Exhibit D**). We may condition site approval on our review and approval of the lease for your Franchised Gym before you may enter into the lease with the landlord.

As we disclose in Item 5, either one of us may terminate the Franchise Agreement if, within 180 days following execution of the Franchise Agreement, you have not completed all of the following steps in the development process of your Franchised Gym: (i) obtained our written approval to a site for your Franchised Gym; (ii) provided us with an executed copy of the lease and an Addendum to Lease in the form of **Exhibit D** to this Disclosure Document; and (iii) executed Schedule A to the Franchise Agreement to identify the Approved Location's address and the Territory of your Franchised Gym. [If either one of us elects to terminate the Franchise Agreement for this reason, we will refund all but \\$5,000 of the Initial Franchise Fee, and the entire Security Deposit and Grand Opening Launch Fee. You must sign our form of general release \(Exhibit E\) as a condition to obtaining the refund.](#)

Typical Length of Time Between Signing Franchise Agreement and Opening Date.

We estimate that the typical length of time between when you sign the Franchise Agreement and the Opening Date of a Franchised Gym is 12 months or less. The actual length of time that it will take you to open your Franchised Gym after you sign the Franchise Agreement will depend on a number of factors including how long it takes you to find a satisfactory site; secure needed financing; obtain our approval of construction drawings; secure all necessary building and zoning permits; and complete the build-out process. Your actual time may also be longer due to contingencies like weather, acts of God, material shortages and labor stoppages that are beyond your control.

Before you may begin teaching classes or open for business, we must issue a written completion certificate signifying that your Franchised Gym, as built-out, substantially conforms to our design specifications, and you have met other pre-opening requirements including qualifying at least one General Manager, who may be a Primary Owner.

You must use your best efforts to diligently complete the development and construction of the Approved Location, hire and train staff members, prepare the Franchised Gym for the Opening Date, and open the Franchised Gym for business to the public within 180 days from the date that you take possession of the Approved Location after signing the Lease and Addendum to Lease. If, despite using best efforts, the Opening Date is delayed for reasons not attributable to an event of Force Majeure, you must pay us a non-refundable Opening Date extension fee of \$5,000 without proration for each 30-day extension until the actual Opening Date. [We do not provide assistance with conforming the premises to local ordinances and building codes, obtaining any required building or other types of operating permits, constructing, remodeling, or decorating the Approved Location, hiring employees, or training employees other than the employees entitled to enroll in our training program, which we describe in this Item 11.](#)

Computer System.

You must subscribe to and use Mindbody software offered by MINDBODY, Inc., a leading third-party technology company based in San Luis Obispo, California offering web-based technology solutions for fitness, wellness and beauty care service businesses. We have negotiated a master contract with MINDBODY, Inc. providing a discounted subscription rate for Network Members. The monthly subscription fees that you pay to MINDBODY, Inc. cover technical support, software upgrades and updates and initial set-up training.

As we disclose in Item 7, Mindbody offers different subscription arrangements including a basic “gray label” subscription without our Licensed Marks and design aesthetics, and a customized “white label” subscription with our Licensed Marks and design aesthetics. Both arrangements allow your clients to schedule classes and complete transactions from their smart phone (Apple and Android mobile app formats). However, the full-feature “white label” version offers additional convenient administrative functions including payroll and cash register (POS) accounting, credit card processing, inventory management, and generating various accounting and business reports.

Mindbody software applications allow you and your instructors remote access from any location with WIFI service. You are solely responsible for training your instructors and staff in the proper use of the Mindbody software system.

In the future, we plan to roll out a proprietary customer relationship management system that will be fully branded with our Licensed Marks, incorporate features of Mindbody technology, allow customers to schedule classes and complete transactions, and allow Network Gyms to manage their instructor schedules, maintain financial recordkeeping and accounting functions, and incorporate communication features. Until we introduce our proprietary software application, we will permit our franchisees to choose the Mindbody subscription and optional features that suits them.

[At a minimum, the computer system that you must use will allow you to generate and store various types of data including customer records; employee records; financial data from customer transactions; financial data for your franchised business; inventory records; and accounting records.](#)

Based on Mindbody’s current prices on the Issuance Date of this Disclosure Document, we estimate that you will pay Mindbody between \$2,500 to \$10,000 in subscription fees during the initial period (from before the Opening Date through the end of the first three months of operations) depending on the particular subscription service and optional features that you choose and the number of members that you enroll during the initial period. You must contact MINDBODY, Inc. to set up your individual subscription under our master contract.

SUBJECT/MODULE	HOURS OF CLASS-ROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
When: By mutual arrangement immediately before the Opening Date.			view these sessions with your opening employees and independent operators together from your Franchised Gym.
TOTAL	24	40	

We limit attendance at the Business Operations and Coaching modules to Primary Owners and any other management-level personnel whom you want to qualify as a General Manager, but otherwise do not limit the number of management-level personnel that want to enroll in the same modules that we deliver to you before the Opening Date. If a Primary Owner will serve as the initial General Manager, you must enroll at least 2 Primary Owners in the pre-Opening Date modules. Because we require that your Franchised Gym to be under the direct supervision of a General Manager at all times and qualification as a General Manager depends, among other things, on successfully completing the Business Operations Training and Coaching modules, we strongly advise Network Members to qualify two or more General Managers before the opening of their Network Gym in case of turn-over.

We may deliver portions of the Business Operations training module through self-directed webinars. Otherwise, we conduct the Business Operations and Coaching modules live at an operating Network Gym in San Diego, California, although we may change the training location to another operating Network Gym elsewhere in the United States at any time or deliver segments of these modules remotely through video format where those attending will be able to interact on a live basis with our instructor. If we hold the modules at an operating Network Gym, you must pay all personal expenses for yourself and your employees to attend training, including transportation, lodging, food, and other personal charges.

We recommend that you include all opening employees and instructors in the one-day New Gym Opening Launch module that we deliver immediately before the Opening Date.

We do not charge a training fee for providing the Initial Training Program before the Opening Date. All individuals who attend the Initial Training Program before the Opening Date must complete training to our [reasonable](#) satisfaction. [We will apply our “reasonable business judgment” to determine if the individuals you send to training have completed training to our reasonable satisfaction. We define “reasonable business judgment” in Section XXII.H of the Franchise Agreement.](#)

[We offer and schedule the Initial Training Program on an as-needed basis.](#)

We may periodically offer continuing training programs at one or more locations that we designate in the United States or via remote delivery to address new fitness equipment, recent changes to the System, and other subjects of mutual interest, and require attendance by a Primary Owner and a General Manager (if the General Manager is not a Primary Owner). However, we will not require that more than 2 members of your management complete more than 3 days of continuing training during any 12 Calendar Month period. Enrollment in continuing training classes will be based on space availability on a first-come basis and is subject to paying continuing training fees.

You must pay our reasonable travel costs for any training that we conduct at your Franchised Gym and are responsible for paying the travel costs and salary of your employees who receive training outside of your Franchised Gym. See Item 6.

ITEM 12

TERRITORY

Subject to our reserved rights, which we describe in this Item 12, we assign each Network Gym a Territory, which we indicate in our site approval notice. In no event will your Franchised Gym's Territory be smaller than a single zip code. We do not promise that the Territory that we assign to each Network Gym will be identical in geographic size or population. The Territory that we assign to one Network Member may share a common boundary, but will not overlap with the Territory that we assign to another Network Member. The Territory that we assign to your Franchised Gym will not change due to later population or demo-graphic changes in the general market area that your Franchised Gym serves, or for any other reason.

The significance of designating a Territory for your Approved Location is that neither we nor our affiliates will establish or issue franchise rights to anyone else to operate a Network Gym in the Territory that we assign to your Franchised Gym. However, we may engage in certain activities in your Territory during the term of the Franchise Agreement as we explain in this Item 12. ~~The Territory that we assign to your Franchised Gym will not change due to later population or demographic changes in the general market area that your Franchised Gym serves, or for any other reason.~~

Your territorial rights relate strictly to the location of another Franchised Gym within the Territory, not to clients. Your territorial rights do not give you the exclusive or superior right to service clients who reside or work in the Territory that we assign to your Franchised Gym. A client who resides or works in your Territory may frequent any other Network Gym without the owner of the other Network Gym having to pay you compensation and vice-versa.

You may not relocate your Franchised Gym except to a location that we approve in writing. Relocation is at your sole expense and subject to certain conditions that we specify in the Franchise Agreement including paying us the Relocation Fee that we describe in Item 6. The new location must satisfy our then-current minimum demographic conditions. If we approve the new premises that you propose, you must improve the new location consistent with our then-current trade dress and construction requirements for new Network Gyms and use your best efforts to complete relocation without any interruption in the continuous operation of your Franchised Gym unless you obtain our written consent beforehand to close your Franchised Gym for business. The new location need not be within the original Territory, but will be subject to the territorial rights of any existing Network Member. Once we approve the new location for your Franchised Gym, we will assign it a new Territory, which will not be smaller than a single zip code.

The Franchise Agreement permits you to engage only in retail transactions of authorized goods and services at the Approved Location and not at other locations in or outside of your Territory or through alternative trade channels like the internet. This means, among other things, that you may not provide personal trainer services in a client's home or some other location outside of your Franchised Gym, nor may you engage in the sale of Branded Retail Merchandise anywhere except at the Approved Location. While you may use ~~the~~ your Franchised Gym Subpage to sell memberships and class packages electronically through Mindbody software that are redeemable at your Franchised Gym, you may not use your Franchised Gym Subpage (or any other website address) to sell Branded Retail Merchandise.

We do not restrict your local marketing activities to recruit prospective clients and promote your Franchised Gym to your Territory. You may use the Internet and third party social media sites to advertise and promote your Franchised Gym with our prior written approval, but you may not use other channels of distribution to sell any type of equipment, goods or merchandise that we authorize for sale at your Franchised Gym. By "channels of distribution," we mean channels like the Internet or catalog sales.

The franchise rights do not give you the exclusive or preferential right to use the Licensed Marks or the System in the trade area where you do business and do not in any way limit our use of the Licensed Marks or the System anywhere or for any purpose. We do not limit other licensees of ours from engaging in advertising activities outside of their Territory and do not promise that they will not engage in activities soliciting clients who reside or work in your Territory.

Our Reserved Rights.

We reserve the right to engage in the following activities in your Territory directly or indirectly through an affiliate, franchisee or other type of licensee.

1. We or our affiliates may open or license others to open fitness gyms or studios in your Territory under a trade name that is dissimilar from THE YARD GYM.

2. We may open or license others to open a Franchised Gym identified by the Licensed Marks in a “Nontraditional Venue” in your Territory. We define “Nontraditional Venue” in the Franchised Agreement as a public or privately-owned destination where the owner provides fitness services as an accommodation to a captive market visiting or frequenting the Nontraditional Venue. Examples of Nontraditional Venues include airports and other transportation centers, professional sports stadiums and arenas, hotels and other types of lodging facilities, public or private golf clubs or athletic facilities, military bases, entertainment complexes and amusement parks, casinos, universities and other types of schools, hospitals and other types of health care institutions, and office buildings and business campuses. A Nontraditional Venue also includes a Regional Shopping Mall.

3. We or our affiliates may acquire another gym or fitness chain, which we define as a network of 3 or more fitness locations (whether the locations are in or outside of your Territory) that identify themselves to the public under a common trade name and adhere to common operating methods. A chain may include a direct competitor of ours. We or our affiliate may operate the former-chain location that we convert to a Network Gym or we may offer a franchise to another franchisee to operate the former-chain location even if the location is in your Territory. You do not have any preferential right to operate or acquire the former-chain location in your Territory.

4. We and our affiliates may sell Branded Retail Merchandise through any retail or wholesale channel of distribution, including on the TYG Website, on third party social media sites, through mail order catalogues, direct mail advertising, at trade shows, or at unrelated retail stores including sporting goods stores in your Territory. We do not share the revenue that we earn from reserved retail and wholesale distribution activities in your Territory with you or pay you any compensation based on sales that we or our affiliates make within the scope of our reserved retail and wholesale distribution activities.

~~Because of these reserved rights, you~~ You will not receive an exclusive territory. You may face competition from other ~~Network Members~~ franchisees, from ~~Network Gyms~~ outlets that we own, or from other channels of distribution or competitive brands that we control.

Outside of the Territory that we assign to your Franchised Gym, we may open or offer franchise rights to any person of our choosing to open a Network Gym regardless of how close their Franchised Gym may be located to the boundaries of your Territory. We do not offer you any type of right of first refusal or preferential right to acquire additional franchises for areas immediately adjacent to, or abutting, the boundaries of your Territory.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we grant you a non-exclusive license to use the System under specific conditions. The System refers collectively to all of the distinctive business methods, Designated Goods/Services, Confidential Information, and Company's Intellectual Property that distinguish Network Gyms. Company's Intellectual Property includes our Licensed Marks. You may only use the elements of the System that we designate.

The Licensed Marks include the word marks "The Yard Gym," "TYG Training," "Yard Nation," and the design represented on the first page of this disclosure document. ~~We have~~ We consider these Licensed Marks to be our principal trademarks. We have not received federal registration of our principal trademarks, meaning that they are not registered ~~these or any other Licensed Marks~~ with the United States Patent and Trademark Office ("USPTO"). Therefore, our ~~Licensed Marks~~ principal trademarks do not have many legal benefits and rights as a federally registered trademark. If ~~our~~ your right to use the ~~any of the Licensed Marks~~ trademark is challenged, you may have to ~~discontinuing using the Licensed Mark or~~ change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use the Licensed Marks. Among other rules and requirements, we forbid you to use any portion or feature of the Licensed Marks in your corporate, fictitious or other business entity name or with any prefix, suffix or other modifying words, terms, designs, colors or symbols. You may not use the Licensed Marks to sell any unauthorized products or services in a way contrary to our instructions, or in any way that could result in our liability for your debts or cause us to be deemed to be the employer of your employees. You must use the Licensed Marks in the form and manner that we specify and follow our instructions for identifying yourself as the independent owner of your Franchised Gym. You must maintain appropriate trade name or fictitious name registrations. You may not use any other trademarks or service marks in combination with the Licensed Marks without our written approval beforehand. When you use the Licensed Marks, you must apply the special trademark symbols and ownership information that we designate. All use of the Licensed Marks is subject to our prior written authorization.

As we disclose in Item 1, as of the issuance date of this Disclosure Document, our TYG Affiliate owns all of the intellectual property associated with THE YARD GYM including the Licensed Marks. Our TYG Affiliate ~~has registered~~ owns an International Registration for THE YARD (IR Reg. No. 1707963) and THE YARD GYM (IR Reg. No. 1773732) for fitness services, and ~~TYG TRAINING in Australia. Our TYG Affiliate~~ has granted us a world-wide, non-exclusive, perpetual license of their right, title and interest in the Licensed Marks for the purpose offering sublicenses to Network Members in the United States. Neither our agreement with our TYG Affiliate nor any other agreement significantly limits our right to use or right to license the use of all of the elements and features of the System, including Company's Intellectual Property and the Licensed Marks, in any manner material to the franchise. Our agreement with our TYG Affiliate provides that if our license with our TYG Affiliate terminates for any reason, our TYG Affiliate will assume our obligations under any then-outstanding Franchise Agreements to avoid a disruption in your right to use the Licensed Marks. However, neither our TYG Affiliate nor TYG Affiliate is a guarantor of our obligations to you under our Franchise Agreement with you and you are not a party to the agreements that we have with our affiliates.

In the Franchise Agreement, you acknowledge that, between the two of us, we own superior rights in the Licensed Marks. You agree that you will not do anything inconsistent with our rights. You may not challenge our ownership, rights or the validity of the Licensed Marks. You must permit reasonable inspection of your operations and supply us with specimens of all uses of the Licensed Marks

on request. You may not use the Licensed Marks in advertising or marketing materials unless and until we approve the materials beforehand.

You agree that the nature and quality of all products and services that you sell at or from your Franchised Gym or in using the Licensed Marks and all related advertising, promotional, and other activities that you engage in that associate you and your Franchised Gym with the Licensed Marks must conform to the standards for quality and other specifications that we establish.

On December 9, 2022, our Bova Parent filed an application to register THE YARD as a word mark on the Principal Register of the USPTO for clothing in Class 25 and fitness services in Class 41 (SN 79/360489). Subsequent to this filing, as we disclose in Item 1, in 2023, our Bova Parent assigned all of its right, title and interest in and to THE YARD GYM intellectual property to our TYG Affiliate, which included this USPTO application. On October 4, 2023, the USPTO issued a non-final refusal of the application to register THE YARD citing prior registrations issued to the owner of the trademark, “THE YARD PEORIA,” (“Peoria Mark”), for a business unlike ours which it describes on its website (<https://www.theyardpeoria.com/>) as a “one-of-a-kind” indoor practice complex providing nearly 60,000 square feet of artificial turf space to accommodate lessons, field rentals, and clinics for athletes and teams of all ages and skill levels. The owner of the ~~cited registration~~ Peoria Mark currently operates a single location in Peoria, Illinois. ~~As of the issuance date of this Disclosure Document, we are in discussions with the owner of the cited registration regarding a coexistence agreement that would allow our TYG Affiliate to register~~ “On March 28, 2024, we and the owner of the Peoria Mark entered into a Consent and Coexistence Agreement where our TYG Affiliate has agreed that neither it, nor its affiliates, nor our franchisees will use the Licensed Marks or any other THE YARD-formative trademark to operate a brick and mortar gym or athletic facility in the state of Illinois, but may do so in connection with online-only activities including retail sales and social media. The owner of the Peoria Mark has recorded a Letter of Consent with the USPTO acknowledging that use of THE YARD GYM outside of Illinois is unlikely to cause confusion with the Peoria Mark, and representing that it will not oppose out TYG Affiliate’s new application filed on December 23, 2023 with the USPTO for THE YARD GYM” for fitness services in Class 41 (SN 79/388402), in exchange for which ~~we and our affiliates would agree not to operate a Network Gym directly~~ our TYG Affiliate will let its previously filed trademark application (SN 79/360489) lapse. The upshot of the Consent and Coexistence Agreement is that the owner of the Peoria Mark will not challenge our or throughour franchisees ~~in the state of Illinois and not to~~ use of “THE YARD GYM” to identify Network Gyms everywhere in the United States ~~to identify Network Gyms~~ except in the state of Illinois.

Besides the rights of the owner of the USPTO registration for the trademark, “THE YARD PEORIA,” we are aware of others using THE YARD and THE YARD GYM for services similar to us, but we do not believe that any user has superior rights to us or, if they do, we do not believe their rights could affect your use of our principal trademarks in the market area in the state where you operate your Franchised Gym because we will not knowingly authorize the operation of a Franchised Gym in the market area of a prior user. We are not aware of any infringing uses of our principal trademarks that could materially affect your use of our Licensed Marks in the market area in the state where you operate your Franchised Gym.

You must notify us immediately if you learn about (i) any improper use of the Licensed Marks, (ii) a third party’s use of a mark or design that is confusingly similar to any of the Licensed Marks, or (iii) any challenge to your use of any of the Licensed Marks. We will take whatever action we think is appropriate under the circumstances (including taking no action), and will control the prosecution, defense or settlement of any legal action. You must cooperate and assist us in defending our rights in the Licensed Marks with regard to any third party claims. You and your owners and management must agree not to communicate with any person other than us and our counsel about any infringement,

challenge or claim. You may not take any action in your own name. Unless we establish that a third party claim is due to your misuse of the Licensed Marks, we will defend you in matters relating to your proper use of the Licensed Marks. However, we will not reimburse you for any lost profits or consequential damages and will only reimburse you for any actual expenses that you incur to change your signs and other uses of the Licensed Marks if we agree to cease using all, or particular elements of the Licensed Marks as part of the resolution of the third party claim.

You must modify or discontinue using any aspect of the Licensed Marks, and add new names, designs, logos or commercial symbols to the Licensed Marks as we instruct. We may at our sole discretion, impose changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions including changing signs, labels and tags attached to Branded Retail Merchandise, or any display of the Licensed Marks on marketing materials, the Franchised Gym Subpage that we host on the TYG Website, or on any other tangible property in your Franchised Gym at your expense.

We forbid you to use the Licensed Marks in any electronic mail address or in any domain name other than the one that we authorize you to use. You may not maintain your own website to promote your Franchised Gym. Other than the Franchised Gym Subpage that we provide you with that is linked to the TYG Website, you may not maintain a presence or advertise on the Internet or on any other public computer network, or any other kind of public modality using the Licensed Marks or referencing your Franchised Gym or any Network Gyms without our prior written consent, which may be withheld in our sole judgment. This restriction applies to use of the Licensed Marks on third party social media websites like Facebook, Instagram, and twitter. We will provide you with a specific social media “handle” or user name, which is the only one that you may use to identify your Franchised Gym.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

The Franchise Relationship

These tables list 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 Franchise Agreement	Summary
A. Length of the franchise term	V.A	The initial term begins when you sign the Franchise Agreement and ends 5 years after the Opening Date.
B. Renewal or extension of the term	V.B	Two consecutive renewal options, each for 5 years, beginning the day after the end of the initial term or first renewal term.
C. Requirements for franchisee to renew or extend	V.C	<p>Your right to exercise each renewal option depends on whether we are still offering new THE YARD GYM franchises in the United States when you give us notice that you wish to exercise the renewal option. We may discontinue the franchise program in the United States at any time. In that case, your franchise rights will expire at the end of the initial franchise term.</p> <p>In order to exercise each renewal option, you must give us written notice of your exercise of the option at least 9 months, but not more than 12 months before the expiration of the initial term; be in good standing under the expiring Franchise Agreement; sign our then-current Franchise Agreement; satisfy our then-current design, appearance and trade dress elements for the Network Gyms; if upgrades to fitness equipment are necessary, buy a new equipment pack from us and install all new equipment; pay the renewal fee; complete any special training that we require for renewing Network Members in the United States; and sign a general release.</p> <p>You must also negotiate with the landlord to extend your occupancy rights for the entire renewal term or relocate your Franchised Gym to a new location with our approval. In each case, the landlord must sign our then-current Addendum to Lease.</p> <p>You must sign the renewal Franchise Agreement within 30 days after we deliver it to you. The then-current Franchise Agreement that you sign may contain materially different terms and conditions than the expiring Franchise Agreement.</p>
D. Termination by franchisee	XV.A	You may terminate the Franchise Agreement only if we fail to cure or begin to cure a material breach that you allege we have committed within 30 days after receiving your notice of default, or as permitted by applicable state law
E. Termination by franchisor without cause	N/A Not applicable	Termination without cause is only possible by mutual agreement.

Provision	Section in Franchise Agreement	Summary
		<p>under circumstances where there is no other qualified General Manager to take over and we believe the remaining members of your management team lacks the financial ability or business skills to operate your Franchised Gym in accordance with the Franchise Agreement.</p> <p>We retain the right to manage your Franchised Gym to facilitate an orderly transition of ownership with minimal disruption to your Franchised Gym’s continuous operation and client relationships and to avoid any damage to the brand reputation. If we assume management responsibility, you must pay us a Management Fee. We may extend this management period for up to a year by mutual agreement.</p>
Q. Non-competition covenants during the term of the franchise	XIV.A	<p>The Franchise Agreement forbids you and each Covered Person during the term of the Franchise Agreement from directly or indirectly engaging in a Competitive Business. We define “Covered Person” in Item 15.</p> <p>The Franchise Agreement defines a Competitive Business as any business (whether owned by a business entity or as a sole proprietorship) that by any method, means or technology, whether it exists today or is developed in the future, derives at least 20% of its total Gross Revenue from the (i) manufacture or sale of any type of functional and weightlifting fitness and exercise equipment at retail or wholesale; or (ii) the delivery of physical fitness instruction to the general public of any kind including one-on-one personal training.</p> <p>The restriction against competition applies world-wide during the term of the franchise or for 2 years after a Covered Person severs their relationship with you.</p>
R. Non-competition covenants after the franchise terminates or expires	XIV.A.2 XIV.D	<p>The Franchise Agreement forbids you and each Covered Person from directly or indirectly engaging in a Competitive Business that is located within 5 miles of another Franchised Gym anywhere in the world whether or not your Franchised Gym was open for business on the date your Franchise Agreement terminates or expires or opens at a later date. This restriction applies for 2 years after the termination or expiration of the Franchise Agreement.</p>
S. Modification of the agreement	XXII.G	<p>The Franchise Agreement may not be modified except by a written agreement that both of us sign. As noted throughout this Disclosure Document, the Franchise Agreement, among other things, gives us the right to modify or change the System in our discretion through changes in the Brand Standards Manual if the changes do not fundamentally alter your rights under the Franchise Agreement.</p>
T. Integration/merger clause	XXII.I	<p>Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Nothing in the Franchise Agreement requires you to waive or disclaim any of the representations that we make in this Disclosure Document. Any representations or promises outside of this Disclosure Document and other agreements may not be enforceable.</p>

Provision	Section in Franchise Agreement	Summary
U. Dispute resolution by arbitration or mediation	XX.A	<p>With limited exceptions pertaining to claims for (i) damages under \$10,000; (ii) injunctive relief or other forms of provisional remedies; or (iii) unlawful detainer or similar remedy available to a landlord, all disputes arising out of the Franchise Agreement must first be submitted to mediation. If mediation does not resolve the dispute, the matter must be resolved in court. Mediation must be held at our headquarters at the time in the United States. At this time, we anticipate locating our United States headquarters in the greater Los Angeles, California area. We may relocate our headquarters on at any time without prior notice to you and this will change the venue for mediation.</p> <p>Certain states have laws that may require that mediation be conducted in the franchisee’s home state. See the State Addendum, Exhibit I.</p>
V. Choice of forum	XX.C	<p>The Franchise Agreement has a forum selection provision which requires that a lawsuit to be filed in the state or federal courts located closest to our headquarters. Based on our plan to locate our United States headquarters in the greater Los Angeles, California area, the federal and state courts located closest to our headquarters will be the Superior Court of the County of Los Angeles, and the United States District Court of the Central District of California. We may relocate our headquarters on at any time without prior notice to you and this will change the venue for disputes.</p> <p>Certain states have laws that supersede the choice of forum in the Franchise Agreement and require that a lawsuit be brought in the state or federal courts in the franchisee’s home state. See the State Addendum, Exhibit I.</p>
W. Choice of law	XX.F	<p>California law applies. Certain states have laws that supersede the choice of law provision in the Franchise Agreement. See the State Addendum, Exhibit I.</p>

TABLE 3 Status of Franchised Outlets								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operation – Other Reasons	Outlets at End of Year
CA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	+2	0	0	0	0	2
<u>Total</u>	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2

States not listed had no operating outlets.

TABLE 4 Status of Company-Owned or Affiliate-Owned Outlets							
Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

States not listed had no operating outlets.

TABLE 5 Projected New Franchised Outlets			
State	Franchise Agreements Signed But Outlet Not Opened as of December 31, 2023	Projected New Franchised Outlets Opening in Year ending June 30, 2024	Projected New Company – Owned Outlets Opening In Year ending June 30, 2024
California	2	0	0
New York	2	0	0
South Carolina	1	0	0
Texas	1	0	0
Total	6	0	0

Exhibit K lists the operating Network Gyms in the United States as of the Issuance Date of this Disclosure Document and their owners.

ITEM 21

FINANCIAL STATEMENTS

Exhibit J is our audited financial statement for the period from May ~~8~~5, 2023 (our inception) through February 12, 2024. Our fiscal year runs from July 1 through June 30.

EXHIBIT A

STATE ADMINISTRATORS

Listed below are the names, addresses and telephone numbers of the agencies having responsibility for franchising disclosure/registration laws in these states:

<p>California State of California Department of Financial Protection and Innovation 320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 1 (866) 275-2677 ask.dfpi@dfpi.ca.gov</p>	<p>Hawaii Hawaii Connecticut The Banking Commissioner The of Securities Department of Commerce & Consumer Affairs Banking, Securities and Business Registration Investment Division State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2744 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8299</p>	
<p>Illinois Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>Hawaii Hawaii Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2744 Indiana Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>Illinois Franchise Bureau Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 Maryland Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p>
<p>Maryland Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-6360</p>	<p>Michigan Michigan Department of Commerce Corporation & Securities Bureau Attn: Franchise Section G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117</p>	<p>Minnesota Minnesota Department of Commerce Franchise Section 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p>
<p>Minnesota Minnesota Department of Commerce Franchise Section 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198</p>	<p>New York Investor Protection Bureau NYS Department of Law 28 Liberty Street, 21st Floor New York, New York 10005</p>	<p>North Dakota North Dakota Securities Department State of North Dakota 600 East Boulevard Avenue, Fifth Floor</p>

<p>(651) 296-6328</p>	<p>(212) 416-8222</p>	<p><u>Bismarck, North Dakota</u> <u>58505-0510</u> <u>(701) 328-4712</u></p>
<p>North Dakota <u>North Dakota Securities Department</u> <u>State of North Dakota</u> <u>600 East Boulevard Avenue, Fifth Floor</u> <u>Bismarck, North Dakota</u> <u>58505-0510</u> <u>(701) 328-4712</u></p>	<p>Oregon Department of Consumer & Business Services Division of Finance & Corporate Securities State of Oregon Labor and Industries Building Salem, Oregon 97310 (503) 378-4140</p>	<p>Rhode Island <u>Division of Securities</u> <u>John O. Pastore Complex Bldg. 69-1</u> <u>1511 Pontiac Avenue</u> <u>Cranston, Rhode Island 02920</u> <u>(401) 222-3048</u></p>
<p>South Dakota <u>Division of Insurance</u> <u>Securities Regulation</u> <u>State of South Dakota</u> <u>124 S. Euclid, Suite 104</u> <u>Pierre, South Dakota 57501</u> <u>(605) 773-3563</u></p>	<p>Rhode Island <u>Division of Securities</u> <u>John O. Pastore Complex Bldg. 69-1</u> <u>1511 Pontiac Avenue</u> <u>Cranston, Rhode Island 02920</u> <u>(401) 222-3048</u> Virginia State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th floor Richmond, Virginia 23219 (804) 371-9051</p>	<p>South Dakota <u>Division of Insurance</u> <u>Securities Regulation</u> <u>State of South Dakota</u> <u>124 S. Euclid, Suite 104</u> <u>Pierre, South Dakota 57501</u> <u>(605) 773-3563</u> Washington <u>Department of Financial Institutions</u> <u>Securities Division</u> <u>State of Washington</u> <u>150 Israel Rd. SW</u> <u>Tumwater, Washington 98501</u> <u>(360) 902-8738</u></p>
<p>Washington <u>Department of Financial Institutions</u> <u>Securities Division</u> <u>State of Washington</u> <u>150 Israel Rd. SW</u> <u>Tumwater, Washington 98501</u> <u>(360) 902-8738</u></p>	<p>Wisconsin Division of Securities Department of Financial Institutions Wisconsin Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-8559</p>	

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

California		Hawaii <u>Connecticut</u>	
<u>Commissioner of Department of Financial Protection & Innovation State of California 320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344</u>		<u>The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800</u>	
<u>Hawaii</u>		<u>Illinois</u>	
Commissioner of Department of Financial Protection & Innovation State of California 320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813	<u>Office of Attorney General State of Illinois 500 South Second Street Springfield, Illinois 62706</u>	
Illinois	Indiana	Maryland	
Office of Attorney General State of Illinois 500 South Second Street Springfield, Illinois 62706	Secretary of State State of Indiana 201 State House 200 West Washington Street Indianapolis, Indiana 46204	<u>Maryland Securities Commissioner Office of the Attorney General Securities Division 200 Saint Paul Place Baltimore, Maryland 21202-2020</u>	
<u>Michigan</u>		<u>Minnesota</u>	
Maryland Maryland Securities Commissioner Office of the Attorney General Securities Division 200 Saint Paul Place Baltimore, Maryland 21202-2020	Michigan Michigan Department of Commerce Corporation & Securities Bureau G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, Michigan 48933	<u>Commissioner of Commerce Minnesota Department of Commerce Franchise Section 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198</u>	
Minnesota	New York	North Dakota	
Commissioner of Commerce Minnesota Department of Commerce Franchise Section 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198	Secretary of State 99 Washington Ave Albany, New York 12231	<u>North Dakota Securities Commissioner North Dakota Securities Department Fifth Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510</u>	

North Dakota	Rhode Island	<u>South Dakota</u>
North Dakota Securities Commissioner North Dakota Securities Department Fifth Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920	<u>Department of Labor & Regulation Division of Insurance – Securities Regulations 124 S. Euclid, Suite 104 Pierre, South Dakota 57501</u>
South Dakota	Virginia	<u>Washington</u>
Department of Labor & Regulation Division of Insurance – Securities Regulations 124 S. Euclid, Suite 104 Pierre, South Dakota 57501	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219	<u>Director of Financial Institutions Securities Division State of Washington 150 Israel Rd. SW Tumwater, Washington 98501</u>
Washington	Wisconsin	
Director of Financial Institutions Securities Division State of Washington 150 Israel Rd. SW Tumwater, Washington 98501	Office of the Secretary Wisconsin Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705	

TYG ENTERPRISES, LLC, a Delaware Limited Liability Company



THE YARD GYM FRANCHISE AGREEMENT

NAME OF FRANCHISEE: _____

CITY: _____

STATE: _____

CHECK ONE:

- This Franchise Agreement is being signed for an Initial Term.**
- This Franchise Agreement is being signed for a Renewal Term.**

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SCHEDULES

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- C – Addresses for Notice
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A. Initial Franchise Fee.

1. Except as otherwise provided in this Section, Franchisee shall pay in full upon execution of this Agreement an initial franchise fee of \$50,000 (the "Initial Franchise Fee") less the amount of any deposit previously paid by Franchisee to Company before the Effective Date. The Initial Franchise Fee shall be fully earned when paid and no portion of it is refundable under any circumstance except as expressly provided in this Agreement.

2. If Franchisee or an Affiliate of Franchisee are parties to one or more other Franchise Agreements on the Effective Date, Company shall extend a progressive 5% discount off of the then-current Initial Franchise Fee that Company is charging franchisees in the United States buying their first franchise up to a maximum 20% discount, as following:

Number of Existing Franchise Agreements Previously Entered Into By and Between Franchisee or its Affiliate and Company Before this Agreement	Percentage Discount
0	0
1	5%
2	10%
3	15%
4	20%
Each Franchise Agreement Above 4	20%

B. Security Deposit. Upon Franchisee's execution of this Agreement, separate and apart from the Initial Franchise Fee, Franchisee shall pay to Company, without offset, credit or deduction of any nature, a refundable Security Deposit of \$5,000 ("Security Deposit"). Franchisee understands and agrees that the Security Deposit shall not earn interest for the Franchisee while it is held by Company, and Company may charge the Security Deposit at any time, without prior written notice to Franchisee or serving Franchisee with a written notice of default, if Franchisee fails to pay any fees or other payments (including late charges) due to Company or its Affiliates under this Agreement. By charging the Security Deposit, Company does not waive any of its rights or remedies under this Agreement or Applicable Law. Company shall notify Franchisee after debiting the Security Deposit and Franchisee shall have 15 days after receipt of Company's notice to replenish the Security Deposit to the full amount (\$5,000). Following the Effective Date of Termination or Expiration of this Agreement, Company may apply any balance of the Security Deposit on hand to any outstanding amount due from Franchisee to Company or Company's Affiliate. Company will refund the balance of the Security Deposit, if any, to Franchisee within 30 days after the Effective Date of Termination or Expiration of this Agreement if Franchisee has fulfilled all other duties imposed by this Agreement on Franchisee following the Effective Date of Termination or Expiration of this Agreement including executing Company's form of general release.

C. ~~B.~~ Royalty Fee. From and after the Opening Date, Franchisee shall pay without offset, credit or deduction of any nature a continuing Royalty Fee ("Royalty Fee") equal to the greater of (i) 7% of the Gross Revenue of the Franchised Gym; or (ii) \$1,500 per Calendar Month prorated for any partial Calendar Month.

1. No minimum Royalty Fee shall be due and payable, however, until the first Calendar Month after the aggregate Gross Revenue of the Franchised Gym in any Calendar Month exceeds \$30,000. For the sake of clarity, the waiver of the minimum Royalty Fee is a limited time waiver to help Franchisee develop clients of the Franchised Gym. Once the Gross Revenue of the Franchised Gym equals or surpasses \$30,000 for a Calendar Month, the greater of (i) the percentage Royalty Fee; or (ii) minimum Royalty Fee shall be due and payable even if the actual Gross Revenue of the Franchised Gym in a Calendar Month is \$30,000 or less.

2. The Royalty Fee shall be all due and payable on or before the 15th day of each Calendar Month based upon the aggregate Gross Revenue of the Franchised Gym during the prior Calendar Month. Payment shall be accomplished following Company's electronic funds transfer procedures described in the Brand Standards Manual which may include payment by automatic direct debit or an equivalent system that eliminates delay in crediting Company's bank account with the Royalty Fees due for each period.

2. For a period of 2 years after the Effective Date of Termination or Expiration of the last Franchise Agreement between Franchisee and Company (if Franchisee and Company are, or become, parties to more than one Franchise Agreement), or after an Event of Transfer that results in Franchisee selling and assigning all of its contractual rights concerning all Network Gyms for which Franchisee owns a franchise, it shall be a breach of this Agreement for Franchisee, Franchisee's Affiliates or any Covered Person, directly or indirectly, to own (either beneficially or of record), engage in or render services to, either as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business that is located anywhere within 5 miles of the Approved Location or any other Franchised Gym anywhere in the world that is open for business on or after the Effective Date of Termination or Expiration of this Agreement or the effective date of an Event of Transfer.

3. This Agreement does not prohibit Franchisee, Franchisee's Affiliates or any Covered Person from owning 5% or less of the voting stock of a Competitive Business whose shares are publicly traded on a national or foreign stock exchange.

4. Franchisee acknowledges that the restrictions in this Section ~~are reasonable and necessary~~ to protect Company's legitimate business interests, which include taking reasonable measure to prevent Franchisee, Franchisee's Affiliates and Covered Persons from using Company's Confidential Information while this Franchise Agreement is in full force and effect to engage in activities that directly or indirectly benefit a Competitive Business.

B. Interference. Neither Franchisee nor any Covered Person shall, directly or indirectly, for itself or on behalf of any other person divert, or attempt to divert, any business or client of the Franchised Gym to any competitor by direct or indirect inducement or perform any act which directly or indirectly could, or may, injure or prejudice the goodwill and reputation of the Licensed Marks or the System.

C. Written Agreement. As a condition of this Agreement, unless they have already done so, Franchisee shall cause each Covered Person to execute Company's form of Confidentiality and Non-Competition Agreement with Company containing restrictions substantively identical to the provisions of this Agreement.

D. Survival. In addition to those provisions in this Agreement that expressly state that they survive termination or expiration of this Agreement or an Event of Transfer, any other covenants in this Agreement which require performance by either party after the termination or expiration of this Agreement or an Event of Transfer shall survive and be enforceable after the termination or expiration of this Agreement or an Event of Transfer.

E. Savings Clause. The parties acknowledge that the covenants in this Section are independent of the other covenants and provisions of this Agreement. If any provision in this Section is void or unenforceable under California law, but would be enforceable as written or as modified under the laws of the state in which the Territory is located (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the subjects covered in this Section, but only with respect to those subjects. Franchisee expressly authorizes Company to conform the scope of any void or unenforceable covenant to conform it to the Local Laws. Franchisee expressly agrees, on behalf of itself and each Covered Person, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

F. Enforcement. Franchisee understands and agrees that Company will suffer irreparable injury not capable of precise measurement in money damages if Franchisee or any Covered Person breaches the covenants in this Section. Accordingly, in the event a breach occurs, Franchisee, on behalf of itself and each Covered Person, hereby consents to issuance or entry of Provisional Remedies without the requirement that Company post bond or comparable security. Franchisee further agrees that the issuance of Provisional Remedies to Company in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Company.

XV. DEFAULT AND TERMINATION

A. Termination by Franchisee.

EXHIBIT I

STATE-REQUIRED ADDENDA

Certain states require a franchisor to register with a state agency in order to offer or sell franchises to residents of the state or for locations in the state. We list these states below.

As a condition of registration in these states, a franchisor must disclose additional information required by the state. In some states, you must sign an amendment to the Franchise Contracts. This exhibit includes all of the additional state-specific disclosures and Addendum to Franchise Contracts that you must sign at the same time that you sign the Franchise Contracts. Please refer to the separate state addendum pages in this Exhibit for the additional disclosures that may apply to you.

CALIFORNIA

[CONNECTICUT](#)

HAWAII

ILLINOIS

INDIANA

MARYLAND

MICHIGAN (the same disclosures are located immediately before the FDD Table of Contents)

MINNESOTA

NEW YORK

NORTH DAKOTA

RHODE ISLAND

SOUTH DAKOTA

VIRGINIA

WASHINGTON

WISCONSIN

The following statement applies only to prospective franchisees who are residents of, or are entering a franchise agreement for a location in, the above-listed states (except that this statement shall not apply in California):

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.

CONNECTICUT ADDENDUM TO FDD

1. The following is added to the cover pages of the disclosure document:

DISCLOSURES REQUIRED BY CONNECTICUT LAW

THE STATE OF CONNECTICUT DOES NOT APPROVE, RECOMMEND, ENDORSE OR SPONSOR ANY BUSINESS OPPORTUNITY. THE INFORMATION CONTAINED IN THIS DISCLOSURE HAS NOT BEEN VERIFIED BY THE STATE. IF YOU HAVE ANY QUESTIONS ABOUT THIS INVESTMENT, SEE AN ATTORNEY BEFORE YOU SIGN A CONTRACT OR AGREEMENT.

2. Pursuant to Section 36b-63(c)(23) of the Connecticut Business Opportunity Investment Act (the "Act"), if the seller fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

**ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

This ADDENDUM TO FRANCHISE AGREEMENT (“Addendum”) is made and entered into on _____, _____ by and between TYG ENTERPRISES, LLC, a Delaware limited liability company (“Company”) and _____ (“Franchisee”), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the State of Maryland or a non-resident who is acquiring a THE YARD GYM fitness facility franchise for a location or territory in the state of Maryland.

B. The parties enter into this Addendum simultaneous with their execution of that certain Franchise Agreement of even date. The purpose of this Addendum is to amend the Franchise Agreement in order to conform the Franchise Agreement to the requirements of the Maryland Franchise Registration and Disclosure Law (the “Law”).

C. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by the parties, the parties agree as follows:

1. The above recitals are incorporated and made a part of this Addendum.
2. The parties acknowledge that the Law prohibits a franchisor from requiring a franchisee to agree to any release, estoppel or waiver of liability or claims arising under the Law as a condition of purchasing, selling, renewing or assigning a franchise that is subject to the Law. The parties agree that no provision in the Franchise Agreement is intended to be, nor shall any provision act as, a release, estoppel or waiver of any liability or claims under the Law. The parties amend the Franchise Agreement to the extent necessary to conform the Franchise Agreement to the requirements of the Law. The parties agree that any release given by Franchisee as a condition of renewal, sale or assignment of the franchise shall not constitute a release, estoppel or waiver of liability or claims under the Law. No representation made by Franchisee in the Franchise Agreement is intended to, nor shall it act as, a release, estoppel or waiver of any liability incurred under the Law.
3. The parties delete ~~Section~~Sections XXI.A., B. and D. of the Franchise Agreement.
4. The provisions in the Franchise Agreement that provide for termination upon Franchisee’s bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
5. The parties amend the Franchise Agreement to clarify that claims arising under the Law must be brought within three years from the Effective Date of the Franchise Agreement. Therefore, any provision in the Franchise Agreement that limits the time period for the parties to bringing a claim shall not act to reduce the period of time that the Law affords to a franchisee to bring a claim for violation of the Law.

MINNESOTA ADDENDUM TO FDD

For Minnesota residents and nonresidents acquiring a THE YARD GYM fitness facility franchise for a location or territory or territory in Minnesota, the applicable sections of the Franchise Disclosure Document are amended to reflect the following wherever appropriate:

1. We will not refuse to renew the Franchise Agreement in order to convert your Franchise Business to an operation that will be owned by us or one of our affiliates.

2. Minn. Stat. Sec. 80C.21 declares void any condition, stipulation or provision purporting to bind a person to waive compliance with the Minnesota franchise law (Minn. Stat. sections 80C.01 to 80C.22) and the rules promulgated thereunder (the “Minnesota Act”). To the extent that any of the contracts that you sign with us contain a general release, or require you to sign a general release at a later date, in favor of us, the general release will not operate to extinguish claims arising under, or relieve any person from liability imposed by, the Minnesota Act.

3. The Minnesota Act protects your right to require that the venue of any dispute be in Minnesota and that Minnesota law govern all contracts with us. It furthermore protects your right to a jury trial. To the extent any contract that you sign with us is inconsistent with the Minnesota Act, the contract shall be modified to conform with the Minnesota Act.

4. If any contract that you sign with us contains procedures for terminating the contract that are inconsistent with the Minnesota Act, the contract shall be modified to add the following:

“Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases enumerated in the referenced statute, that Company give Franchisee a minimum of 90 days’ notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days’ notice for non-renewal of the franchise agreement.”

5. If any contract that you sign with us requires you to consent to our obtaining injunctive relief, the contract shall be amended to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing shall prevent us from applying to a forum for injunctive relief.

6. If any contract that you sign with us contains a limitations period for bringing claims against us that is shorter than the limitations period provided under the Minnesota Act, the contract shall be modified to conform to the Minnesota Act.

7. The Minnesota Act requires us to indemnify you from any loss, costs or expenses that you might incur arising out of a third-party challenge to your authorized use of our Licensed Marks.

8. A franchisee must be a business entity. All persons who own 5% or more of the equity or voting rights in the franchisee business entity and their spouses (if applicable) must execute personal guarantees. This requirement places the personal and marital assets of the franchise owner(s) at risk.

9. Payment of all initial fees owed by franchisees described in Item 5 of the Franchise Disclosure Document are deferred until we complete our pre-opening obligations under the Franchise Agreement.

10. Minnesota Rules 2860.4400(K) prohibits a franchisor from requiring a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds.

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

Minnesota residents and nonresidents owning a franchise to be operated in Minnesota will enter into the Minnesota Addendum to Franchise Agreement in the form attached to this Exhibit.

requires, except in certain specified cases, that Company give Franchisee a minimum of 90 days' notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days' notice for non-renewal of the franchise agreement.”

5. The parties agree that any provision of the Franchise Agreement that requires Franchisee to consent to Company's obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Company from applying to a forum for injunctive relief.

6. If any provision in the Franchise Agreement contains a limitations period for bringing claims against Company that is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

7. To the extent required by the Minnesota Act, Company shall indemnify Franchisee from any loss, costs or expenses that Franchisee might incur arising out of a third-party challenge to Franchisee's authorized use of the Licensed Marks.

8. This Addendum does not act as a release or waiver by the Franchisee of any provision of the Minnesota Act that is omitted, misstated, or whose effect is misconstrued herein.

9. With respect to any provision contained in (a) the Franchise Agreement; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Minnesota Act, the provision will be deleted and will be of no force or effect.

10. 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.

11. All initial fees and payments owed by Franchisee and payable before the Opening Date are deferred until Company completes its pre-Opening Date obligations under the Franchise Agreement.

12. Minnesota Rules 2860.4400(K) prohibits a franchisor from requiring a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds. Therefore, the parties delete the requirement that Franchisee pay a refundable Security Deposit of \$5,000 for the purposes expressed in the Franchise Agreement.

13. Under Minnesota law, no statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed by Franchisee with Company.

14. ~~11.~~ This Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Minnesota Act are not met.

15. ~~12.~~ The Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

TYG ENTERPRISES, LLC, a Delaware limited liability company

[NAME]

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

NEW YORK ADDENDUM TO FDD

The following information is required by New York's General Business Law (NY Gen. Bus. §680 et seq.) (Consol. 2001) ("New York Franchise Law") and supplements the information in this Disclosure Document:

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

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

2. The ~~New York State Department of Law, by administrative rule, requires us~~ follow is added to ~~advise you of the disclosure question answered by~~ end of our response in Item 3:

~~Neither we, any~~ Except as provided above, the following applies to the franchisor, its predecessor, any person identified in Item 2, ~~nor~~ or any affiliate offering franchises under our principal trademark:

A. ~~Has~~ No such party has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise; antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. ~~Has~~ No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. ~~Has~~ No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ~~ten-year period~~ years 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 deceptive practices or comparable allegations.

D. ~~Is~~ No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise; or under a ~~federal~~ 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. ~~In addition to the information disclosed in Item 17:~~The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

~~A. — To~~However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; ~~it being the intent of this proviso~~ intends that the non-waiver provisions of General Business Law ~~Section~~Sections 687(4) and 687(5) ~~are~~be satisfied.

4. ~~B. — The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”:~~ “You may terminate the ~~Franchise Agreement upon~~ agreement on any grounds available by law.”

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of law”:

~~C. — The fact that the Franchise Agreement and other contracts that you will sign select California law as the governing~~foregoing choice of law should not be considered a waiver of any right conferred upon the ~~Company~~franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise ~~Law 4.~~Questionnaires and Acknowledgements: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. ~~5.~~Receipts: Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the ~~earlier~~earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

~~6. — A franchisee must be a business entity. All persons who own 5% or more of the equity or voting rights in the franchisee business entity and their spouses (if applicable) must execute personal guarantees. This requirement places the personal and marital assets of the franchise owner(s) at risk.~~

expiration or termination of the Franchise Agreement (or if Franchisee and Company are parties to more than one Franchise Agreement, after the last Franchise Agreement); and (ii) 2 years from the date that a Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee, or otherwise associated in any capacity with Franchisee. The parties amend this restriction to reduce the duration of the period from 2 years to 18 months.

10. Prior to requiring a Security Deposit from any Washington franchisees, Company will arrange for those funds to be held in a separate interest-bearing account that is segregated from Company's other assets.

11. A franchisee must be a business entity. All persons who own 5% or more of the equity or voting rights in the franchisee business entity and their spouses (if applicable) must execute personal guarantees. This requirement places the personal and marital assets of the franchise owner(s) at risk.

12. We will defer the due date for your payment of all initial fees described in Item 5 of the Franchise Disclosure Document until you open your Franchised Gym for business. The State of Washington Department of Financial Institutions, Securities Division, has imposed this financial assurance requirement as a condition of our registration to sell THE YARD GYM franchises in Washington.

13. Section XI(D)(1) of the Franchise Agreement states: "Company and its Affiliate may change their prices and payment terms at any time on no less than 30 days' written notice and may receive a profit on their transactions with franchisees." Section XI(D)(1) does not waive franchisee protections under RCW 19.100.180(2)(d) of the Act, which states it is a violation of the Act for any person to "sell, rent, or offer to sell to a franchisee any product or service for more than a fair and reasonable price."

14. Your obligations to indemnify, reimburse, and hold us harmless referenced in Section XVIII(B) of the Franchise Agreement do not extend to liabilities caused by the our negligence, willful misconduct, strict liability, or fraud.

15. THE YARD GYM franchises are not available in Kingston, Washington based on a prior use of THE YARD for fitness services in Kingston, Washington.

Washington residents and non-residents who own a franchise located in the State of Washington, as well as franchisees who accept an offer of a franchise in the State of Washington, will enter into the Washington Addendum to Franchise Agreement in the form attached to this Exhibit for purposes of amending the Franchise Agreement to comply with the provisions of the Act.

7. Pursuant to Washington law (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 Washington law (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.

8. The Franchise Agreement and the Confidentiality and Non-Competition Agreement each include a restriction that applies to Franchisee and each Covered Person for a period of 2 years after (i) expiration or termination of the Franchise Agreement (or if Franchisee and Company are parties to more than one Franchise Agreement, after the last Franchise Agreement); and (ii) 2 years from the date that a Covered Person ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee, or otherwise associated in any capacity with Franchisee. The parties amend this restriction to reduce the duration of the period from 2 years to 18 months.

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

10. Washington law (RCW 19.100.180) may supersede the provisions of the Franchise Agreement in the relationship between Company and Franchisee, including the areas of termination and renewal. There may also be decisions rendered by Washington state courts that may supersede the provisions of the Franchise Agreement including in the areas of termination and renewal of the franchise.

11. With respect to any provision contained in (a) the Franchise Agreement; (b) an amendment thereto; or (c) a related document required to be signed by Franchisee to obtain the franchise, if and to the extent that the provision constitutes a representation by Franchisee that is inconsistent with the requirements of the Act, the provision will be deleted and will be of no force or effect.

12. 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.

13. Company agrees to defer the due date for Franchisee's payment of the initial fees described in Item 5 of the Franchise Disclosure Document to the Opening Date of the Franchised Gym.

14. The parties amend the Liquidated Damages provision in Section XX.H. of the Franchise Agreement to reduce the measurement period from 36 Calendar Months to the shorter of (i) 24 Calendar Months following the date of termination; or (ii) the number of Calendar Months and any

partial Calendar Month left in the Term after the Effective Date of Termination to the original expiration date of the Term.

15. The parties delete Sections XXI.A., B. and D. of the Franchise Agreement.

16. ~~13.~~ This Addendum shall be effective only to the extent that the jurisdictional requirements of the Act are met independently of and without reference to this Addendum. This Addendum shall have no effect if the jurisdictional requirements of the Act are not met.

17. ~~14.~~ The Franchise Agreement shall be given full force and effect as amended by this Addendum.

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

TYG ENTERPRISES, LLC, a Delaware limited liability company

[NAME]

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

STATE EFFECTIVE DATES

The following states have franchise laws that require that this Disclosure Document be registered or filed with the states, 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 Disclosure Document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	<i>Pending</i>
Hawaii	<i>Pending</i> April 3, 2024
Illinois	Not Filed.
Indiana	February 27, 2024
Maryland	<i>Pending</i> April 4, 2024
Michigan	February 26, 2024
Minnesota	<i>Pending</i>
New York	<i>Pending</i>
North Dakota	<i>Pending</i> April 11, 2024
Rhode Island	February 27, 2024
South Dakota	March 26, 2024
Virginia	<i>Pending</i>
Washington	<i>Pending</i>
Wisconsin	February 20, 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.