



Financial Achievements Corporation,  
a Wisconsin corporation  
1450 Capitol Dr Unit C,  
Pewaukee, WI 53072  
Telephone (608) 698-8823  
Email: [smichel@orangeshoe.com](mailto:smichel@orangeshoe.com)  
[www.OrangeShoe.com](http://www.OrangeShoe.com)

The franchise offered by Financial Achievements Corporation is for the operation of a health and fitness center under the “Orange Shoe®” and “ORANGE SHOE PERSONAL FITNESS®” names that offers personal fitness training, classes, small group, and corporate wellness programs, in home training and individualized nutrition and weight loss counseling.

The total initial investment necessary to begin operation of an Orange Shoe franchise is from \$98,600 to \$325,000. This includes between \$41,000 and \$44,000 that must be paid to the franchisor. If you sign an Area Development Agreement, the total initial investment necessary for 2 studios is \$246,000 to \$699,000. This includes between \$131,000 and \$137,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact the Franchise Department at 1450 Capitol Dr Unit C, Pewaukee, WI 53072; Telephone (608) 698-8823.

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

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

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

Issuance Date: October 14, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Orange Shoe<sup>®</sup> business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be Orange Shoe<sup>®</sup> franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Wisconsin. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Wisconsin than in your own state.

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

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

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

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

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

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS' ADVANCE NOTICE OF THE FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

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

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

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

(i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

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

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

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

ADDRESS FOR NOTICES TO THE MICHIGAN ATTORNEY GENERAL:

DEPARTMENT OF THE ATTORNEY GENERAL  
CONSUMER PROTECTION DIVISION  
FRANCHISE SECTION  
G. MENNEN WILLIAMS BUILDING, 1<sup>ST</sup> FLOOR  
525 W. OTTAWA STREET  
LANSING, MI 48909  
517-373-7117

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ITEM 1  
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

**The Franchisor**

The Franchisor is Financial Achievements Corporation ("**FAC**"). For ease of reference, FAC will be referred to as "us," "we", or "our." When we use "you" or "your" in this disclosure document, it means the person, partnership, limited liability company or corporation who buys the franchise. If you are a corporation, partnership, or limited liability company, certain provisions of this disclosure document also apply to your shareholders, partners, members and owners and their spouses as will be noted. If you are an individual, certain portions of this disclosure document also apply to your spouse as will be noted.

We are a Wisconsin corporation formed on December 18, 2013. We maintain our principal place of business at 1450 Capitol Dr Unit C, Pewaukee, WI 53072. We conduct business under our corporate name and the trademarks "**ORANGE SHOE**<sup>®</sup>" and "**ORANGE SHOE PERSONAL FITNESS**<sup>®</sup>". Our agents for service of process are disclosed in Exhibit A to this disclosure document.

We began offering franchises on May 23, 2020. As of December 31, 2023 there are 11 Orange Shoe Personal Fitness<sup>®</sup> franchised locations. We have not conducted a business of the type you will be operating and do not engage in any types of business activities other than franchising and providing services to our franchisees. We have not offered, nor do we currently offer, franchises in other lines of businesses.

**Parents and Predecessors**

We have no parent.

On February 1, 2020, we acquired substantially all of our assets from our predecessor, Orange Shoe Gym Holdings Incorporated, a Wisconsin corporation ("**Orange Shoe Holdings**"). Orange Shoe Holdings' principal office address is W10964 West Harmony Drive, Lodi, Wisconsin 53555. Orange Shoe Holdings offered franchises under the Trademarks from September 9, 2009 to December 31, 2012. Orange Shoe Holdings does not conduct a business of the type you will be operating, does not currently and has never offered franchises in any other lines of businesses and no longer offers franchises providing the type of business you will operate.

**Affiliates**

**The Franchise**

We offer franchises to qualified individuals and entities to develop and operate fitness centers under a comprehensive system we and our predecessor developed (each an "**ORANGE SHOE PERSONAL FITNESS**<sup>®</sup> Studio" or "**Studio**"). **ORANGE SHOE PERSONAL FITNESS**<sup>®</sup> Studios operate as fitness centers identified by our Trademarks, offering members personal fitness training, classes, small group and corporate wellness programs, in home training and individualized nutrition and weight loss counseling. We market our services to customers of all ages and economic levels, but target adults between the ages of 18 and 60. Our current form of Franchise Agreement is attached as Exhibit B to this disclosure document.

A typical **ORANGE SHOE PERSONAL FITNESS**<sup>®</sup> Studio occupies approximately 1,800 to 2,500 square feet of space that may be either owned or leased from a third party. All Studios are constructed to our specifications as to size, layout, décor and the like. **ORANGE SHOE PERSONAL FITNESS**<sup>®</sup> Studios are typically located in a metropolitan area or surrounding suburbs, and proximity to high traffic areas is desirable. A Studio may be located either in a freestanding building or in an in-line retail mall space, but, in any event, ample parking, good visibility and availability of prominent signage are a necessity. Preferred locations for Studios are strip shopping centers with a mixture of residences and

commercial facilities (offices and businesses) nearby. Our standard Studio offered only in-person training sessions, however, since approximately the middle of March 2020, due to the COVID-19 pandemic, the ORANGE SHOE PERSONAL FITNESS® system has supplemented its in-person class-based training model, to also include on-line training sessions.

ORANGE SHOE PERSONAL FITNESS® Studios operate under Trademarks (described below) and under distinctive business formats, including prescribed exterior and interior design, décor, color scheme and furnishings; uniform standards, specifications and procedures for operations; quality and uniformity of products and services offered; and advertising and promotional programs, all of which we may improve, further develop or otherwise modify from time to time (the "**System**"). We use, promote and license in the operation of an ORANGE SHOE PERSONAL FITNESS® Studio the trademarks "ORANGE SHOE®," "ORANGE SHOE PERSONAL FITNESS®," "FOOTPRINT JOURNAL®," and "DO EVERYTHING BETTER®" (collectively, the "**Trademarks**" or "**Marks**"), plus designs, artwork, trade dress, commercial symbols and e-names, all of which have gained and continue to gain public acceptance and goodwill. We may in the future create, use and license additional trademarks, service marks, logos, commercial symbols, e-names, designs, artwork and trade dress in conjunction with the operation of ORANGE SHOE PERSONAL FITNESS® Studios.

You will operate an ORANGE SHOE PERSONAL FITNESS® Studio as an independent business unit utilizing the Marks, System, business concepts, support, guidance and materials developed by us. You will offer and provide products and services to the general public under the terms and conditions contained in the Franchise Agreement and our confidential operations manuals (the "**System Manuals**") that will be loaned to you at the time of training. You must offer for sale all services, products, and merchandise we designate, unless you obtain our approval not to offer certain services, products or merchandise. You may not offer other services, merchandise or products without our prior written approval. Your ORANGE SHOE PERSONAL FITNESS® Studio must at all times be compliant with our current proprietary standards as set forth in our System Manual (the "**System Standards**").

### **Area Development Agreement**

We may, in our sole and absolute discretion, offer you the right to develop multiple ORANGE SHOE PERSONAL FITNESS® Studios under the terms of an agreement (the "**Area Development Agreement**") within designated areas (the "**Development Areas**"). The ORANGE SHOE PERSONAL FITNESS® Studios will be in a number determined by us, within the Development Areas established by us. You must sign a Franchise Agreement for each ORANGE SHOE PERSONAL FITNESS® Studio opened under the Area Development Agreement. If you sign an Area Development Agreement, you will be responsible for developing the number of ORANGE SHOE PERSONAL FITNESS® Studios set forth in the Area Development Agreement. We will determine the size of each Development Area, the number of ORANGE SHOE PERSONAL FITNESS® Studios, and the timeline by which each ORANGE SHOE PERSONAL FITNESS® Studio must be open for business (the "**Development Schedule**"). Each location must be approved by us and be compliant with our System Standards. You must continue to meet our then current System Standards for the grant of a new franchise, including, without limitation, continuing to demonstrate that you are sufficiently capitalized and have sufficient financial resources to open and operate the ORANGE SHOE PERSONAL FITNESS® Studios, or our approval of your development or opening of scheduled ORANGE SHOE PERSONAL FITNESS® Studios may be withheld.

### **Market and Competition**

The general market in which you will operate your ORANGE SHOE PERSONAL FITNESS® Studio will include customers who are concerned with their health and fitness and/or who are seeking to lose weight or improve their fitness level. The health and fitness industry is highly competitive with respect to price, service, location, and quality of service. Your ORANGE SHOE PERSONAL FITNESS® Studio will have

to compete with other health and fitness facilities, including facilities featuring the same or similar activities as your ORANGE SHOE PERSONAL FITNESS® Studio. These competitors include (a) other national, regional and local health and fitness chains, some of which have franchised operations and provide similar products and services, and (b) privately operated health and fitness businesses featuring similar products and services, (c) other businesses operated or franchised by us which do not use any of the Trademarks (if we choose to open any in the future), (d) other businesses or franchises operated or franchised by using the Orange Shoe® brand, but only outside of your Protected Territory, and (e) national, regional and local health and fitness centers. We believe that competition will continue in this industry. Your ability to compete in your market will depend upon certain factors, including: the location of your ORANGE SHOE PERSONAL FITNESS® Studio, the location of your competition, your financial and managerial capabilities, general economic conditions, and other factors.

### **Industry Regulations**

Certain states and local governments have laws relating specifically to health and fitness clubs, including laws requiring postings concerning steroids and other drug use, requiring certain medical equipment in the club, limiting the supplements that health and fitness clubs can sell, requiring bonds if a health or fitness club sells memberships valid for more than a specified period of time, requiring club owners to deposit into escrow certain amounts collected from members before the club opens (so-called "presale" memberships), and imposing other restrictions on memberships that health or fitness clubs sell. There are also restrictions in place regarding the operation of health and fitness clubs during the COVID-19 pandemic imposed by local or state regulatory bodies. Other than these laws, we are not aware of any regulations specific to the operation of an ORANGE SHOE PERSONAL FITNESS® Studio. You should investigate all of these laws. It is your sole responsibility to comply with them. You must provide us with copies of any business registrations, licenses or permits you are required to obtain under applicable state and local laws in your jurisdiction.

## ITEM 2 BUSINESS EXPERIENCE

### **Katie Michel – President, Director**

Ms. Michel has been our President and Director since February 2020. Prior to that, Ms. Michel served as President of TAGR, Inc. in Fitchburg, WI from June 2007 to September 2020. Ms. Michel was also a part-time teacher for Madison Metropolitan School District in Madison, WI from 2004 to 2015.

### **Scott Michel – Vice President of Operations**

Mr. Michel has been our Vice President and Director since February 2020. Prior to that, Mr. Michel served as Vice President TAGR, Inc. in Fitchburg, WI from June 2007 to September 2020.

## ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5  
INITIAL FEES

In this disclosure document, all amounts paid to us or our affiliates prior to opening your ORANGE SHOE PERSONAL FITNESS® Studio are considered "initial fees." All of the initial fees described in this Item 5 are the same for all ORANGE SHOE PERSONAL FITNESS® Studios unless otherwise specified.

**Initial Franchise Fee**

You must pay us an initial franchise fee equal to \$39,000 for a single franchise (the "**Initial Franchise Fee**"), when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable unless you are not approved or accepted by us. You and your owners must sign a general release in order to receive a refund. During the 2023 calendar year we were not selling franchises and did not charge any Initial Franchise Fees.

**Single Unit Franchise**

The Initial Franchise Fee will be used, in part, to offset the expenses we incur to research, approve, provide assistance to and train you and to assist in the opening of your ORANGE SHOE PERSONAL FITNESS® Studio. Initial Franchise Fees under Franchise Agreements are fully earned when paid and are not refundable under any circumstances.

Unless you have signed an Area Development Agreement, if we approve you as a franchisee for an additional ORANGE SHOE PERSONAL FITNESS® Studio, the Initial Franchise Fee you will be required to pay for each additional ORANGE SHOE PERSONAL FITNESS® Studio is equal to the then current Initial Franchise Fee. Each ORANGE SHOE PERSONAL FITNESS® Studio will be governed by its own Franchise Agreement, which may be different from one another. Approval as a franchisee for your first ORANGE SHOE PERSONAL FITNESS® Studio does not guaranty that you will be approved as a franchisee for any additional ORANGE SHOE PERSONAL FITNESS® Studio.

We charge the Initial Franchise Fee uniformly to all franchisees. We have no intention, now or in the future, of reducing the Initial Franchise Fee for any prospective franchisee, although we reserve the right to do so in our sole discretion, on a case-by-case basis. As of the date of this disclosure document, we had not negotiated any Franchise Agreements.

**Area Development Agreement**

If you sign an Area Development Agreement, you pay us (i) an Area Development Fee of \$29,000 for each Studio you agree to develop, (ii) \$39,000 for your first Studio, and (iii) a portion of the Initial Franchise Fee in the amount of \$20,000 for each additional Studio you agree to develop. The remaining Initial Franchise Fee is due upon signing of each Franchise Agreement for the locations you develop. The total Initial Franchise Fee due for each ORANGE SHOE PERSONAL FITNESS® Studio as follows:

Number of Studios being	Initial Franchise Fee
1	\$39,000
2	\$30,000
3	\$25,000
4 and up	\$20,000 each

The Area Development Fee and all Initial Franchise Fees are non-refundable and shall be deemed to have been fully earned and collectable by us as of the execution date of the Area Development Agreement and each Franchise Agreement. The Area Development Fee and Initial Franchise Fees are non-refundable and fully earned by us even if you do not develop all of the ORANGE SHOE PERSONAL FITNESS® Studios you agreed to.

The Area Development Fee may not be uniform for all franchisees due to the variable nature of negotiations, including but not limited to the size of each of your Development Areas, the number of ORANGE SHOE PERSONAL FITNESS® Studios to be developed, demographic data and trends and other variable conditions, and we reserve the right to charge different Area Development Fees at our sole discretion. As of the date of this disclosure document, we had not negotiated any Area Development Agreements.

**Branded Apparel and Miscellaneous Items**

You must pay to us between \$2,000 and \$5,000 for branded apparel and miscellaneous items that include employee uniforms, client apparel and promotional products such as logoed water bottles. Amounts paid for branded apparel, and miscellaneous items are non-refundable and shall be deemed to have been fully earned and collectable by us as of the execution date of your Franchise Agreement.

ITEM 6  
OTHER FEES

Type of Fee <sup>1,9</sup>	Amount	Due Date	Remarks
Continuing Fee	6.0% of monthly Gross Revenues <sup>2</sup>	Due on the 10 <sup>th</sup> day of the month for the entire preceding calendar month <sup>9</sup>	Continuing Fee is paid directly to us and is non-refundable. This fee may commence prior to opening if you receive income from pre-opening bookings.
Marketing Fund Fee	2.0% of monthly Gross Revenues. We reserve the right to increase the Marketing Fund Fee contribution.	Due on the 10 <sup>th</sup> day of the month for the entire preceding calendar month <sup>9</sup>	The Marketing Fund Fee is used for, among other things, creative services, web development and support and is administered by us. This fee may commence prior to opening if you receive income from pre-opening bookings. <sup>3</sup>
Local Marketing <sup>4</sup>	4% of monthly Gross Revenues	As incurred	This is the minimum amount that you will be required to spend directly every month on local marketing (including direct mail, promotions and online and website listings). All marketing must be pre-approved by us.

Type of Fee <sup>1,9</sup>	Amount	Due Date	Remarks
Cooperative Advertising Programs	Up to 4% of Gross Revenues	As incurred	You may be afforded the option to participate in a regional or local advertising cooperative. Such participation is not mandatory. If an advertising cooperative is created, your Local Marketing Expenditures (or, 4% of previous month's Gross Revenues) will be applied to the cooperative's expenditures. No additional fees are required to be paid to the advertising cooperative.
Training Fee for Additional Attendees at the Initial Training Course <sup>5</sup>	Out-of-pocket expenses plus \$2,500 payable to us	Payable within 10 days of receipt of invoice	All out-of-pocket expenses incurred to attend training as well as our then current training fee (currently \$2,500 per person) to have more than 2 attendees attend the Initial Training Course.
Training Fee Per Trainee Subsequent to Initial Training <sup>6</sup>	Out-of-pocket expenses plus the then current training fee for additional attendees at initial training	Payable within 10 days of receipt of invoice	All out-of-pocket expenses incurred to attend training as well as our then current training fee for additional attendees at the Initial Training Course.
Transfer Fee	\$10,000 plus our reasonable out-of-pocket expenses	Prior to consummation of the transfer, subject to approval by us	Out-of-pocket expenses are payable to us as reimbursement for the costs incurred by us for attorneys' fees, accountants' fees, out-of-pocket expenses, long distance telephone calls, and the time of our employees related to the transfer.
Protected Territory Change or Relocation Fee	\$5,000	Upon our approval of change to your Protected Territory or relocation of your Studio	You may not change your Protected Territory without obtaining our prior written approval, which may be withheld for any or no reason and in our sole discretion.

<b>Type of Fee<sup>1,9</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Assistance in Locating a Transferee	\$2,500	At the time you request assistance	Payable to us as reimbursement for costs incurred and payment for the time of our employees related to the location of an acceptable transferee.
Indemnification	Varies under circumstances	As incurred	You must reimburse us for, and pay for our counsel to defend us against, claims caused by or related to your operation of your ORANGE SHOE PERSONAL FITNESS® Studio.
Divulged Login Information to Confidential Manual	\$5,000 plus costs incurred by us	As incurred	You must pay to us \$5,000 plus reimburse us for all our costs, fees and damages associated with the unauthorized access to the Confidential Manual.
Costs and Attorneys' Fees	Varies depending on nature of your default	As incurred	Payable as provided in the Franchise Agreement or to us upon your default or breach of your Franchise Agreement.
Late Charges and Collection Costs	The lesser of 18% per annum or the maximum rate of interest allowed by law plus \$50 if bank payment is refused for any check or pre-authorized draft received by us	Payable upon receipt of invoice	Only payable if you fail to make payments to us when due or a bank payment is refused. Interest begins from the date payment was due.
Audit <sup>7</sup>	Our cost for an audit of your books and records	Payable upon receipt of invoice	Payment of the audit costs is triggered if you understate any amount in any report to us by 2% or more.

Type of Fee <sup>1,9</sup>	Amount	Due Date	Remarks
Insufficient Funds Fee	\$100	Payable upon the occurrence of a check returned for insufficient funds or upon insufficient funds being in your Electronic Funds Transfer (“EFT”) Account <sup>9</sup>	Payable upon each occurrence of a returned check or insufficient funds in your EFT account. 3 or more occurrences in any 12-month period are a default of your Franchise Agreement.
Liquidated Damages <sup>8</sup>	Lump sum equal to Continuing Royalty Fees and Marketing Fund Fee payable to us for the 36 months immediately preceding termination	As incurred	Payable to us upon wrongful termination of Franchise Agreement by you, or termination as a result of your breach.
Insurance	Varies depending on coverage amounts and insurance carrier	As incurred	This is the amount payable to your insurance carrier as your premiums on insurance required by the Franchise Agreement.
Required Software	Estimated at \$355 per month currently	As incurred	You must lease, purchase or license any software required or as we may require in the future for your ORANGE SHOE PERSONAL FITNESS <sup>®</sup> Studio. We may change the software required, which may change your monthly costs.
Renewal Fee	100% of then current Initial Franchise Fee	At time of renewal	Payable to us upon renewal by you of the Franchise Agreement.
New Supplier Approval	\$150 per hour (minimum)	Upon request	If you wish to purchase or use supplies or suppliers which are not on our Approved Supplies or Suppliers list you must submit them to us for approval prior to use.

All amounts are uniformly imposed by and are payable to us unless otherwise noted. All fees are nonrefundable.

Explanatory Notes:

1. At our request, you must authorize electronic fund transfers from your operating account for the payment of any of our fees. Simultaneously with the submission of fees, you must submit a detailed summary of your overall business activity, including monthly and year-to-date income statements and balance sheets.
2. The term “Gross Revenues” means the total amount received or receivable by or in connection with the operation of your ORANGE SHOE PERSONAL FITNESS® Studio from, connected with or related to the sale of any products, goods, merchandise or services and all business transacted in or from your ORANGE SHOE PERSONAL FITNESS® Studio, including, without limitation, sales made or services provided under the away from the ORANGE SHOE PERSONAL FITNESS® Studio or at a customer’s location, directly or indirectly, excluding only (a) the amount of any federal, state, or local sales or excise taxes or other similar taxes, separately stated, which may be required by law to be collected and paid by your ORANGE SHOE PERSONAL FITNESS® Studio to any governmental agency or authority, and (b) the amount of any refunds to customers for bona fide returns or cancellations. Collections and bad debts are your responsibility.
3. The Marketing Fund Fee will be deposited into a fund maintained and operated by us (the “Orange Shoe Marketing Fund”). The Marketing Fund Fee is paid to us for research, development and support costs (including, but not limited to, all costs relating to websites, web advertisements, television, radio, newspaper, direct mail and point of purchase marketing and all accompanying materials), all costs and expenses for this production (including salaries, office supplies, trade publication and related general and administrative expenses), and to develop and promote the brand name and other local, regional and national marketing promotions. These fees are non-refundable. We reserve the right to increase the Marketing Fund Fee at any time in our sole discretion. We may reduce the Marketing Fund Fees for multi-unit owners and for renewing franchisees.
4. You must spend at least 4% of your monthly Gross Revenues for approved local advertising, promotion and marketing. You must keep detailed records illustrating these payments and the manner in which the money is utilized to pay for local marketing. You must provide these records to us. If you fail to make the required minimum expenditures for local advertising and promotion, we may, at our option, require you to: (i) contribute the deficient amount to the Marketing Fund; or (ii) reimburse us for amounts that it spends on your behalf to satisfy your local advertising obligation, plus your related expenses. This fee is in addition to the Marketing Fund Fee.
5. You will pay us \$2,500 for each additional attendee over the allowed 2 individuals you send to the initial training. You will be responsible for all costs relating to initial training for all trainees (and all subsequent training performed by us) including the salaries, fringe benefits, payroll taxes, unemployment compensation, worker’s compensation insurance, meals, lodging, incidental expenses, and travel expenses.
6. If at any time subsequent to the initial training, additional training is required (i.e. a new manager is hired), you will pay all out-of-pocket expenses for the trainee to attend the training program, including meals, lodging, incidental expenses, and travel expenses and shall also pay the then current training fee for additional trainees to attend the initial training course.
7. We estimate current audit costs at \$1,000 per day, plus wages, meals, lodging and travel expenses. If any inspection by us of your books and records discloses that you understated Gross Revenues or the amount owed to us for the period of the report by 2% or more, you are required, in addition

to paying us the amount of the understatement and applicable late fees and interest, to reimburse us for all costs and expenses connected with the inspection (including reasonable accounting and attorneys' fees). All of these amounts due are payable upon receipt of an invoice from us. If an audit or financial review reveals an understatement by you of five percent (5%) or more for any calendar year, then in addition to paying the additional amounts due, interest as calculated above and the full cost of the audit or financial review for the entire period of examination, your understatement will constitute a material and incurable breach of this Agreement which will entitle us to terminate this Agreement immediately upon notice to you, with no opportunity to cure.

8. If we terminate your Franchise Agreement as a result of your default, or you terminates the Franchise Agreement without cause prior to its expiration date, then you shall pay to us liquidated damages on or before 30 days following the termination. The amount of liquidated damages will be equal to the Continuing Royalty Fees and Marketing Fund Fees that we would have received for three (3) years based on your most recent annual Gross Revenues. If your ORANGE SHOE PERSONAL FITNESS® Studio has not been open for one (1) year immediately preceding termination, the liquidated damages will be calculated by taking the number that is the monthly average of Continuing Royalty Fees and Marketing Fund Fees payable to us from the date your ORANGE SHOE PERSONAL FITNESS® Studio was opened through the date of termination and multiplying it by thirty-six (36). If the time remaining in the Franchise Agreement is less than thirty-six (36) months, the monthly average as calculated above will be multiplied by the number of months remaining in the Term of the Franchise Agreement.
9. Before your ORANGE SHOE PERSONAL FITNESS® Studio opens, you must sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Continuing Fee and Marketing Fund Fee and other amounts due under the Franchise Agreement and for your purchases from us (the "Electronic Depository Transfer Account" or "EDTA"). We will debit the EDTA for these amounts on their due dates. Funds must be available in the EDTA for withdrawal. We may require payment other than by automatic debit and you must comply with our payment instructions. The Authorization Agreement for Pre-Approved Payments (ACH Debits) is attached to the Franchise Agreement as Schedule A.

ITEM 7  
ESTIMATED INITIAL INVESTMENT  
**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditures<sup>1</sup></b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
Initial Franchise Fee <sup>2</sup>	\$39,000	\$39,000	Lump sum	Upon execution of the Franchise Agreement	Us
Lease, Utility & Security Deposits <sup>3</sup>	\$0	\$8,500	As incurred	As incurred	Third parties
Leasehold Improvements <sup>4</sup>	\$0	\$125,000	As arranged	As arranged	Third parties

<b>Type of Expenditures<sup>1</sup></b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
Signage <sup>5</sup>	\$2,000	\$8,500	Lump Sum	As arranged	Approved Suppliers
Fitness Equipment <sup>6</sup>	\$5,000	\$45,000	Lump Sum	As arranged	Approved Suppliers
Electronic Equipment and Software <sup>7</sup>	\$6,000	\$8,000	Lump Sum	As arranged	Approved Suppliers
Branded Apparel and Products <sup>8</sup>	\$2,000	\$5,000	As arranged	As arranged	Us
Furniture & Fixtures <sup>9</sup>	\$4,000	\$6,000	As incurred	As incurred	Third parties
Office Supplies & Misc. <sup>10</sup>	\$2,500	\$3,500	As incurred	As incurred	Approved Suppliers
Business Licenses & Permits <sup>11</sup>	\$100	\$500	As incurred	As incurred	Third parties
Professional Fees <sup>12</sup>	\$500	\$3,500	As arranged	As arranged	Third parties
Insurance <sup>13</sup>	\$1,500	\$2,500	Lump sum	Before commencing business	Third parties
Initial Training <sup>14</sup>	\$3,000	\$4,000	As incurred	As incurred	Third parties
Grand Opening Marketing <sup>15</sup>	\$3,000	\$6,000	As incurred	As incurred	Third parties
Additional Funds/Working Capital (3 months) <sup>16</sup>	\$30,000	\$60,000	As incurred	As incurred	Third parties
<b>Total for Single Unit Franchise</b>	<b>\$98,600</b>	<b>\$325,000</b>			

<i>Additional Fees for Area Development Agreement - 2 Units</i>					
<b>Additional Expenditure</b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is made</b>
Development Fee <sup>1</sup>	\$58,000	\$58,000	Lump Sum	As Incurred	Us
Initial Franchise Fee <sup>2</sup>	\$69,000	\$69,000	Lump Sum	As Incurred	Us
Other Item 7 Table Charges <sup>3</sup>	\$115,200	\$562,000	Lump Sum	As Incurred	Third Parties
<b>Total if Signing an Area Development Agreement for 2 Units<sup>17, 18</sup></b>	<b>\$246,200</b>	<b>\$699,000</b>			

<sup>1</sup> \$29,000 per location

<sup>2</sup> \$39,000 first location; \$30,000 second location

<sup>3</sup> \$Total less Item 7 amounts payable to us multiplied by 2

Explanatory Notes:

1. All expenditures that are paid to us are not refundable. Unless specifically agreed to by third-party suppliers to whom you make payments, all expenditures with third parties are not refundable. The estimates disclosed in this Item 7 are subject to variations according to geographic location and site. We have relied on our affiliate, TAGR's, experience operating one ORANGE SHOE PERSONAL FITNESS® Studio to compile these estimates. This is only an estimate of your initial investment and is based on our estimate of prevailing nationwide costs and market conditions as of the date of this disclosure document. You must bear any deviation or escalation in costs from the estimates that we have given. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. Many factors that are unique to your location can make a dramatic difference in the estimates provided. The availability and terms of financing depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have, and lending policies of financial institutions.
2. Your Initial Franchise Fee is not refundable.
3. If you do not already own your own space, you will have to lease a space for your ORANGE SHOE PERSONAL FITNESS® Studio. The estimated amount is for your rent deposit (typically first and last month's rent). Your monthly rent will vary depending on factors such as size, condition, location and the local real estate rental market. You will need approximately 1,800 to 2,500 square feet for your ORANGE SHOE PERSONAL FITNESS® Studio. This amount also includes deposits with utility companies such as phone and electric.
4. Your initial investment for leasehold improvements depends on the size and location of the leased premises, type of improvements desired or required and the amount of usable improvements already in place at the location. This cost will also vary depending on the amount (if any) of construction work and/or dollars you negotiate with your landlord. The low amount figure assumes that the cost of leasehold improvements is paid by the landlord. If you are acquiring an existing ORANGE SHOE PERSONAL FITNESS® Studio, the leasehold improvements may be included in the amount you pay for the existing facility. At your discretion, you may incur long-term financing to cover leasehold or other expenses and cash outlays (the cost of any financing is not included in

this estimate). Market forces would determine the terms and costs of financing. We do not provide any of this financing.

5. Signage costs depend, in part, on the size and location of your ORANGE SHOE PERSONAL FITNESS® Studio and the particular requirements of your landlord and local ordinances and zoning requirements.
6. The low amount assumes that you lease all fitness equipment required to operate your ORANGE SHOE PERSONAL FITNESS® Studio. The high amount assumes that you purchase all fitness equipment to operate your ORANGE SHOE PERSONAL FITNESS® Studio. The total cost of equipment will vary depending on numerous factors, including the physical size of your ORANGE SHOE PERSONAL FITNESS® Studio and whether you purchase from our recommended sources or from others.
7. You will be provided current specifications for all required Electronic Equipment and Software upon signing Franchise Agreement. Additional Electronic Equipment and Software may be required in the future as determined by us at your expense.
8. This includes all employee uniforms, client apparel and branded promotional products such as water bottles.
9. Furniture and fixtures include furnishings and nonpermanent fixtures, including desks, chairs, file cabinets and any other office furniture. This estimate does not include shipping to your location and assumes that all items will be purchased new.
10. This estimate is for basic supplies such as paper, pens, tape measure, stapler, file folders, office stationary, visitor cards, pricing cards, note cards, envelopes, business cards, brochures and a digital camera. This cost estimate does not include the cost of shipping to your location.
11. You can obtain information from your local, county and state authorities (as well as your legal counsel) regarding the required licenses and related types of expenses in your local area. This expense may be higher in metropolitan areas.
12. This is only an estimate and includes such things as a review of this disclosure document, your Franchise Agreement and setting up your books and records. This amount will depend upon the fees charged by the professionals you select.
13. This is an estimated down payment against your annual premiums to acquire the insurance listed in the Franchise Agreement. We may, periodically, specify and change the types and amounts of coverage required. You must provide us with a copy of each insurance policy. Each insurance policy must name us, our affiliates and our and their respective officers and owners as additional named insured and must require 30 days written notice to us before being modified, cancelled or terminated and 30 days prior written notice to us before the policy expires. A company with an A.M. Best rating of A or higher must underwrite all insurance policies.
14. We do not charge a fee for the initial training of 2 individuals (you and one other). You must, however, pay all expenses, including salaries, fringe benefits, payroll taxes, unemployment compensation, worker's compensation insurance, meals, lodging, incidental expenses, and travel expenses. If you send more than 2 individuals, you must pay a fee to us equal to our then current training per additional individual, plus you must pay all associated expenses. Our current training fee per additional trainee for the initial training is \$2,500. The estimate above includes only the expenses associated with the two included trainees.

15. You must spend a minimum of \$3,000 on your grand opening marketing. This amount is in addition to the minimum local marketing expenditures you must make.
16. Working capital is an estimate of the funds needed to cover the operational expenses incurred during the first three months of operation (please note this estimate is exclusive of all costs listed elsewhere in this Item 7). New businesses often generate a negative cash flow. We estimate that the amount given should be sufficient to cover ongoing expenses for the first three months of the business. This is only an estimate and we cannot guarantee that the upper range amount is sufficient or that you will not have additional expenses starting your business. The actual amount of funds required and the times at which funds are required depends on many factors including how closely you follow our methods and procedures, the prevailing wage rate, the rate of growth of your business, your management skill, economic conditions and competition in your area and the sales levels reached during these three months of operations.
17. If you sign an Area Development Agreement, you pay us (i) an Area Development Fee of \$29,000 for each Studio you agree to develop, (ii) \$39,000 for your first Studio, and (iii) a portion of the Initial Franchise Fee in the amount of \$20,000 for each additional Studio you agree to develop. The remaining Initial Franchise Fee is due upon signing of each Franchise Agreement for the locations you develop. The total Initial Franchise Fee due for each ORANGE SHOE PERSONAL FITNESS® Studio as follows::

Number of Studios being	Initial Franchise Fee
1	\$39,000
2	\$30,000
3	\$25,000
4 and up	\$20,000 each

The Area Development Fee and all Initial Franchise Fees are non-refundable and shall be deemed to have been fully earned and collectable by us as of the execution date of the Area Development Agreement and each Franchise Agreement.

18. Total does not include Initial Training for Unit #2 as training has already occurred with Unit #1. Total also does not include an Initial Franchise Fee for Unit #2 because that is not due until the Franchise Agreement for that Unit is signed.
19. Total does not include Initial Training for Units #2-#5 as training has already occurred with Unit #1. Total also does not include an Initial Franchise Fee for Units #2-#5 because that is not due until the Franchise Agreement for each Unit is signed.

#### ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your ORANGE SHOE PERSONAL FITNESS® Studio according to our standards and specifications as we may establish from time to time in our Confidential System Standards Manual or otherwise by written communication from us, which includes purchasing, leasing or licensing from us or our approved suppliers all apparel, printed goods, grand opening marketing materials, cardiovascular and strength training equipment, dumbbells, weight plates, barbells and corresponding weight racks, and all other fitness equipment and fitness accessories from manufacturers, suppliers, or distributors we approve.

We will regulate, among other things, the types, models and brands of required fixtures, furnishings, equipment, signs, materials, supplies and other items used in operating your ORANGE SHOE PERSONAL FITNESS® Studio. All products and items must conform to those standards and specifications we may periodically establish. You must obtain our written approval before making any changes in the appearance of your ORANGE SHOE PERSONAL FITNESS® Studio and before modifications to or replacements of decorating materials, fixtures, equipment, products, furniture, signs or other items.

Approved suppliers shall be ones who demonstrate to us their ability to meet our minimum standards for quality, price and reliability. Requirements and specifications for products and other items and lists of approved suppliers may be listed in the Confidential System Manual (the “Confidential Manual”). By written notice to you and/or through changes in the Confidential Manual, we may revise our requirements and specifications, add or delete approved suppliers, terminate existing purchase arrangements and suppliers and/or enter into new purchase arrangements with additional suppliers.

If you desire to purchase any item not authorized by us or to purchase items from a supplier not expressly approved by us in writing, you must first submit all information we may request, including specifications and samples, to enable us to determine whether the item complies with our standards and whether the supplier meets our approved supplier criteria. Approval of a supplier may be conditioned, among other things, on requirements for product quality, price, cost, frequency of delivery, standards of service, brand recognition and concentration of purchases and may be temporary, pending our evaluation of the supplier. We also may charge you \$150 an hour for time spent by us in making our determination regarding approval of any alternative suppliers and will, within 30 days, notify you of our decision in writing (if approval is not received within 30 days, this constitutes a rejection by us). We periodically establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Our criteria for suppliers of specific products are available upon your written request. We may revoke our approval of a supplier at any time in our sole discretion.

We may attempt to negotiate discounted prices and favorable terms from suppliers for your benefit. We may also negotiate with various vendors to obtain for all of our franchisees and us and our affiliates various advertising related discounts and/or cooperative advertising programs. If we negotiate these programs, you will have the right to participate in the programs, but will not be obligated to do so, unless we make it a requirement. These optional advertising programs in no way affect your obligations to use only approved suppliers and all required suppliers.

You must purchase, lease or license from our designated suppliers all cardiovascular and strength training equipment, dumbbells, weight plates, barbells and corresponding weight racks, and all other fitness equipment and fitness accessories.

We and our affiliate may derive revenue from your required purchases in connection with the operation of your ORANGE SHOE PERSONAL FITNESS® Studio. For the fiscal year ended December 31, 2023 neither we nor our affiliate received any revenue from required purchases or leases by franchisees.

None of our officers has any interest in any approved supplier, but we retain the right to do so in the future.

We may receive discounts, rebates, commissions, promotional allowances, and other benefits if you buy items from certain suppliers we designate based on the quantities of products you and other franchisees buy. If we negotiate these programs, you will have the right to participate in the programs, but will not be obligated to do so, unless we make it a requirement. These optional advertising programs in no way affect your obligations to use only approved suppliers and all required suppliers. The purchase of products from approved sources will represent approximately 40% of your overall product purchases in opening your Orange Shoe and less than 5% of your overall product purchases in operating the franchise.

We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers, but you must use only suppliers we approve.

We do not currently have any purchasing or distribution cooperatives. We do not provide you with material benefits based on your purchase of particular products or services or use of particular suppliers except as provided herein.

We may add or delete approved suppliers, terminate existing purchase arrangements and suppliers and/or enter into new purchase arrangements with additional suppliers at any time.

We may require you to purchase computer hardware or any software programs from us or suppliers designated by us. If you utilize wireless technology, you must have an encrypted wireless setup wherever your computers will be used. You will be required to exclusively use the accounting, scheduling, point of sale and business management software specified by us.

You must use, at your expense, such internet/wireless services, e-mail services, telephone systems and services as we may require in connection with the operation of the Studio and use only those vendors designated by us, as set forth in the System Standards Manual or otherwise.

To maintain the integrity of the Marks, we require that all apparel, signs, stationery, forms, labels and similar materials used in the operation of your ORANGE SHOE PERSONAL FITNESS® Studio be purchased from us, any of our affiliates, or our designated suppliers.

Under the terms of your Franchise Agreement, you must maintain, at your expense, an insurance policy or policies protecting you and naming us and our affiliates and our and their respective owners as additional named insured or loss payees against any loss, liability, personal injury, death, property damage or expense from fire, lightning, theft, vandalism, malicious mischief and the perils included in an extended coverage endorsement, arising or occurring upon or in connection with your ORANGE SHOE PERSONAL FITNESS® Studio as well as any other insurance applicable to any other special risks we reasonably require for your protection, as well as any insurance coverage required by your landlord or lender. You can expect to maintain, at a minimum, commercial general liability insurance; business interruption insurance; employer's liability / worker's compensation insurance; personal and real property coverage for full replacement value; automobile coverage (including non-owned automobiles); plus any additional insurance required by your lender or landlord. A company with an A.M. Best rating of A or better must underwrite all of your insurance policies.

ITEM 9  
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
(a) Site selection and acquisition/Lease	Franchise Agreement ("FA") Sections 1.2, 3.1, & 3.2 Area Development Agreement ("ADA") Sections 1.1, 2.1 & 6.1	Items 1, 7, 11 and 12
(b) Pre-Opening purchases/leases	FA Sections 6.9 & 6.11 ADA NONE	Items 5, 7 and 8

(c) Site development and other pre-opening requirements	FA Sections 3.1 - 3.3, 4.1 - 4.5, and 6.1 ADA Sections 6.1, 6.2 and 6.3	Items 7, 8 and 11
(d) Initial and ongoing training	FA Sections 5.2 - 5.3 and 6.16 ADA NONE	Items 6 and 11
(e) Opening	FA Section 6.1	Items 5 and 11
(f) Fees	FA Sections 1.5, 2.1, 3.4, 5.3, 8.3, 9.2, 9.3, 9.7, 9.10, 13.4 ADA Sections 5.1 & 5.2	Items 5, 6, and 7
(g) Compliance with standards and policies/Operating Manual	FA Recitals, Sections 5.1, 5.5, & 6.1 - 6.25, 8.1, 8.4 ADA NONE	Items 11 and 16
(h) Trademarks and proprietary information	FA Recitals, FA Sections 14.1-14.8 ADA 1.1, 10.5, 1.6, & 9.1	Items 13 and 14
(i) Restrictions on products/services offered	FA Sections 5.5, 6.4, 6.8 - 6.10 ADA NONE	Items 8, 11 and 16
(j) Warranty and Customer Service requirements	FA Section 6.2, 6.12 and 6.24 ADA NONE	Item 16
(k) Territorial development and sales quotas	Not applicable ADA Section 2.1 and Exhibit B	Not applicable
(l) Ongoing product/service purchases	FA Sections 5.5, 6.2, 6.8 and 6.10 ADA NONE	Items 8 and 11
(m) Maintenance, appearance and remodeling requirements	FA Sections 6.3 and 13.4 ADA NONE	Items 6 and 11
(n) Insurance	FA Sections 7.1 - 7.4 ADA NONE	Items 6 and 8
(o) Advertising	FA Sections 8.1 - 8.5 ADA NONE	Items 6, 7 and 11
(p) Indemnification	FA Sections 4.4, 13.4, 14.6 and 15.2 ADA NONE	Item 6
(q) Owner's participation / management / staffing	FA Sections 6.6 - 6.7 ADA NONE	Items 9, 11 and 15
(r) Records and reports	FA Sections 6.11, 6.14, 6.15, 6.20, 6.21, 8.3, 10.1 and 10.2 ADA Section 7.2	Item 6
(s) Inspections and audits	FA Sections 6.14 and 10.2 ADA Section 6.1	Item 6
(t) Transfer	FA Sections 13.1 - 13.7 ADA SECTIONS 8.1 & 8.2	Items 6 and 17

(u) Renewal	FA Section 1.5 ADA NONE	Items 6 and 17
(v) Post-termination obligations	FA Section 17.1 ADA Article 10	Item 17
(w) Non-competition covenants	FA Sections 12.1 - 12.4 and 13.4 ADA Section 9.3	Item 17
(x) Dispute resolution	FA Sections 23.1 - 23.7 ADA Article 11	Item 17
(y) Other: Guarantee of franchisee obligations (note 1)	FA Section 6.15 ADA Exhibit D	Item 22

The shareholders, partners, members or beneficial owners of the equity interests of a corporate, partnership, limited liability company or other entity franchisee, and the spouses of any of them, if any, are obligated to guarantee all of the obligations of franchisee under the Franchise Agreement. Each of these persons will be required to sign a Principal Owner's Guaranty in the form of Exhibit B attached to the Franchise Agreement (Exhibit B to this disclosure document).

ITEM 10  
FINANCING

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

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

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

**Pre-Opening Assistance**

Before you open your Studio, we will:

1. Designate your Site Search Territory, if applicable, and Protected Territory. (Franchise Agreement, Section 1.2 and Exhibit A)
2. Provide you with support to navigate the development process from Franchise Agreement execution to your Studio opening. (Franchise Agreement, Section 6.11)
3. Provide you with consulting services to assist you in determining the evaluation criteria for selecting the site location for your Studio. (Franchise Agreement, Sections 3.1 and 3.2)
4. Approve or disapprove a site for your Studio Location within 15 business days after you have provided all the information we request to evaluate the site. (Franchise Agreement, Sections 1.2, 3.1 and 3.2)
5. Approve or disapprove the lease or purchase agreement for the Studio Location within 15 business days after we receive it. (Franchise Agreement, Sections 1.2 and 3.2)
6. Review your list of architects, contractors, designers and /or engineers, the final plans and specifications and CAD files and the certification of ADA compliance promptly and either approve them in writing or provide comments to Franchisee. (Franchise Agreement, Section 4.1)
7. Provide you with specification for typical furniture, fixtures and equipment. (Franchise Agreement Section 4.3)

8. Approve or disapprove your signage vendor. (Franchise Agreement, Section 4.5)
9. Provide you with electronic access to our confidential and proprietary System Standards Manual (Franchise Agreement, Section 5.1)
10. Make available to you and one other employee of yours an initial training program. (Franchise Agreement, Section 5.2)
11. Provide you with information regarding the required computer systems and related software and up to 2 e-mail addresses with the orangeshoe.com domain name for use in connection with the operation of the Studio only, and for no other purpose. (Franchise Agreement, Section 6.11).
12. Designate the opening inventory of products and services you must buy before the opening of the Studio. (Franchise Agreement, Section 6.9)
13. Furnish you with written specifications and/or names of approved suppliers for required products, services, signs, fixtures and supplies. (Franchise Agreement, Section 6.8)
14. Either provide or approve or disapprove advertising, promotions, signs, posters and displays before installation or display. (Franchise Agreement, Section 8.1).

### **Continuing Obligations**

During the operation of your Studio, we will:

1. Furnish you with those support services we consider advisable. We may provide these services on-site, off-site, by telephone or through other means. Timing will depend on the availability of our personnel. (See Franchise Agreement, Section 5.4)
2. Furnish you with any specifications for required products and services. (Franchise Agreement, Sections 5.5 and 6.8)
3. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services. (Franchise Agreement, Section 5.6)
4. Administer the Marketing Fund (Franchise Agreement, Section 8.5)
5. Use commercially reasonable efforts to correct any failure or cause vendors to correct any failure of computer systems and related software (Franchise Agreement, Section 6.11)

### **Area Development Agreement**

If you sign an Area Development Agreement, you will receive a designated geographic area for each Studio you agree to develop (See Exhibits to Area Development Agreement, a copy of which is attached to this disclosure document at Exhibit C). We will approve or disapprove a site for your Studio locations within 15 business days after you have provided all the information we request to evaluate the site. (ADA, Section 6.1)

In addition to granting you the right to establish a specific number of Studios under your Area Development Agreement, we will also provide you with the assistance described in this Item 11 for each Studio you must open under you Area Development Agreement.

### **System Standards Manual**

Currently, we have a System Standards Manual we make available to you through a password protected Web Site. The System Standards Manual includes descriptions of marketing techniques, operational procedures, business practices, and management methods for our ORANGE SHOE® System. The purpose

of the System Standards Manual is to protect our reputation and goodwill and to maintain uniform standards under the Marks and the ORANGE SHOE® System. You must operate your ORANGE SHOE PERSONAL FITNESS® Studio in accordance with the standards, methods, policies, and procedures in these manuals. You may view the System Standards Manual at our corporate office. See Exhibit H to this disclosure document for further information. There are a total number of 120 online screen pages in our System Standards Manual.

### **Advertising and Promotion.**

You may only use advertising, marketing, identification and promotional materials and programs which we have either furnished to you or approved in writing in advance. If we make advertising, marketing, identification and promotional materials and programs available to you, you must use only those materials furnished by us for all of your advertising, marketing, identification and promotion of the Studio, at your cost. In the event that we do not furnish you with advertising, identification and promotional materials and programs for the Studio, you must submit to us, in the form and manner we prescribe, for prior approval, samples of all advertising and promotional materials not prepared or previously approved by us, including materials you wish to present on a website. If you do not receive written or oral approval within 10 days from the date of our receipt of such materials, we will be deemed to have disapproved the submitted materials. You may not use any advertising or promotional materials that we have not approved, have disapproved or that do not include the copyright registration notices and trademark registration notices we designate (Franchise Agreement - Section 14.3). Any advertising, promotion and marketing you do must be completely clear and factual and not misleading, and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. Except for listing your Studio on a local Internet directory, you are not permitted to have or advertise on the Internet or World Wide Web without our prior written consent (Franchise Agreement – Section 8.2). You may not solicit business through a toll-free number, direct mail, internet, or other advertising method without our prior written consent. (Franchise Agreement - Section 8.1).

### **Marketing Fund**

You must pay a Marketing Fund Fee of 2.0% of your Studio's prior month's Gross Revenue (“**Marketing Fund Fee**”). We may increase this fee at any time in our discretion. We will, at our sole discretion, direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. We need not make expenditures for advertising or promotions for you which are equivalent or proportionate to your pro rata contributions. We need not attempt to and are not required to ensure that you benefit directly or proportionately from the Marketing Fund. We are not required to spend any amount in your area or Protected Territory. The Marketing Fund is not a trust and we are not a fiduciary in any capacity. (Franchise Agreement, Section 8.5)

The Marketing Fund may, but is not required to, be used to meet all costs of administering, directing, preparing, placing and paying for national and/or regional advertising. This may include the cost of preparing and conducting television, radio, magazine, newspaper or other advertising campaigns and other public relations activities; the cost of employing advertising agencies and/or in-house marketing support; paying interest on monies borrowed by the Marketing Fund from third parties unaffiliated with us; providing customer service comment cards to you and other ORANGE SHOE® franchisees; and, sponsoring sporting, charitable or other special promotional events, if we choose to do so at our sole discretion.

The Marketing Fund monies are accounted for separately from our other funds, and such funds are held in a dedicated bank account. We may not use these funds for any purpose other than those provided for in the Franchise Agreement. We may use the Marketing Fund to cover salaries, travel costs, and reasonable administrative costs.

The Marketing Fund is not audited.

No money will be spent by the Marketing Fund to primarily solicit new franchisees. Some media placement may advertise that franchises are available to be purchased, but it will be done in conjunction with the program of the ORANGE SHOE® brand. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by us and will be furnished to you upon written request.

We will spend most contributions to the Marketing Fund for advertising and marketing purposes during the fiscal year in which the contributions are made. If we spend more than the amount the Marketing Fund collects in any fiscal year (not including any money we had to spend because we did not spend all the money in the Marketing Fund during the year before), then we are entitled to reimburse ourselves (without interest) from the Marketing Fund during the next fiscal year for all excess expenditures during the preceding fiscal year. If we spend less than the total in the Marketing Fund during any fiscal year, then we can spend the unused money during the next fiscal year.

We have no obligation in administering the Marketing Fund to make expenditures for you which are equivalent or proportionate to your contributions, or to ensure that you benefit directly or proportionately from the placement of advertising or any other marketing or advertising activities, or to ensure that such advertising or marketing impacts or penetrates your Studio or Protected Territory. If we receive any promotional allowances with respect to your purchases of goods or services from vendors other than us or our affiliates, then we will be under no obligation to contribute the promotional allowances to the Marketing Fund.

Although we intend the Marketing Fund to be perpetual, we have the right to terminate the Marketing Fund. We will not terminate the Marketing Fund until we have spent all money in the Marketing Fund for marketing, advertising and promotional purposes.

The ORANGE SHOE PERSONAL FITNESS® Studio owned and operated by our affiliate participates equally with franchisees in contributing to the Marketing Fund.

During the fiscal year ended December 31, 2023 the Marketing Fund's income was spent in the following categories (including related administrative expenses, if any): Production, 60%; Media Placement, 0%; Administrative Expenses, 40%; Total, 100%.

#### Local Marketing, Advertising and Promotion

You must expend each month an amount equal to 4% of the Studio's Gross Revenue during the preceding month on Local Marketing Expenditures that we have approved (Franchise Agreement, Section 8.3). "**Local Marketing Expenditures**" means the local or regional marketing, advertising and promotional activities that we specify in our System Standards Manual or otherwise or approve in writing in advance. Upon our request, you must submit to us a report detailing your Local Marketing Expenditures made during the time period we specify. You are also required to provide us invoices or other documentation to support your Local Marketing Expenditures reported, if requested by us. You may spend more than the minimum required, at your discretion. If you fail to make the required minimum expenditures for local advertising and promotion, we may, at our option, require you to: (i) contribute the deficient amount to the Marketing Fund; or (ii) reimburse us for amounts that we spend on your behalf to satisfy your required Local Marketing Expenditures, plus our related expenses.

You may not advertise or use any of the Marks on the Internet without our prior written consent. We maintain the web site [www.orangeshoe.com](http://www.orangeshoe.com). We will provide contact information for your ORANGE SHOE PERSONAL FITNESS® Studio on our web site. Further, you shall not use the Marks (or any marks or names confusingly similar to the Marks) as an Internet domain name or in the content of any World Wide Web Site.

## Cooperatives

You may be afforded the option to participate in a regional or local advertising cooperative (“**Co-op**”). Such participation is not mandatory. If an advertising cooperative is created, your Local Marketing Expenditures (or, 4% of previous month’s Gross Revenues) will be applied to the Co-op’s expenditures. No additional fees are required to be paid to the advertising cooperative. Franchisor-owned outlets may participate in such cooperatives. (Franchise Agreement, Section 8.1)

## Grand Opening Advertising

Beginning 2 months before the commencement of the operation of the Studio, and continuing for two months thereafter, you must expend \$3,000 and \$6,000 for the grand opening advertising and promotion of your Studio (the “**Grand Opening Advertising**”). You must make these Grand Opening Advertising expenditures using the advertising and promotional material, media, special events and other public relations activities that we require or approve, in our System Standards Manual or otherwise. (Franchise Agreement, Section 8.3)

## Periodic Promotions

You must offer such rebates, giveaways and other promotions (“**Promotions**”) as may be required by us. You must honor all promotions so long as doing so does not contravene with any laws. You may not create or issue any Promotions or sell any Promotions that are not required or sponsored by us. You may not issue coupons or discounts of any type. Your participation in Promotions will be at your expense.

## Advertising Council/Advisory Committee

At this time, there is no advertising council composed of ORANGE SHOE® franchisees.

We may periodically establish an advisory committee (the “**Advisory Committee**”), which will be made up of our representatives and representatives of 1 or more of our franchisees (the exact composition of the Advisory Committee to be determined by us in our sole and absolute discretion), and which will advise us regarding proposed uses of Marketing Fund Fees and the ORANGE SHOE® Marketing Fund, suggestions for new services and products and general operations of our franchised facilities. Whether or not the Advisory Committee is formed, how it is established and how it shall conduct its business will be determined by us in our sole and absolute discretion. We will not be required to follow the advice of the Advisory Committee and we can terminate the Advisory Committee at any time. Any expenses of establishing, maintaining or terminating the Advisory Committee will be paid for by Marketing Fund Fees out of the Orange Shoe Marketing Fund. Franchised facilities owned or operated by any of our affiliates will also contribute to the Orange Shoe Marketing Fund.

## Computer Requirements

You will be required to have at least three computers and one printer meeting the specifications we require from time to time in our sole discretion. Additional software may be required in the future, at your expense, as determined by us in our sole discretion. The estimated initial cost of purchasing your computer systems is \$6,000-\$8,000, but may change from time to time based on our equipment and software requirements. You will also need to maintain QuickBooks Online and Point of Sale (“POS”) software from MindBody, Inc. The subscription fees for these programs are currently \$40 a month for QuickBooks and \$315 a month for the POS software, but that price may be changed by the manufacturers of the product. There are no costs associated with updates to the programs other than the subscription fees. We will have independent access to your sales and other information in your POS system.

There are no contractual limitations on our right to access information in your POS system. You must maintain at all times, the ability to receive and transmit communications from and to us over the Internet.

You will be required to provide us independent access to the information and data in your computer systems via a broadband Internet connection.

You must install, maintain and use computer software programs to maintain data and business records for your ORANGE SHOE PERSONAL FITNESS® Studio as designated by us. To ensure full operational efficiency and communication capability between our computers and yours, you must at all times, at your own expense, keep your computer system in good repair and purchase certain annual maintenance and service contracts from the manufacturer of the hardware or the licensor of the software. You must upgrade/update your software programs, as required by us or as otherwise needed. You must also replace any systems which are inoperable and/or outdated and the cost for replacing the systems will depend upon the systems you are purchasing and the market prices for those systems. We have to approve, in writing, all hardware and software to be used by you in connection with your ORANGE SHOE PERSONAL FITNESS® Studio. We reserve the right to require franchisees, at their expense, to install and maintain additional hardware and software, including software that will interface with our computer system over the Internet. We have no obligation to provide ongoing maintenance, repairs, upgrades or updates

You must use, at your expense, such internet/wireless services, e-mail services, telephone systems and services as we may require in connection with the operation of the Studio and use only those vendors designated by us, as set forth in the System Standards Manual or otherwise. You shall pay the service or maintenance fees charged by vendors for such internet/wireless services, e-mail services and/or telephone system services, which may vary depending on the vendor you use.

### **Site Selection**

We will offer you consulting services to assist you in determining the evaluation criteria for selecting the site location for your Studio. We do not select the site for your Studio, although we must consent to the site. The general site selection criteria you should consider includes traffic patterns, site visibility and size, area demographics, ease of ingress and egress, adequacy of parking, Lease rates, competitors, and tenant mix at the proposed location. You are solely responsible for locating a site that meets our standards and criteria and that is acceptable to us. If you do not provide us with a proposed Lease or do not otherwise secure an acceptable location for your Studio within 90 days of executing the Franchise Agreement, supply us with plans and specification to approve within 120 days of executing the Franchise Agreement, and complete construction and begin operations of your ORANGE SHOE PERSONAL FITNESS® Studio within 365 days from the date of executing the Franchise Agreement, any such failure constitutes a material breach of the Franchise Agreement, and we may, at our option, terminate the Franchise Agreement upon notice without affording you any opportunity to cure the breach. (Franchise Agreement, Section 16.2.D).

### **Typical Length of Time Before Operation**

The typical length of time between the signing of the Franchise Agreement and the opening of a Studio depends, in part, on the specific location of the Studio. You are expected to begin operations within 365 days from the signing of the Franchise Agreement. Factors affecting this length of time usually include obtaining a satisfactory site, build out complexity, permits, financing arrangements, completing training, local ordinance compliance questions and delivery/installation of equipment, materials, products and signs.

### **Training Program**

#### **Initial Training**

Our Initial Training consists of a maximum of 20 days (4 weeks) of training for 2 individuals (“**Trainees**”) in our corporate headquarters and/or at any other location as we may specify in writing. All Trainees must complete the Initial Training to our satisfaction at least 3 weeks, but not more than 6 weeks, before your

ORANGE SHOE PERSONAL FITNESS® Studio opens for business. We will provide you with a commencement date for the Initial Training Program.

We will provide, at our expense, instructors, facilities and training materials consisting of online Webinars, books, manuals, outlines, pamphlets and live instruction, for the Initial Training of you and another employee or individual. You will be responsible for all expenses of your Trainees in the Initial Training including all travel, lodging and meal expenses and compensation of, including workers' compensation insurance for, your Trainees. All costs and expenses incurred to have additional employees or agents attend the Initial Training, including reasonable training fees, will be borne by you. Attendance by any additional employees or agents is subject to our prior written approval and a \$2,500 fee is required for each additional trainee.

If the person having responsibility for the day-to-day operation of your ORANGE SHOE PERSONAL FITNESS® Studio (the “**Designated Studio Manager**”) is no longer willing or able to exercise day-to-day control over your ORANGE SHOE PERSONAL FITNESS® Studio, you must hire a new, qualified Designated Studio Manager for your ORANGE SHOE PERSONAL FITNESS® Studio within 30 days of the date of the prior manager's last working day. The new Designated Studio Manager and all other successive Designated Studio Managers, if any, shall be required to attend the Initial Training at your sole cost and expense within 30 days of the Designated Studio Manager hire date. You are solely responsible for the costs and expenses associated with your Manager's attendance at the Initial Training, including the then prevailing standard rates charged by us for additional attendees at the Initial Training and all travel, meals and lodging costs and compensation of, including workers' compensation insurance for, your new Designated Studio Manager.

Ms. Katie Michel and Mr. Scott Michel supervise the training programs. Both Ms. Michel and Mr. Michel have 14 years of experience operating an ORANGE SHOE PERSONAL FITNESS® Studio.

A schedule for the Initial Training Program is as follows:

**TRAINING PROGRAM<sup>1</sup>**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location<sup>2</sup></b>
Sales and Marketing	16	16	ORANGE SHOE PERSONAL FITNESS® Studio
Human Resources	16	16	ORANGE SHOE PERSONAL FITNESS® Studio
Training and Development	16	16	ORANGE SHOE PERSONAL FITNESS® Studio
Operations	16	16	ORANGE SHOE PERSONAL FITNESS® Studio

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location<sup>2</sup></b>
Business Management	16	16	ORANGE SHOE PERSONAL FITNESS® Studio
TOTAL	80	80	

<sup>1</sup> We will utilize a blended learning approach to training, with portions of the training conducted in the classroom, online, on-site and self-study. The above times are intended only to be estimates of time allocation.

<sup>2</sup> The ORANGE SHOE PERSONAL FITNESS® Studio that we use for training purposes is located at Orange Shoe Pewaukee Studio.

#### Ongoing Training

At our option, we may provide additional training programs or seminars or advanced management training at locations designated by us, which may be required for your employees. We will determine the duration, curriculum and location of these programs. Training will not be required more often than 2 times per year. You will be responsible for all costs and expenses associated with the training, including our then prevailing standard training fees and all travel, meals and lodging costs and compensation of, including workers' compensation insurance, for your attendees.

We will provide you with individual or group advice, consultation, guidance and assistance regarding the operation of your ORANGE SHOE PERSONAL FITNESS® Studio based on our inspections and the reports you provide to us. This assistance may be provided in person, by telephone, newsletters or otherwise as we may deem appropriate. In addition, at your request, we will furnish additional guidance and assistance to deal with unusual or unique operating problems at reasonable per diem fees, charges and out-of-pocket expenses established by us.

Our training programs may also be conducted by other senior personnel as well as outside consultants, whose services we may retain for specific training courses. No other formal training staff is maintained at present.

#### ITEM 12 TERRITORY

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

Under the Franchise Agreement, you will receive a Protected Territory (defined below), meaning that, as long as you comply with the Franchise Agreement, neither we nor our affiliates will open and operate, nor authorize a third party to open and operate, a Studio in the Protected Territory we designate for you on Exhibit A to the Franchise Agreement.

#### Single Unit Franchise

The Franchise Agreement permits you to establish and operate an ORANGE SHOE PERSONAL FITNESS® Studio in a specified type of facility at a designated location. If, at the time the Franchise Agreement is executed, a location for Franchisee's Studio is not identified or obtained by you and

approved by us, you must Lease or acquire a location within a specific geographic area (the “**Site Selection Territory**”) within 90 days of executing your Franchise Agreement and begin operating your ORANGE SHOE PERSONAL FITNESS® Studio within 365 days after the date you sign your Franchise Agreement.

The location of your ORANGE SHOE PERSONAL FITNESS® Studio shall be located within the Site Selection Territory that we agree to. Once a location has been determined, we will grant you rights within a geographic area (“**Protected Territory**”). There will be no minimum geographic size to your Protected Territory. The Protected Territory will be determined by the demographics and population size specific to your location. The minimum population size of the target demographic group within your Protected Territory is determined on a case-by-case basis depending on the results of demographic research. The source of the population and demographic determinations are from the current reports issued by Google Earth Pro, or similar demographic software. Protected Territories will range in size from a site-specific location, i.e., a street address, to a block, a zip code, or a defined measurable area, depending on where your ORANGE SHOE PERSONAL FITNESS® Studio is located. Typically, Studios located in metropolitan areas will receive a small Protected Territory than Studios located in suburban/rural areas. You will negotiate and agree upon the size of your Protected Territory with us at the time you identify a Studio Location. The Protected Territory will be different, and in most cases, smaller than, the Site Selection Territory. Your Site Selection Territory and Protected Territory will be described in Exhibit A to your Franchise Agreement. During the term of your Franchise Agreement, and provided that you are not in default, we will not establish or license another person to establish another ORANGE SHOE PERSONAL FITNESS® Studio within your Protected Territory.

You may not relocate your ORANGE SHOE PERSONAL FITNESS® Studio or change your Protected Territory without obtaining our prior written approval, which we will not unreasonably withhold. Any relocation of your Studio or change to your Protected Territory will be at your sole expense. All leases, subleases or other agreements you enter into to relocate the ORANGE SHOE PERSONAL FITNESS® Studio must conform to the provisions of the Franchise Agreement. If we approve of your request to relocate your ORANGE SHOE PERSONAL FITNESS® Studio or change your Protected Territory, then you must complete a new Exhibit A to the Franchise Agreement and pay us a fee of \$5,000 upon our written approval for costs and other expenses we may incur in our consideration of the request. This payment is not refundable under any circumstances. You will operate your ORANGE SHOE PERSONAL FITNESS® Studio only from the approved location within the Protected Territory, and you must receive our permission before relocating. Although we may assist you in selecting a location, and we must approve the location, you are solely responsible for selecting the location and negotiating the Lease or purchase terms. You are also responsible for build-out of the ORANGE SHOE PERSONAL FITNESS® Studio and for ensuring it is constructed consistent with the plans and specifications we designate.

Unless specified in writing, you do not have options, a right of first refusal, or similar rights to acquire additional franchisees in the Protected Territory, or otherwise.

You may not maintain a World Wide Web page or otherwise maintain a presence or advertise the ORANGE SHOE PERSONAL FITNESS® Studio on the Internet or any other public computer network or social media site except as required, sponsored, placed or approved in writing by us. You do not have the right under the Franchise Agreement to open or operate more than one ORANGE SHOE PERSONAL FITNESS® Studio regardless of its location. We will not operate or cause another Franchisee to operate an ORANGE SHOE PERSONAL FITNESS® Studio within your Protected Territory. You may have competition from other franchisees or us within your Protected Territory. Your Protected Territory only prohibits us from placing another ORANGE SHOE PERSONAL FITNESS® Studio within its boundaries. It does not prohibit us or other franchisees from soliciting and accepting customers that may be located in

your Protected Territory and you will not be paid any compensation for those solicited and accepted customers. Your territorial rights are not dependent upon achievement of a certain sales volume or market penetration. You will not have the right of first refusal or any similar rights in the contiguous territories or areas surrounding or near your Protected Territory should we decide to sell an ORANGE SHOE PERSONAL FITNESS® Studio outside of your Protected Territory, wherever located.

#### Area Development Agreement

If you sign an Area Development Agreement, you will receive a designated geographic area for each Studio you agree to develop (the “Development Areas”) which will be established by us. A description of your Development Areas will be set forth in Exhibit A to the Area Development Agreement. You may not change the Development Areas without obtaining our prior written approval, which we may withhold for any or no reason and in our sole discretion.

Under the Area Development Agreement, we grant you the right, and you undertake the obligation, to develop a specific number of new Studios, each within an assigned Development Area over a certain period of time, which will be set forth in Exhibit B to the Area Development Agreement. The size of the Development Area for each Studio will depend on a number of factors, including: (1) population (including density and characteristics); (2) potential trade area population growth; (3) nature of the competition within the trade area; and (4) the number of Studios you agree to open, as well as other demographic factors. The source of the population and demographic determinations are from the current reports issued by Google Earth Pro or similar demographic software.

You must operate each ORANGE SHOE PERSONAL FITNESS® Studio established under your Area Development Agreement pursuant to a separate Franchise Agreement with us. If you comply with your obligations under your Area Development Agreement, and any other agreements with us or our affiliates, we will not establish or license anyone other than you to establish an ORANGE SHOE PERSONAL FITNESS® Studio within the Development Areas you have been granted for each Studio during the term of your Area Development Agreement, except if an ORANGE SHOE PERSONAL FITNESS® Studio is already operating in any Development Area as of the effective date of the Area Development Agreement (“Limited Development Protection”). (See ADA, Section 1.6). This does not mean that you have any exclusive right to any potential customer base for your ORANGE SHOE PERSONAL FITNESS® Studio(s).

The Development Areas are exclusive during the term of your Area Development Agreement. (See ADA, Section 4.1). However, we do not grant you trade or marketing exclusivity in your Development Areas. All ORANGE SHOE PERSONAL FITNESS® Studio s, including our Affiliate Studios, may advertise and offer their products and services to any person anywhere, including in your Development Areas, without any compensation to you, and nothing shall prevent another ORANGE SHOE PERSONAL FITNESS® Studio from competing against you for customers. You are not restricted from advertising and offering ORANGE SHOE® products and services to customers outside your Development Areas.

Continuation of your Limited Development Protection is not dependent upon achievement of a certain sales volume or market penetration. However, if you fail to fulfill your obligations to develop, open and continuously operate any ORANGE SHOE PERSONAL FITNESS® Studio when required by your development schedule, fail to obtain site approval by the date specified in your development schedule or have otherwise materially breached the Area Development Agreement or any separate Franchise Agreement, we may, upon written notice, terminate the Area Development Agreement and the Limited Development Protection. Your Limited Development Protection will also terminate upon the expiration of the Area Development Agreement.

You may not establish a Studio anywhere outside of the Development Areas. Other than your development rights granted under the Area Development Agreement, you are not granted any options, rights of first refusal or similar rights to acquire additional development rights or franchises within contiguous territories. There are no circumstances under which we can unilaterally modify the Development Areas. Nor will you have the right to amend or modify your Development Areas.

Reserved Rights

We (on behalf of ourselves and our affiliates) retain all rights with respect to the ORANGE SHOE® System, the Marks, and the sale of any products and services, anywhere in the world, including, without limitation, the right to: (a) own, operate, situate and/or license others to operate ORANGE SHOE PERSONAL FITNESS® Studios anywhere outside the Site Selection Territory, Protected Territory or Development Areas, as we consider appropriate, including within close proximity to the Location or Development Areas; (b) offer and sell products and services within the Site Selection Territory, Protected Territory or Development Areas that are not part of the ORANGE SHOE® System through any distribution method; (c) to operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the Site Selection Territory, Protected Territory or Development Areas so long as the Marks are not used, and/or (d) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, the Proprietary Products, components thereof or variations thereon, which now or in the future are a part of the ORANGE SHOE® System, to any person or entity, both within and outside Franchisee's Site Selection Territory, Protected Territory or Development Areas, from and/or to any location whatsoever or by means of any channel of distribution. Franchisor and its affiliates may engage in such wholesale or retail sales activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. Franchisee understands and acknowledges that this Agreement does not grant Franchisee any rights with respect to such sales whether conducted now or in the future.

You will not receive any compensation for customers we solicit or accept from inside your Site Selection Territory, Protected Territory or Development Areas.

ITEM 13  
TRADEMARKS

We grant you a nontransferable, non-exclusive license to use the ORANGE SHOE® trade name and service mark and the other Marks. You must follow our rules when you use the Marks. You cannot use the Marks as part of a corporate name or with modifying words, designs, or symbols except for those which we license to you. You may not use the Marks in any manner that we have not authorized in writing.

We grant you the right to operate and advertise under the name and service marks “ORANGE SHOE PERSONAL FITNESS®” and “ORANGE SHOE®”. We also grant you the right to operate and advertise using the trademarks “DO EVERYTHING BETTER®” and “MASTER YOUR DNA®.”

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

On February 1, 2020, Orange Shoe Holdings assigned the following marks to us. On April 13, 2020 the assignment was recorded by the United States Patent and Trademark office on the Principal Register.

MARK	REGISTRATION NUMBER	DATE REGISTERED
ORANGE SHOE®	3851235	September 21, 2010

We have registered the following trademarks with the United States Patent and Trademark Office on the Principal Register:

MARK	REGISTRATION NUMBER	DATE REGISTERED
ORANGE SHOE PERSONAL FITNESS®	5395330	February 6, 2021
DO EVERYTHING BETTER®	5386127	January 23, 2021
MASTER YOUR DNA	5519107	July 17, 2021

Orange Shoe Holdings has filed all required affidavits for the principal trademarks it owned and registered with the U.S. Patent and Trademark Office and we intend on continuing to file all required affidavits for the Marks listed above.

Other than the Franchise Agreement, there are no other agreements currently in effect that significantly limit our right to use or license the use of the Marks. There are no currently effective determinations of the USPTO, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks. We are not aware of any infringing uses that could materially affect your use of the Marks.

If you become aware of any apparent infringement, unfair competition or other challenge to your right to use any Mark, or if you become aware of any use of or claim to any mark, name, logo or any other commercial symbol identical to or confusingly similar with any Mark, you must immediately notify us in writing. We shall have the sole discretion to take any action as we deem appropriate and the right to exclusively control any litigation or administrative proceedings arising out of this infringement, challenge or claim. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Mark or if the proceeding is resolved unfavorably to you.

We reserve the right to modify or discontinue use of any names, trademarks, service marks or other Marks or to add additional names, trademarks, service marks or other Marks at our discretion. You must make any additions, deletions, and modifications to all interior and exterior signs, apparel, business cards, printed material, displays, paper products, advertising and anywhere else any of the Marks may appear as we direct at your sole cost and expense and without compensation or reimbursement from us. You must, at your sole cost and expense and without compensation or reimbursement from us, discontinue your use of any name, trademark, service mark or other Mark, as we may direct you to discontinue at any time. We are not responsible for any expenses, losses or damages sustained by you as a result of any addition, discontinuance or modification and you are prohibited to join in any litigation against us if any of these expenses, losses or damages is incurred.

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

We will provide you with login information and instructions for accessing our confidential and proprietary Confidential System Standards Manual electronically, containing certain detailed information, forms and systems pertaining to the operation of your ORANGE SHOE PERSONAL FITNESS® Studio, including proprietary supplier lists, supplies and other trade secrets. Although these materials have not been registered with the United States Copyright Office, they are considered proprietary and confidential and we claim copyright protection of these materials.

Your Franchise Agreement does not require us to protect these copyrights or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving these copyrights. You must keep your login information confidential and only allow access to the Confidential System Standards Manual to those employees requiring access for the proper operation of the business. Upon the expiration or termination of your franchise, your login information will be immediately deactivated. We reserve the right to change your login information at any time or to require you to change login information randomly or in intervals in our sole and absolute discretion.

There are currently no effective determinations of the Copyright Office or any court regarding any of the copyrighted materials. No agreements are in effect which significantly limit our right to use or license the copyrighted materials. Finally, we are not aware of infringing uses that could materially affect a franchisee's use of the copyrighted materials in any state. The Franchise Agreement does not require us to protect or defend copyrights or confidential information, although we intend to do so when it is in our best interest.

You must not use in advertising or any other form of promotion, our copyrighted materials, trademarks, service marks or commercial symbols without the appropriate notices which may be required by law or us including any and all registration notices.

You must treat the System Standards Manual, any other manuals created for or accepted for use in the operation of your ORANGE SHOE PERSONAL FITNESS® Studio, and the information contained in them, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, or otherwise make them available to any unauthorized person. The System Standards Manual, which is loaned to you for use, will remain our sole property and must be kept in a secure place at the ORANGE SHOE PERSONAL FITNESS® Studio. If electronically provided, you must not divulge your user name or password to anyone without out prior written consent.

We may revise the contents of the System Standards Manual at any time and as we deem necessary or appropriate. We will notify you of revisions in writing. You must comply with each new or changed standard immediately upon notification. You must ensure that the System Standards Manual is kept current at all times. In the event of any disputes as to the contents of the System Standards Manual, the terms of the master copy maintained by us at our home office will be controlling.

We will disclose to you certain confidential or proprietary information and trade secrets. Except as is necessary for the operation of your ORANGE SHOE PERSONAL FITNESS® Studio and as we approve, you may not, during the term or at any time after the expiration or termination of the Franchise Agreement, regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the services, advertising, marketing, designs, plans, or methods of operation of your ORANGE SHOE PERSONAL FITNESS® Studio or the ORANGE SHOE® System. You may disclose to your employees only that confidential, proprietary or trade secret information as is necessary to operate the business and then only while the Franchise Agreement is in effect. Any and all information, or knowledge, including, materials, equipment, marketing, and other data, which we designate as secret or confidential, will be deemed secret and confidential for purposes of the Franchise Agreement.

At our request, you must require your manager, and any personnel having access to any of our confidential information to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by you at your ORANGE SHOE PERSONAL FITNESS® Studio. The covenants must be in a form satisfactory to us, including, specific identification of us as a third-party beneficiary of the covenants, with the independent right to enforce them.

We also consider our trade dress (i.e., elements of the ORANGE SHOE® method and style of doing business) inherently and uniquely distinctive and protectable under applicable Federal and State law.

We do not presently own any patents.

Should you or anyone affiliated with you develop any discoveries, ideas, modification or additions related to the operation of ORANGE SHOE® Personal Fitness® Studios, you shall immediately advise us of such discovery or idea in writing. We may authorize the use and/or dissemination of such discovery or idea, and you agree not to implement the discovery of idea until authorized to do so by us. All such discoveries and ideas developed or used in connection with any ORANGE SHOE PERSONAL FITNESS® Studio and/or the ORANGE SHOE® System are our property, regardless of whether developed by us, you, or otherwise. No compensation is due to you on account of any such discovery or idea.

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

You are obligated to personally and directly supervise the operation of the ORANGE SHOE PERSONAL FITNESS® Studio, unless otherwise permitted in writing by us. You further agree to devote the amount of your time, attention and best efforts to the performance of your duties under the Franchise Agreement that is necessary for the proper and effective operation of the ORANGE SHOE PERSONAL FITNESS® Studio.

If you are an individual, you shall serve as the Manager for your ORANGE SHOE PERSONAL FITNESS® Studio and may designate an Assistant Manager who shall be responsible for the operations of the ORANGE SHOE PERSONAL FITNESS® Studio when you are not available (the “**Designated Studio Manager**”). The ORANGE SHOE PERSONAL FITNESS® Studio shall at all times be under the direct, on-site supervision of you or your Designated Studio Manager or any additional Designated Studio Managers (if you employ more than one ORANGE SHOE PERSONAL FITNESS® Studio Manager) that have successfully completed our initial training program.

You shall inform us in writing as to the identity of your Designated Studio Manager and any successor Designated Studio Managers. Your Designated Studio Manager will have day-to-day management responsibility for the ORANGE SHOE PERSONAL FITNESS® Studio, exercise on-premises supervision, and personally participate in the direct operation of the ORANGE SHOE PERSONAL FITNESS® Studio. Each Designated Studio Manager and Assistant Studio Manager must complete to our satisfaction, the ORANGE SHOE® Initial Training Program, under the terms and conditions specified in the Franchise Agreement.

Each Designated Studio Manager and Assistant Studio Manager shall be required to sign a Confidentiality/Non-Competition Agreement provided by us and may divulge only Confidential Information necessary to operate the ORANGE SHOE PERSONAL FITNESS® Studio, and only to those of your employees, agents or independent contractors who need access to it for this purpose. You are obligated to take all necessary precautions to ensure that all your employees retain the Confidential Information in confidence.

If you are a corporation, limited liability company, partnership, limited partnership or any other type of legal entity formed in compliance with applicable law (“**Business Entity**”), then all owners of the Business Entity must sign an agreement under which all owners agree to be jointly and severally liable for all the obligations to Franchisor under the Franchise Agreement, and to be bound by all the terms, conditions and covenants of the Franchise Agreement. (Exhibit B to Franchise Agreement).

ITEM 16  
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must confine your business to the operation of an ORANGE SHOE PERSONAL FITNESS® Studio. You may not conduct any other business or activity at or from the ORANGE SHOE PERSONAL FITNESS® Studio Location. You may identify your ORANGE SHOE PERSONAL FITNESS® Studio only by the trade name and service mark “ORANGE SHOE®.” You must offer all of the products and services that we prescribe, and we may change the products and services from time to time at our discretion. You may not offer or sell any product or service from the ORANGE SHOE PERSONAL FITNESS® Studio except those we authorize.

We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or on the customers to whom you may offer or sell.

ITEM 17  
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

Provision	Section In Franchise Or Other Agreement	Summary
(a) Length of the franchise term	FA Section 1.4	Commences on the Effective Date of the FA and expires on the 10th anniversary of the date you open your Studio for business.
	ADA Section 4.1	Commences on the Effective Date of the ADA and ends as set forth in the Development Schedule on the first to occur of: (1) the date the last Studio required to be opened actually opens for business; or (2) the date the last Studio was required to be opened.
(b) Renewal or Extension.	FA Section 1.5	If you satisfy the requirements to obtain a successor franchise, you may be granted the right to continue operating your ORANGE SHOE PERSONAL FITNESS® Studio for three (3) additional consecutive terms of five (5) years each.
	ADA Section 4.2	No rights to renew.
(c) Requirements for franchisee to renew or extend	FA Section 1.5	You must have substantially complied with all of the provisions of the Franchise Agreement during its initial or renewal term. You must maintain possession of the Location and before the expiration date, bring the Studio into full compliance with the specifications and standards then applicable for new or renewing ORANGE SHOE PERSONAL FITNESS® Studios. You must give notice of renewal to us at least nine (9) months, but no more than twelve (12) months, prior to the expiration of the Term. You must have satisfied all monetary obligations owed to us and

Provision	Section In Franchise Or Other Agreement	Summary
		our affiliates and have timely met these obligations throughout the term of the Franchise Agreement. You must execute our then-current form of the Franchise Agreement (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall supersede in all respect the initial agreement and the terms of which may differ materially from the terms of the initial Franchise Agreement including, without limitation, different percentages for Continuing Royalty Fees and Marketing Fund Contributions. You must comply with our then-current qualification and training requirements. You must execute a general release, in a form prescribed by us, of any and all claims against us, our subsidiaries, affiliates and our respective officers, directors, attorneys, agents, shareholders and employees. You must, at your expense, upgrade the Studio to conform to the then-current standards and specifications of the ORANGE SHOE® System, and complete this upgrading within the time reasonably specified by Franchisor. You must pay us our then current Successor Franchise Fee.
	ADA N/A	N/A
(d) Termination by franchisee	FA N/A	N/A
	ADA N/A	N/A
(e) Termination by franchisor without cause	FA N/A	N/A
	ADA N/A	N/A
(f) Termination by franchisor with cause	FA Sections 16.1 – 16.6	We can terminate you only if you default.
	ADA Section 10.1 - 10.5	We can terminate you only if you default.
(g) Cause” defined – curable defaults	FA Sections 8.1, 16.3 and 16.4	Defaults, other than those to which there is no cure period, payment defaults, or to advertising standards, may be cured within 15 calendar days after notice of cure is received. Payment defaults may be cured within 10 calendar days of receipt of a written notice. Advertising standards defaults must be cured within 3 calendar days after franchisee's receipt of notice.

Provision	Section In Franchise Or Other Agreement	Summary
	ADA Section 10.1 - 10.3	Defaults, other than those for which there is no cure period, will have 15 calendar days after receipt of a written notice of default to remedy any default.
(h) "Cause" defined – non-curable defaults	FA Section 16.2 – 16.3	Non-curable defaults: bankruptcy or insolvency; you do not commence operation of the franchised Studio within 365 calendar days following execution of the Franchise Agreement by us; abandonment; omission or misrepresentation of a material fact in the information you furnish to us; we and you agree in writing to terminate the Franchise Agreement; you do not provide a copy of the proposed Lease, or do not secure a Studio Location within the time limits and following the procedures specified in the Franchise Agreement; loss of possession of the Studio; you engage in an act that constitutes a crime or offense; a threat or danger to public health or safety results from your continued operation of the franchised Studio; You reuse and/or recycle any Proprietary Product, or sells such products to third parties without our prior approval and written consent; you fail to correct any local, state or municipal health or sanitation law or code violation within seventy- two hours after being cited for such violation; you purport to transfer any rights or obligations under the Franchise Agreement, the franchisee (if a legal entity), or the franchised Studio to any third party in violation of the terms of the Franchise Agreement; you conceal revenues; knowingly maintain false books or records; falsify information or otherwise defrauds or makes false representation to us or, knowingly submit any substantially false report to us; you engage in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice; you are found to have understated by 5% or more for any calendar year, your Gross Revenue; you interfere or attempt to interfere with our contractual relations with other franchisees, customers, employees, advertising agencies or any third parties; or you interfere or attempt to interfere with our ability or right to franchise or license others to use and employ our Marks and System or you make any use of the Marks not authorized under the Franchise Agreement; you receive three (3) notices

Provision	Section In Franchise Or Other Agreement	Summary
		of default within any eighteen (18) month period; you offer or sell any unapproved products and/or conduct (or permit the conducting of) any business other than the business contemplated by the Franchise Agreement at or from the Studio without our prior written consent.; or if Franchisee shall abandon the Studio.
	ADA Section 10.1	Non-curable defaults: you omit or misrepresent any material fact in the information you furnish to us in connection with our decision to enter into this Agreement; you attempt to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under the ADA, in violation of the terms of the ADA, or without the written consents required by the ADA; you are insolvent or unable to pay your creditors (including us or our affiliates); you file for bankruptcy, reorganization or insolvency; you and we agree in writing to terminate the ADA; you fail to meet the Minimum Development Obligations within the time periods specified in the Development Schedule; you fail at any time during the Term, to have open and continuously operating the number of Studios required by the Development Schedule; you fail to obtain our written approval of a Studio location by the applicable date required by the Development Schedule; you fail to open any of the Studios by the applicable date required by the Development Schedule; you begin construction of a Studio without obtaining our prior written approval of the Location; your business or property(ies) have a suit levied against them to foreclose any lien or mortgage against the premises or equipment of any of your Studios which is not dismissed within 60 days, or the real or personal property of the Studio shall be sold after levy by any sheriff, marshall or constable; you are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude; or any crime or offense that is reasonably likely, in the sole subjective opinion of us, to adversely affect us, our affiliates and the ORANGE SHOE® System; you do any act that we believe has a negative impact on the Marks or the ORANGE SHOE® System; you interfere or attempt to interfere with our contractual relations with other

Provision	Section In Franchise Or Other Agreement	Summary
		franchisees, customers, employees, advertising agencies or any third parties; you interfere or attempt to interfere with our ability or right to franchise or license others to use and employ our Marks and System or you make any use of the Marks not authorized under the ADA or the franchise agreements; you remain in default beyond the applicable cure period: (a) under any other agreement with us or our affiliates; (b) under any real estate Lease, equipment Lease or financing instrument relating to one of your Studios; or (c) with any vendor or supplier to one of your Studios; any of the individual franchise agreements or any other agreement between you and us is terminated; or you breach your obligations under Article 9 of the ADA, or any other provisions related to Confidential Information and noncompetition by you.
(i) Franchisee's obligations on termination/non-renewal	FA Sections 17.1 - 17.2	Obligations include immediately paying all sums due and owing to us and paying to us the full amount of the Studio's outstanding gift card/certificate; discontinuing the use of the Marks, System Standards Manual, and System; cancel any assumed name or equivalent registration which contains the Mark "ORANGE SHOE <sup>®</sup> ," or any other of our Marks; allow us to enter and take possession of your Studio to maintain continuous operation of the previously- franchised Studio; pay all of our expenses incurred as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees; at our option, which is exercisable in writing within thirty (30) calendar days from the date of expiration or termination of the Agreement, or if termination is contested by you, within thirty (30) calendar days after a court decides the propriety of the termination, assign to us any interest which you have in any Lease, right or entry or easement for the Studio Location, and vacate the Studio promptly and completely, rendering all necessary assistance to us to enable us to take prompt possession; except as provided for in Section 17.1.B.4 or as otherwise instructed by us, you shall immediately close the franchised Studio for business, and, during the thirty (30) day period

		<p>following expiration or termination, you shall not take any action to remove, conceal, assign, transfer or sell, any items containing the Marks, signs, equipment, furniture, fixtures, or other tangible assets used in, or necessary for, the effective operation of the Studio; if you own the Studio, to execute and deliver to us a Lease for the Studio Location on commercially reasonable terms; return all training or other manuals furnished to you, including the System Standards Manual and supplements to the System Standards Manual; immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner; arrange with Franchisor for an inventory to be made by Franchisor, at Franchisor's cost, of all the personal property, fixtures, equipment, signs, inventory, supplies and any other tangible assets of Franchisee and the franchised Studio, including, without limitation, all items bearing the Marks. We shall have the right (but not the duty), to be exercised by notice of intent to do so within fifteen (15) days after the Effective Date of Termination, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, to purchase any or all of the signs, advertising material, supplies, equipment and any items bearing the Marks at your cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, an independent qualified appraiser shall be designated by each party and their determination shall be binding on both parties. If these appraisers are unable to arrive at a fair market value, they will designate a third, approved appraiser whose determination shall be binding upon both parties. If we elect to exercise any option to purchase under this Section 17.1.B.9, we shall have the right to set off all amounts due from you under this Agreement, and the cost of the appraisal, if any, against any payment for the appraisal. Franchisee shall not, for a period of thirty (30) days after termination or expiration of this Agreement, transfer, convey, assign or sell to any person or entity other than Franchisor, any of the fixtures, equipment, inventory, supplies and other tangible assets of Franchisee and the franchised Studio; cease using the telephone numbers listed in any telephone directories, local listings or local internet search engines under the</p>
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Provision	Section In Franchise Or Other Agreement	Summary
		<p>name "ORANGE SHOE®" or any other confusingly similar name or, upon our written demand, direct the telephone company to transfer the telephone numbers listed for the franchised Studio to us or to any other person and location that we direct; comply with the post-termination/post- expiration covenants not to compete set forth in the Franchise Agreement; continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in the Franchise Agreement; immediately refrain from engaging in any contacts with customers; immediately surrender to us all computer software, data storage disks or tapes used in the operation of the franchised Studio, printouts, and other information pertaining to computer operations, codes, procedures and programming; if we elect not to assume possession of the Studio, then promptly upon termination or expiration, perform all reasonable redecoration and remodeling of the Studio as we consider necessary in our reasonable judgment to distinguish the Studio from an ORANGE SHOE PERSONAL FITNESS® Studio. Remit payment within 30 days of liquidated damages as follows: liquidated damages will be equal to the Continuing Royalty Fees and Marketing Fund Fees that Franchisor would have received for three (3) years based on Franchisee's most recent annual Gross Revenues. If Franchisee's ORANGE SHOE PERSONAL FITNESS® Studio has not been open for one (1) year immediately preceding termination, the liquidated damages will be calculated by taking the number that is the monthly average of Continuing Royalty Fees and Marketing Fund Fees payable to Franchisor from the date Franchisee's ORANGE SHOE PERSONAL FITNESS® Studio was opened through the date of termination and multiplying it by thirty-six (36). If the time remaining in the Franchise Agreement is less than thirty-six (36) months, the monthly average as calculated above will be multiplied by the number of months remaining in the Term of this Agreement.</p>
	<p>ADA Section 9.3 and 10.5</p>	<p>You must immediately pay to us any and all unpaid amounts due from you to us or our affiliates, plus</p>

Provision	Section In Franchise Or Other Agreement	Summary
		any accrued interest. For a 2-year period after termination of the ADA, you may not solicit or induce, or influence in any other manner any of our franchisees or developers to terminate or modify his, her or its business relationship with us or to compete with us; you will not own, manage, operate, control or conduct a Competitive Business within the Development Areas or within 20 miles of your Studios or any other ORANGE SHOE PERSONAL FITNESS® Studio that is: (i) operating; (ii) under construction or development, or (iii) under development within twelve 12 months after termination; you will not interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the ORANGE SHOE® System, our business or the business of our affiliates, developers, or franchisees.
(j) Assignment of contract by franchisor	FA Section 13.1	We have an unlimited right to assign the Franchise Agreement.
	ADA Section 8.1	We have the unlimited right to assign the Area Development Agreement.
(k) “Transfer” by franchisee – defined	FA Sections 13.2 – 13.4	Includes any transfer of your interest in the Franchise Agreement or Studio.
	ADA Section 8.2	Includes any transfer of your interest in the Area Development Agreement.
(l) Franchisor approval of transfer by franchisee	FA Sections 13.2 – 13.4	We have the right to approve all transfers and assignments but will not unreasonably withhold our consent.
	ADA Section 8.2	We have the right to approve all transfers and assignments of the ADA but will not unreasonably withhold our consent.
(m) Conditions for franchisor approval of transfer	FA Sections 13.2 – 13.4	New franchisee or principal owner qualifies; you are not in default under the Franchise Agreement; transfer fee paid; all amounts owed by you are paid; training completed; general release signed; new franchise agreement signed; right of first refusal to us provided.
	ADA Section 8.2	New developer must meet our qualifications; you have opened at least 1 Studio under the Development Schedule; the new developer completes our training program; the new developer is not in default of any other agreements with us; the price and terms of the transfer will not jeopardize the ability of the new developer to

Provision	Section In Franchise Or Other Agreement	Summary
		complete the Development Schedule; you furnish to us a fully signed contract of assignment; new Area Development Agreement signed; you pay us a transfer fee of \$5,000; general release signed; right of first refusal provided.
(n) Franchisor's right of first refusal to acquire franchisee's business	FA Section 13.6	We can match the offer you receive for the sale of your Studio.
	ADA Section 8.3	We can match the offer you receive for the sale of your development rights.
(o) Franchisor's option to purchase franchisee's business	FA Section 17.1.B	We have the right to purchase your Studio or your assets upon the expiration or termination of the Franchise Agreement.
	ADA N/A	N/A
(p) Death or disability of franchisee	FA Section 13.5	The franchise can be transferred to a third party approved by us upon your death, disability or incapacity. Transfer conditions apply (see M above). We may temporarily operate the Studio until a third party qualifies.
	ADA 8.2.C.	ADA may be transferred to a third party approved by us upon your death. Transfer conditions apply (see M above), except the \$5,000 transfer fee is waived if the assignee is your beneficiary or heir.
(q) Non-competition covenants during the term of the franchise	FA Section 12.1	No direct or indirect involvement in the operation of any business selling products or services similar to those sold by your ORANGE SHOE PERSONAL FITNESS® Studio .
	ADA Section 9.2	No direct or indirect involvement in the operation of any business selling products and services similar to those sold by ORANGE SHOE PERSONAL FITNESS® Studio s.
(r) Non-competition covenants after the franchise is terminated or expires	FA Section 12.2	No competing business for two (2) years within the Protected Territory or twenty (20) miles of the Protected Territory of the perimeter of or within any other ORANGE SHOE PERSONAL FITNESS® Studio Protected Territory.
	ADA Section 9.3	No competing business for 2 years within 20 miles of your Studios or any other ORANGE SHOE PERSONAL FITNESS® Studio.
(s) Modification of the agreement	FA Section 20; 5.1, 6.4.	No modification unless in writing, although we can change our list of Marks, System Standards Manual, or System. Franchisee shall receive 15 days notice prior to changes to the System Standards Manual or System taking affect.

Provision	Section In Franchise Or Other Agreement	Summary
	ADA Recitals, Section 3.1 and 12.7	No modification unless in writing, although we can change our list of Marks, System Standards Manual, or System. Changes to the Development Areas and Development Schedule must have our prior written approval.
(t) Integration/merger clause	FA Section 20	No statements or promises binding unless contained in the Franchise Agreement. Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement or in any related agreement is intended to waive Franchisee's reliance on any representation made by Franchisor in this disclosure document or in its exhibits or amendments, or to disclaim liability for statements authorized by Franchisor in this disclosure document.
	ADA Section 12.7	No statements or promises binding unless contained in the ADA. Only the terms of the ADA are binding. Any representations or promises outside of the disclosure document and ADA may not be enforceable. However, nothing in the ADA or in any related agreement is intended to waive your reliance on any representation made by us in this disclosure document or in its exhibits or amendments, or to disclaim liability for statements authorized by us in this disclosure document.
(u) Dispute resolution by arbitration or mediation	FA N/A	N/A
	ADA N/A	N/A
(v) Choice of Forum	FA Section 23.4	All disputes shall be litigated solely in Dane County, Wisconsin, subject to applicable state law.
	ADA Section 11.4	All disputes shall be litigated solely in Dane County, Wisconsin subject to applicable state law.
(w) Choice of Law	FA Section 23.3	Wisconsin law governs, subject to applicable state law.
	ADA Section 11.3	Wisconsin law governs, subject to applicable state law.

State statutes may affect individual provisions of this disclosure document. Exhibit A to this disclosure document provides certain provisions that amend this disclosure document for certain states in which we offer franchises.

ITEM 18  
PUBLIC FIGURES

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

ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATION

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Katie Michel, Financial Achievement Corporation, 1450 Capitol Dr Unit C, Pewaukee, WI 53072, phone (608) 698-8823, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**

**System Wide Outlet Summary  
For Years Ending December 31, 2021, 2022 and 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	10	11	+1
	2022	11	11	0
	2023	11	11	0
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	10	11	+1
	2022	11	11	0
	2023	11	11	0

**Table No. 2**

**Transfers of outlets from Franchisees to New Owners  
(other than the Franchisor)  
For Years Ending December 31, 2021, 2022 and 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Total	2021	0
	2022	0
	2023	0

**Table No. 3**

**Status of Franchised Outlets for years ending  
For Years Ending December 31, 2021, 2022 and 2023**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations – other reasons</b>	<b>Outlets at End of Year</b>
IL	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	0
	2023	3	0	0	0	0	0	3
WI	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
Totals	2021	10	0	0	0	0	0	10
	2021	10	1	0	0	0	0	11
	2022	11	0	0	0	0	0	11

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years Ending December 31, 2021, 2022 and 2023**

State	Year	Outlets at Start of Year	Outlets Reopened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

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

<u>State</u>	<u>Franchise Agreements Signed But Outlet Not Opened</u>	<u>Projected New Franchised Outlets In The Next Fiscal Year</u>	<u>Projected New Company-Owned Outlets In The Next Fiscal Year</u>
Illinois	0	1	0
Total	0	1	0

Exhibit D to this Disclosure Document list the names of all of our operating franchisees and the addresses and telephone numbers of their ORANGE SHOE PERSONAL FITNESS® Studios as of the issuance date of this disclosure document, and also lists the franchisees who have signed Franchise Agreements for ORANGE SHOE PERSONAL FITNESS® Studios which were not yet operational as of the issuance date of this disclosure document.

Exhibit E lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no franchisees who have signed a confidentiality agreement that restricts a current or former franchisee from discussing his or her experience as a franchisee in the ORANGE SHOE® System during the last 3 years.

There are no trademark specific franchisee associations that we are aware of.

ITEM 21  
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit G are our audited financial for the periods ended December 31, 2023, December 31, 2022, and December 31, 2021, and our unaudited financial statements from January 1 to September 30, 2024. Our fiscal year ends December 31.

ITEM 22  
CONTRACTS

Franchise Agreement - Exhibit B  
Ownership Addendum to Franchise Agreement  
Franchise Protected Territory/Studio Location (Exhibit A to Franchise Agreement)  
Principal Owners Guaranty (Exhibit B to Franchise Agreement)  
Confidentiality/Non-Compete Agreement (Exhibit C to Franchise Agreement)  
Electronic Funds Transfer Authorization (Exhibit D to Franchise Agreement)  
Security Agreement (Exhibit E to Franchise Agreement)  
Lease Addendum (Exhibit F to Franchise Agreement)  
Sample General Release - Exhibit F  
Non-Disclosure Agreement - Exhibit J

ITEM 23  
RECEIPTS

Attached as the last 2 pages of this disclosure document are detachable documents acknowledging your receipt of this disclosure document.

**EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT**  
**LIST OF STATE ADMINISTRATORS AND STATE AGENTS**  
**FOR SERVICE OF PROCESS**

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
California	Department of Business Oversight <i>Los Angeles</i> 320 West 4 <sup>th</sup> Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 <i>Sacramento</i> 1515 K Street Suite 200 Sacramento, CA 95814-4052 (916) 445-7205 <i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233 <i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565  Toll Free (866) 275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7042	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020

Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Securities Unit 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce Securities Unit 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
New York	New York State Department of Law Bureau of Investor Protection and Securities 28 Liberty Street New York, NY 10005 (212) 416-8211	Secretary of State The Division of Corporations One Commerce Plaza 99 Washington Avenue Albany, NY 12231-0001
North Dakota	Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Dept. of Financial Institutions Securities division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760

Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	
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**EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

**FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT**

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

**Name of Franchisee:** \_\_\_\_\_

**Address of Franchisee:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Studio Location:** \_\_\_\_\_  
**(if different)** \_\_\_\_\_  
\_\_\_\_\_

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### Exhibits

Exhibit A	Franchise Protected Territory, Site Selection Territory and Studio Location
Exhibit B	Principal Owners Guaranty
Exhibit C	Confidentiality/Non-Compete Agreement
Exhibit D	Electronic Funds Transfer Authorization
Exhibit E	Security Agreement
Exhibit F	Lease Addendum

**FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT**

**THIS AGREEMENT** is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (“Effective Date”), between FINANCIAL ACHIEVEMENTS CORPORATION, a Wisconsin corporation, with its principal office at 1450 Capitol Dr Unit C, Pewaukee, WI 53072 (“**FAC**,” or “**Franchisor**”) and \_\_\_\_\_, whose principal address is \_\_\_\_\_ (“**Franchisee**”).

**RECITALS**

**WHEREAS**, Franchisor is the sole and exclusive owner of the right to license a proprietary system for the operation of a health and fitness center that offers personal fitness training, classes, small group, and corporate wellness programs, in home training and individualized nutrition and weight loss counseling under the trade name and federally registered trademark “ORANGE SHOE®” (the “**ORANGE SHOE® System**”). The ORANGE SHOE® System includes, among other things, the following elements, all or some of which may be deleted, changed, improved or further developed by Franchisor from time to time:

Plans and specifications for distinctive standardized premises, featuring characteristic exterior style, colors and design, interior design and furnishing, equipment, layout, exterior signage, and marketing techniques and materials;

A uniform method of operating, which is described in the System Standards Manual;

Distinctive and characteristic trade names, trade dress, trademarks and service marks, including, but not limited to: “ORANGE SHOE®” (the “**Trademarks**” or “**Marks**”), signs, designs, color schemes, standardized premises featuring characteristic exterior style, colors, and design, interior design and furnishings and equipment layout, and emblems as Franchisor designates in the System Standards Manual or otherwise in writing or as prescribed for use with the ORANGE SHOE® System and as may from time to time be developed;

Systems and procedures necessary to operate a franchised business; and

Such exclusive confidential information and trade secrets as has been and may from time to time be developed, and which are disclosed by Franchisor to its franchisees in confidence in connection with the construction and operation of an ORANGE SHOE PERSONAL FITNESS® Studio.

**WHEREAS**, Franchisee wishes to obtain the right from Franchisor to operate an ORANGE SHOE business pursuant to the ORANGE SHOE® System, and to be afforded the assistance provided by Franchisor in connection therewith, and understands and accepts the terms, conditions and covenants set forth herein as those which are reasonably necessary to maintain Franchisor’s high and uniform standards of quality and service designed to protect the goodwill and enhance the public image of the Marks and the ORANGE SHOE® System and recognizes the necessity of operating its ORANGE SHOE PERSONAL FITNESS® Studio in faithful compliance therewith, and with Franchisor’s standards specifications.

**NOW, THEREFORE**, the parties in consideration of the undertaking and commitments set forth in this Agreement, agree as follows:

**ARTICLE 1: GRANT OF FRANCHISE AND SUCCESSOR FRANCHISE**

**1.1 Grant of Franchise**

Subject to the provisions of this Agreement, Franchisor hereby grants to Franchisee the non-exclusive right to operate one ORANGE SHOE PERSONAL FITNESS® Studio (the “**Studio**”) and to use the names and Marks and the ORANGE SHOE® System during the Term (as defined below) solely at the location identified in Exhibit A to this Agreement (the “**Location**”). Franchisee may not operate the Studio from any other location, and Franchisee may not relocate the Studio for any purpose without the express prior written

approval and consent of Franchisor. Franchisee also may not sell any products or services at any other location or through any other channel of distribution other than at, and through, the Location identified in Exhibit A.

## **1.2 Approved Location**

If, at the time this Agreement is executed, a location for Franchisee's Studio is not identified or obtained by Franchisee and approved by Franchisor, Franchisee shall Lease or acquire a location within ninety (90) days after the date of this Agreement. The location of Franchisee's Studio shall be within the site selection territory (the "**Site Selection Territory**") identified on Exhibit A by a map or written description. Franchisee may operate its Studio from only one location situated within the Site Selection Territory. Franchisee's failure to Lease or acquire a location for the Studio within this period of time shall constitute a material default under this Agreement.

Immediately following Franchisee's selection of a proposed site for the Studio Location, Franchisee shall deliver to Franchisor all the information Franchisor may request to evaluate the proposed location, as provided in its System Standards Manual or otherwise, including, but not limited to, a copy of the proposed Lease for the Location as provided in Section 3.2 below. Franchisor will use reasonable commercial efforts to accept or reject a proposed Location and Lease within fifteen (15) business days after Franchisor receives all of the requisite materials. Franchisee's proposed Location is deemed rejected if Franchisor fails to issue its written acceptance within such fifteen (15) day period. Franchisor may terminate this Agreement if an acceptable Location with an acceptable Lease has not been selected and approved within ninety (90) days of the Effective Date. Franchisee's deadlines to locate an acceptable Location and open its ORANGE SHOE PERSONAL FITNESS® Studio will apply even if Franchisor has not approved any Location for Franchisee's Studio.

So long as Franchisee is not in default under this Agreement and all other related agreements, and except as provided in this Agreement, Franchisor, its affiliates, subsidiaries and designees shall not operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the territory (the "**Protected Territory**") identified on Exhibit A by a map or written description). Franchisee acknowledges and understands that the Protected Territory will be different, and in most cases, smaller than, the Site Selection Territory.

Franchisee authorizes Franchisor to complete Exhibit A to define the Location, the Protected Territory and, in the event that a Location and the Protected Territory is not identified at the time this Agreement is executed, the Site Selection Territory.

## **1.3 Rights Reserved By Franchisor**

Franchisor (on behalf of itself and its affiliates) retains all rights with respect to ORANGE SHOE® System, the Marks, the sale of Proprietary Products and any other products and services, anywhere in the world, including, without limitation, the right to: (a) own, operate, situate and/or license others to operate ORANGE SHOE PERSONAL FITNESS® Studios anywhere outside the Protected Territory, as Franchisor considers appropriate, including within close proximity to the Location or Protected Territory; (b) offer and sell products and services within the Protected Territory that are not part of the ORANGE SHOE® System through any distribution method; (c) offer and sell within the Protected Territory (either themselves or through franchisees), those Proprietary Products and other products and services which this Agreement contemplates Franchisee will offer and sell; (d) to operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the Protected Territory so long as the Marks are not used, and/or (e) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, the Proprietary Products, components thereof or variations thereon, which now or in the future are a part of the ORANGE SHOE® System, to any person or entity, both within and outside Franchisee's Protected Territory, from and/or to any location whatsoever or by means of any channel of distribution. Franchisor and its affiliates may engage in such wholesale or retail sales activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. Franchisee understands and acknowledges that this Agreement does not grant Franchisee any rights with respect to such sales whether conducted now or in the future.

#### 1.4 Term

Unless otherwise terminated as provided for in this Agreement, the term of of this Agreement shall commence on the Effective Date and expire tenth (10<sup>th</sup>) anniversary of the date Franchisee's Studio opens for business ("Opening Date") (the "Term").

#### 1.5 Successor Franchise Term

Upon expiration of this Agreement, subject to the conditions of this Section, Franchisee will have the right to acquire a successor franchise to operate its ORANGE SHOE PERSONAL FITNESS® Studio for three (3) additional five (5) year periods on the terms and conditions of the franchise agreement Franchisor is then using in granting franchises for ORANGE SHOE PERSONAL FITNESS® Studios ("**Successor Franchise Agreement**"), if:

1. Franchisee has substantially complied with all of the provisions of this Agreement during its term;
2. Franchisee maintains possession of the Location and before the expiration date of this Agreement has brought the Studio into full compliance with the specifications and standards then applicable for new or renewing ORANGE SHOE PERSONAL FITNESS® Studios, and presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Location for the duration of any renewal term; or, in the event Franchisee is unable to maintain possession of the Location or, in the judgment of Franchisor, the Studio should be relocated, Franchisee secures a substitute location approved by Franchisor and has furnished, stocked and equipped such premises to bring the Studio at its substituted location into full compliance with the then current specifications and standards before the expiration date of this Agreement;
3. Franchisee has given notice of its intent to obtain a successor franchise to Franchisor as provided hereinafter;
4. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and affiliates and has timely met these obligations throughout the term of this Agreement;
5. Franchisee has executed, upon the granting of the successor franchise by Franchisor, Franchisor's Successor Franchise Agreement, which such Successor Franchise Agreement shall supersede in all respect this Agreement and the terms of which may differ from the terms of this Agreement including, without limitation, different percentages for Continuing Royalty Fees and Marketing Fund Contributions;
6. Franchisee has complied with Franchisor's then-current qualifications and training requirements;
7. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, its subsidiaries, affiliates and their respective officers, directors, agents, shareholders and employees.
8. Franchisee, at its expense, upgrades the Studio to conform to the then-current standards and specifications of the ORANGE SHOE® System, and completes this upgrading within the time reasonably specified by Franchisor; and
9. Franchisee shall pay to Franchisor its then current Successor Franchise Fee.

If Franchisee desires to obtain a Successor Franchise Agreement, Franchisee shall give Franchisor written notice of its desire to do so at least nine (9) months, but not more than twelve (12) months, prior to the expiration of the Term of this Agreement. Within ninety (90) days after its receipt of such timely notice, Franchisor shall furnish Franchisee with written notice of: (1) reasons which could cause Franchisor not to accept any such successor franchise notice including, but not limited to, any deficiencies which require correction and a schedule for correction thereof by Franchisee; and (2) Franchisor's then-current requirements relating to the images,

appearance, decoration, furnishing, equipping and stocking of ORANGE SHOE PERSONAL FITNESS® Studios and a reschedule for effecting upgrading or modifications in order to bring the Studio in compliance therewith, as a condition of granting the successor franchise. If Franchisor fails to respond to Franchisee's request for a successor franchise, Franchisee's request shall be deemed rejected. The granting of a successor franchise shall be conditioned upon Franchisee's compliance with such requirements and continued compliance with all the terms and conditions of this Agreement up to the date of expiration of the Term or as set forth in writing by Franchisor.

Franchisor shall give Franchisee written notice of its election not to grant a successor franchise at least six (6) months prior to the expiration of the Term of this Agreement. Such notice shall specify the reasons for not granting the successor franchise.

## **ARTICLE 2: INITIAL FRANCHISE FEE**

### **2.1 Initial Franchise Fee**

In consideration of the execution of this Agreement by Franchisor, Franchisee agrees to pay Franchisor an Initial Franchise Fee of thirty-nine thousand and no/100 dollars (\$39,000). The Initial Franchise Fee is payable in immediately available funds upon Franchisee's execution of this Agreement and is deemed fully earned by Franchisor upon receipt. The Initial Franchise Fee is not refundable under any circumstances.

## **ARTICLE 3: SITE SELECTION REQUIREMENTS**

### **3.1 Studio Location**

Franchisee shall operate its franchised Studio only at and from the Location. As used herein, "**Location**" means that location within the Site Selection Territory selected by Franchisee and approved by Franchisor from which Franchisee shall operate its Studio continuously and without interruption throughout the term of this Agreement. Franchisor may assist Franchisee in its efforts to select a suitable Location within the Site Selection Territory for its Studio, but Franchisee understands and agrees that it will remain the ultimate responsibility of Franchisee to select and choose the Location.

### **3.2 Studio Location Lease**

Not later than ninety (90) days following the Effective Date, Franchisee shall deliver to Franchisor a copy of any proposed Lease or purchase agreement, if applicable, for the Studio Location and any proposed related documents, or -- if otherwise acquired -- a copy of the relevant documents. Any purchase agreement, Lease, sublease or other rental agreement for the Studio Location (each, as applicable, a "**Lease**") will be subject to Franchisor's prior written approval, which Franchisor may not unreasonably withhold or delay. If Franchisor does not communicate its approval or disapproval of the proposed purchase agreement, Lease or sublease to Franchisee within fifteen (15) business days following Franchisor's receipt of same, the proposed Lease or sublease will be deemed rejected by Franchisor as the Lease hereunder.

- A. With regard to any Lease:
  - 1. Franchisee may not create any obligations on behalf of Franchisor, grant any rights against Franchisor or agree to any other term, condition, or covenant which is inconsistent with any term of this Agreement;
  - 2. Franchisee agrees to duly and timely perform all terms, conditions, covenants and obligations under the Lease; and
  - 3. Except as otherwise provided in this Agreement, Franchisee may not assign, charge, encumber or transfer its Lease, or sublet all or any part of the Studio Location, without Franchisor's prior written approval. All Leases or other agreements entered into by Franchisee to secure the Studio Location must contain provisions acceptable to Franchisor and which provide that:

- (i) After the expiration or termination of this Agreement (the Franchise Agreement) for any reason, Franchisor shall have the right, but not the obligation, to be exercised in the Franchisor's sole discretion, to cure any of Franchisee's defaults under the Lease within thirty (30) days of Franchisor's receipt of notice of such defaults. Franchisor shall also have the right, but not the obligation to either to assume the obligations of and replace Franchisee as the lessee under the Lease, or to have another franchisee assume the obligations of and replace Franchisee as the lessee under the Lease; and, if Franchisor has assumed the obligations of and replaced Franchisee as the lessee under the Lease, to reassign the Lease to another franchisee.
- (ii) The lessor or sublessor will furnish to Franchisor written notice specifying any default and the method of curing the default; allow Franchisor thirty (30) days after receipt of the notice to cure the defaults (except that if the default is the non-payment of rent, Franchisor will have only fifteen (15) days from receipt of notice to cure the default); and, allow Franchisor to exercise its option for Franchisor or another franchisee, who is acceptable to the lessor, to succeed to Franchisee's interest in the Lease.
- (iii) The lessor or sublessor will accept Franchisor or another franchisee designated by Franchisor, and who is acceptable to the lessor, as a substitute tenant under the Lease upon notice from Franchisor that it is exercising its option for Franchisor or another franchisee to succeed to Franchisee's interest in the Lease and/or to reassign the Lease to another franchisee following Franchisor's assumption of obligations under the Lease.
- (iv) The lessor or sublessor acknowledges that Franchisee alone is responsible for all debts, payments and performances under the Lease before Franchisor or another franchisee takes actual possession of the premises.
- (v) The Lease may not be modified or amended without Franchisor's prior written consent. The lessor will promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the executed modifications and amendments.
- (vi) The lessor or sublessor may, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the lessor or sublessors possession (as applicable) with respect to sales made in, upon or from the leased Studio premises.
- (vii) Following the expiration or termination of this Agreement (the Franchise Agreement) for any reason, Franchisor may enter the premises to remove its Marks and other proprietary property or property containing the Marks.
- (viii) The lessor or sublessor will not Lease space in the shopping center, building, or plaza to a tenant who offers fitness services or that is a Competitive Business.

B. Franchisee and the lessor or sublessor for the Location must execute the Lease Addendum attached hereto as Exhibit F.

### **3.3 Government Approvals, Consents and Licenses**

It will be Franchisee's sole responsibility to promptly seek and obtain all government and quasi-governmental approvals, consents and licenses required to open and operate the Studio. Franchisee undertakes to use all possible efforts to obtain all required approvals, consents and licenses. Franchisor makes no representation or warranty of any kind that Franchisee will be able to obtain all required approvals, consents and licenses.

### **3.4 Relocation of the Franchised Studio**

Franchisee may not relocate its Studio to another location or modify its Protected Territory or its Site Selection Territory without first obtaining Franchisor's written approval, which may be withheld for any reason, in Franchisor's sole discretion. Any relocation of the Studio or modification to the Protected Territory or Site Selection Territory will be at Franchisee's sole expense. All leases, subleases or other agreements that Franchisee enters into to relocate the Studio must conform to the provisions of this Agreement. At the time Franchisee requests from Franchisor the right to relocate the Studio or modify its Protected Territory or Site Selection Territory, Franchisee shall pay Franchisor the sum of five thousand and no/100 dollars (\$5,000.00) for costs and other expenses Franchisor may incur in its consideration of the request. This payment is not refundable under any circumstances.

## **ARTICLE 4: LEASEHOLD IMPROVEMENTS, FIXTURES, EQUIPMENT AND SIGNS**

### **4.1 Buildout of Studio, Layout and Specifications**

Franchisee agrees, at its expense, to make all leasehold improvements and install all fixtures, furniture and equipment at the Studio required to comply with Franchisor's current requirements and specifications. Franchisor may furnish Franchisee with a sample layout for the interior of a typical ORANGE SHOE PERSONAL FITNESS® Studio and a set of typical preliminary plans and specifications for furniture, fixtures, equipment and/or decor. Franchisee agrees, at its expense, to employ licensed architects, designers, engineers or others as necessary to complete, adapt, modify or substitute the layout, plans and specifications for the Studio. Within one hundred twenty (120) days of the Effective Date of this Agreement, Franchisee agrees to submit for Franchisor's approval:

- A. A list of architects, contractors, designers and/or engineers Franchisee intends to employ;
- B. A complete set of final plans and specifications and CAD files for the Studio site before commencing construction of the Studio. If CAD files are not available, then Franchisee must obtain a site survey; and
- C. Certification from Franchisee's general contractor and architect stating that the as-built plans for the Studio comply with the ADA; the architectural guidelines under the ADA; all applicable state and local codes for accessible facilities; and, all other federal, state and local laws, rules or regulations applicable to the Studio.

Franchisor will review the list of architects, contractors, designers and /or engineers, the final plans and specifications and CAD files and the certification of ADA compliance promptly and either approve them in writing or provide comments to Franchisee. If Franchisor fails to approve such items in writing, they will be deemed disapproved. Franchisee may not begin construction of the Studio until Franchisor has approved all items listed in Section 4.1 A-C above in writing.

Franchisor will consult with Franchisee, to the extent Franchisor considers necessary, on the construction and equipping of the Studio, but it will be Franchisee's sole responsibility to diligently construct, equip, ready and open the Studio at Franchisee's sole cost and expense.

### **4.2 Construction, Inspection and Opening**

Franchisee agrees to use a licensed general contractor to perform construction work at the Studio location. Franchisee shall immediately furnish the following to Franchisor before commencing construction, remodeling or refurbishing, and from time to time thereafter on request: the names and addresses of any sub-contractor and/or vendor to be involved in these activities; copies of all permits, licenses, contractors' liability insurance certificates or other items required for the construction, equipping and operation of the Studio; and copies of all construction contracts and documents, and originals of all lien waivers, as Franchisor may require.

Franchisor will not be responsible for delays in construction, equipping or decoration or for any loss resulting from the Studio design or construction, including but not limited to the actions or inactions of any approved,

required or recommended general contractor and/or architecture firm. Franchisee shall obtain Franchisor's written approval for all changes to the Studio plans furnished by Franchisee before construction or implementing the changes. Franchisor will have access to the Studio Location while construction is in progress. Franchisor may require any reasonable alterations or modifications of the construction of the Studio it considers necessary. If Franchisee fails to promptly begin the design, construction, equipping and opening of the Studio with due diligence, this will be grounds for the termination of this Agreement.

Franchisor will have the right, but not the obligation, to conduct a final inspection of the completed Studio. Franchisor may require any corrections and modifications it considers necessary to bring the Studio into compliance with the plans and specifications approved by Franchisor. The Studio will not be allowed to open if it does not conform to the approved plans and specifications, including changes approved by Franchisor. If Franchisee does not promptly correct any unauthorized variance from the approved plans and specifications, this will be grounds for termination of this Agreement.

#### **4.3 Furniture, Fixtures, and Equipment**

The specifications for typical furniture, fixtures, and equipment which Franchisor may furnish to Franchisee do not limit Franchisee's obligation to provide all required furniture, fixtures and equipment for the Studio at its expense.

#### **4.4 Indemnification of Franchisor**

Franchisee will be solely responsible for the acts, errors or omissions of itself, its general contractor, its architects, designers, engineers and others regarding compliance with this Article. Franchisor will have no responsibility or liability for the acts, errors or omissions of Franchisee, its general contractors, architects, designers, or engineers. Franchisor will not be liable for any loss or damage arising from the construction, design or plan of the Studio, whether because of its approval of plans and specifications or for any other reason. Franchisee agrees to indemnify Franchisor for any loss, cost or expense, including attorneys' and experts' fees, which Franchisor sustains because of the acts, errors or omissions of Franchisee, its contractors, architects, designers, or engineers arising out of or related to the design, construction or outfitting of the Studio, whether or not approved by Franchisor.

#### **4.5 Signs**

Franchisee will submit to Franchisor the signage vendor Franchisee intends to use for approval prior to any signs being produced. Franchisor will approve or disapprove such vendor promptly in writing. A failure of Franchisor to approve such vendor in writing shall be deemed a disapproval. All exterior and interior signs used in connection with the franchised Studio (including those related to pre-opening) must conform to Franchisor's sign criteria as to type, color, size, design and location then in effect. All signs must also be approved in writing by Franchisor before installation or display.

### **ARTICLE 5: DUTIES OF FRANCHISOR**

#### **5.1 Confidential Operating System Standards Manual**

During the term of this Agreement, Franchisor shall loan Franchisee one (1) copy of its confidential operating manual (the "**System Standards Manual**") through Franchisor's extranet website or such other technology which may then be in existence, e-mails, and other hand-outs. At Franchisor's option, the System Standards Manual may be provided by the Internet. The System Standards Manual contains Franchisor's mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor for ORANGE SHOE PERSONAL FITNESS® Studios. Franchisee agrees to operate its Studio in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed from time to time in the System Standards Manual. Franchisor shall have the right to add to and otherwise modify the System Standards Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for ORANGE SHOE PERSONAL FITNESS® Studios. Modifications in the System Standards Manual shall become effective upon delivery of written notice thereof.

to Franchisee unless a longer period is specified in such written notice, and Franchisee shall have 15 days to comply with or implement modifications in the Studio after Franchisor notifies Franchisee of the modifications. The System Standards Manual, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the System Standards Manual shall be deemed to mean the System Standards Manual kept current by amendments from time to time. Franchisee will incur, at its sole expense, all costs related to the modification to the System Standards Manual or the System.

The System Standards Manual shall at all times remain the sole property of Franchisor and shall promptly be returned upon expiration or termination of this Agreement. Franchisee agrees that it, its agents, independent contractors, and employees will treat the System Standards Manual and the information contained in it as confidential; maintain this information as secret and confidential; at no time copy, share, print, disclose, duplicate, record or otherwise reproduce the System Standards Manual or supplements to the System Standards Manual, in whole or in part; and, not otherwise make the System Standards Manual, supplements to the System Standards Manual or information in them available to any unauthorized person. Franchisee shall have its employees sign, at the time of employment, a Confidentiality/Non-Compete Agreement in a form substantially the same as the agreement attached to this Agreement as Exhibit C.

Franchisee agrees to ensure at all times that its copy of the System Standards Manual is current and up-to-date. Franchisee shall, if required by Franchisor, subscribe to receive alerts by electronic mail of any changes to the System Standards Manual. If there is any dispute as to Franchisee's compliance with the provisions of the System Standards Manual and any supplements to the System Standards Manual, the master copy of the System Standards Manual maintained by Franchisor (including its additions, deletions, or revisions) shall control.

## **5.2 Initial Training Program**

Franchisor shall make an initial training program available to Franchisee and its Designated Studio Manager (the “**Initial Training Program**”). The Initial Training Program shall be at least twenty (20) days in duration, and may include classroom and on-the-job training. Franchisee and its Designated Studio Manager are required to attend and successfully complete the Initial Training Program at least three (3) weeks, but not more than six (6) weeks, prior to the Studio opening for business. The Initial Training Program shall be conducted at a site designated by Franchisor, which may include an existing ORANGE SHOE PERSONAL FITNESS® Studio. Franchisor will determine and notify Franchisee of the date of commencement of the Initial Training Program.

The actual cost for the Initial Training Program for Franchisee and its Designated Studio Manager will be included in the Initial Franchise Fee. Franchisee agrees to pay all expenses incurred by its trainees and itself in connection with training, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses. If Franchisee requests that more than two (2) individuals attend the Initial Training Program, Franchisee will be responsible for remitting payment of Franchisor’s then current training fee as set forth in Franchisor’s System Standards Manual.

If Franchisor reasonably concludes that either Franchisee or its Designated Studio Managers have failed to attend or successfully complete Franchisor's Initial Training Program, then that person may re-enroll in Franchisor's next scheduled Initial Training Program at an additional charge as then stated in the System Standards Manual.

Franchisor reserves the right to determine the duration and subject matter of its training programs and the right to train any number of individuals from any number of franchised or non-franchised ORANGE SHOE PERSONAL FITNESS® Studios at the same time.

## **5.3 Additional Training**

Franchisee shall also pay an additional charge, as then stated in the System Standards Manual, to Franchisor for re-training in the event Franchisor determines, in its sole discretion and after an evaluation, that Franchisee or its Designated Studio Manager must be re-trained, or in the event that Franchisee’s Designated Studio Manager ceases working for the Studio and a new Designated Studio Manager is hired. Franchisee shall also

pay all expenses incurred in connection with such training, including, but not limited to, employee salaries, transportation costs, meals, lodging and other living expenses.

#### **5.4 Operating Assistance**

Franchisor will furnish to Franchisee such assistance in connection with the operation of the Studio as is from time to time deemed appropriate by Franchisor in its sole discretion. This assistance may be provided by Franchisor in person, by telephone, or through any other means it deems appropriate. Franchisee understands and agrees that all advice and guidance provided by Franchisor is only supportive of the operation of the Studio and that the overall success of the Studio is primarily dependent upon Franchisee's business abilities and efforts. Unless otherwise required by contract, any operating advice provided by the Franchisor is optional and Franchisee shall determine, in its sole discretion, whether to implement any change.

#### **5.5 Products and Supplies**

Franchisee shall cause the Studio to conform to Franchisor's specifications and quality standards as specified in the System Standards Manual, and shall purchase only from distributors and suppliers approved by Franchisor (which may include Franchisor or its affiliates), all Proprietary Products, products, equipment, fixtures, furnishings, supplies, signs, inventory and other materials. Franchisee may also be required by Franchisor, in Franchisor's sole discretion, to use required vendors for services necessary to establish or operate the Studio, including, but not limited to, marketing, payroll, architectural, design, construction and/or engineering services, equipment installation services, and information technology setup and installation services, which Franchisor establishes from time to time as set forth in the System Standards Manual or otherwise. Franchisor has the right to change Franchisor's approved and required vendors, distributors and suppliers in Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense. If Franchisor provides any services, Franchisor will charge Franchisee its then-current fees for such services as set forth in the System Standards Manual or otherwise.

Franchisee acknowledges and understands that Franchisor and/or its affiliates may be the only supplier of certain Proprietary Products and other items, products, materials and/or services to Franchisee, and that the cost of the Proprietary Products may be higher than the cost of the same or similar products that may be purchased elsewhere. Franchisor shall have the right during the Term of this Agreement to amend, alter, add to, delete, or revise the Proprietary Products that Franchisee is required to purchase directly from Franchisor or its affiliates. Franchisee acknowledges that Franchisor and/or its affiliates will make a profit on the sale of Proprietary Products and other products to Franchisee. Franchisee further understands that Franchisor and/or its affiliates may from time to time receive consideration from manufacturers, suppliers, vendors and/or other third parties in respect to sales of products or services to Franchisee or in consideration of services rendered or rights licensed to such persons. Franchisee agrees that Franchisor and/or Franchisor's affiliates shall be entitled to said profits and/or consideration.

The "**Proprietary Products**" are those consumable products generally used in the ORANGE SHOE PERSONAL FITNESS® Studios as Franchisor requires from time to time in its sole discretion. Franchisor expressly reserves the right to revise the definition of "Proprietary Products" at any time during the term of this Agreement. Franchisee shall pay Franchisor or its designee (as applicable) upon Franchisee's receipt of the invoice for the products purchased, pursuant to the terms of that invoice.

Franchisor shall have no obligation to sell Proprietary Products, or other products, supplies and equipment to Franchisee, if Franchisee is in default under this Agreement.

Franchisor agrees that it will use its reasonable efforts to fulfill or to cause its designees to fulfill Franchisee's orders for Proprietary Products pursuant to this Agreement. However, Franchisor shall not be liable to Franchisee in the event that Franchisor is not able to fulfill an order for Proprietary Products placed by Franchisee.

The cost of the Proprietary Products and other products and items purchased from Franchisor shall be based on the price then in effect, as set forth and identified from time to time on Franchisor's confidential published price lists, in its System Standards Manual, or through other written communications.

### **5.6 Minimum and Maximum Pricing**

Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices Franchisee may charge for products or services.

### **5.7 Sales, Barter and Exchange**

Franchisee may not perform, render or offer any products, services or programs, or sell, dispense, give away or provide any products bearing the Marks, except by sales by and through the Studio, without Franchisor's prior written consent. Franchisee may not engage in any barter or exchange transactions or "grey marketing" (i.e. or buying or selling our Proprietary Products or services outside of the channels of distribution we authorize).

## **ARTICLE 6: DUTIES OF FRANCHISEE**

### **6.1 Commencement of Operations**

A. Franchisee shall commence the operation of its Studio within three hundred sixty five (365) days of the date from execution of this Agreement by Franchisor and no later than seven (7) days after the receipt of Franchisor's written approval to open as provided below.

B. Before commencing operations, Franchisee agrees to fulfill all the pre-opening obligations called for by this Agreement including (but not limited to) its obligations to:

1. Have its Designated Studio Manager(s) (and Franchisee himself or herself) attend and satisfactorily complete Franchisor's Initial Training Program no less than four (4) weeks, but not more than six (6) weeks prior to opening of the Studio;
2. Procure an acceptable Studio Location and Lease within sixty (60) days after the execution of the Agreement;
3. Complete construction, remodeling, refurbishing and/or decorating of Franchisee's Studio, including installing all furniture, fixtures, signs, equipment, furnishings, fax machines, and telephone and computer systems;
4. Obtain all required Studio, building, zoning and other permits and licenses;
5. Employ and train all Studio staff;
6. Purchase the opening inventory package of Proprietary Products and other products and supplies from Franchisor (or its designee);
7. Pay all amounts then due to Franchisor;
8. Provide Franchisor with the evidences of insurance coverage required under this Agreement;
9. Do all other acts necessary to make the Studio ready to begin operations;
10. Obtain Franchisor's written approval for the commencement of operations of the Studio; and
11. Comply with all pre-opening procedures required by Franchisor in its System Standards Manual or otherwise, including those related to marketing, advertising and promotional activities.

### **6.2 Manner of Operation**

Franchisee agrees that it will operate the Studio all times in compliance with the ORANGE SHOE® System, including all standards, procedures and policies Franchisor from time to time establishes in its System Standards Manual or otherwise, as though specifically set forth in this Agreement. Franchisee agrees to offer and sell all

products, services and programs, and disseminate to the public all promotional and other materials, which are specified by Franchisor and made part of the ORANGE SHOE® System.

### **6.3 Maintenance and Repair; Periodic Renovation**

A. At all times during the term of this Agreement, Franchisee agrees that it shall maintain the interior and exterior of its Studio, and to keep and maintain all equipment, furniture, decorating, signs and appurtenances in or at the Studio in the highest degree of cleanliness, maintenance, condition and repair. Franchisee may make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Studio without the prior written consent of Franchisor.

B. Franchisee shall keep and maintain all products, premises and equipment at the Studio in the highest degree of cleanliness, maintenance, condition and repair.

Franchisor shall have the right to require Franchisee to periodically renovate, refurbish and update its Studio to ensure that it is in substantial conformity with Franchisor's then-current ORANGE SHOE PERSONAL FITNESS® Studio design. Franchisee agrees that it shall renovate, refurbish and update its Studio in accordance with those standards and specifications then prescribed by Franchisor.

### **6.4 Modifications to the ORANGE SHOE® System**

Franchisee understands and agrees that the ORANGE SHOE® System must not remain static if it is to meet presently unforeseen changes in services, technology, competitive circumstances and customer needs and to best serve the interests of Franchisor, Franchisee, and the ORANGE SHOE® System. Franchisee therefore agrees that Franchisor may from time to time change the components of the ORANGE SHOE® System, including, but not limited to, altering the products (including the Proprietary Products), services, programs, methods, standards, forms, policies and procedures of the System; adding to, deleting from or modifying those products (including the Proprietary Products), services and programs which Franchisee's Studio is authorized to offer; and, changing, improving, modifying, adding to or deleting from the Marks. Modifications to the System shall be reflected in a revision to the System Standards Manual. As set forth herein, modifications to the System Standards Manual shall become effective upon delivery of written notice thereof to Franchisee, unless a longer period is specified in such written notice, and Franchisee shall have fifteen (15) days to comply with or implement modifications in the Studio after Franchisor notifies Franchisee of the modifications. The System Standards Manual, as modified from time to time, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits or schedules hereto, to the System Standards Manual shall be deemed to mean the System Standards Manual kept current by amendments from time to time. Franchisee will incur, at its sole expense, all costs related to the modification to the System Standards Manual or the System.

### **6.5 Compliance with Laws, Rules and Regulations**

Franchisee agrees to operate the Studio in strict compliance with all applicable laws, rules and regulations of all governmental authorities; comply with all applicable wage, hour and other laws and regulations of federal, state and local governments; prepare and file all necessary tax returns; and, pay all taxes imposed on Franchisee related to the Studio. Franchisee agrees that it will be responsible for compliance with all applicable laws, rules and regulations, including, without limitation, the Americans with Disabilities Act.

Franchisee shall obtain all required licenses, permits and other required forms of governmental approval for Franchisee to offer and sell the products and services which now or in the future are or become part of the ORANGE SHOE® System, including (without limitation) health permits; shall maintain such licenses and permits in full force and effect and good standing throughout the term of this Agreement; and, shall post same on the premises of the franchised Studio as required by law. Franchisee shall forward copies of all health, sanitation or other regulatory agency reports to Franchisor immediately upon receipt thereof. Franchisee shall take prompt and effective action to correct any violation set forth in a notice issued by any governmental or municipal authority concerning such licenses and permits.

## **6.6 Franchisee Participation in Operation of Studio; Designated Studio Manager**

Franchisee agrees to personally and directly supervise the operation of the Studio, unless otherwise permitted in writing by Franchisor. Franchisee agrees to devote the amount of its time, attention and best efforts to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the Studio.

If Franchisee is licensed to operate more than one ORANGE SHOE PERSONAL FITNESS® Studio, it agrees to devote the amount of its time and attention to the performance of its duties under this Agreement that is necessary for the proper and effective operation of the Studio.

Franchisee shall serve as Studio Manager or designate a Studio Manager that we approve (“**Designated Studio Manager**”). The Studio shall at all times be under the direct, on-site supervision of Franchisee or its Designated Studio Manager, an additional Designated Studio Manager (if Franchisee employs more than one Studio Manager), or an assistant manager who has successfully completed either Franchisor's Initial Training Program or a training program conducted by Franchisee and approved by Franchisor.

Franchisee shall inform Franchisor in writing as to the identity of its Designated Studio Manager and any successor Designated Studio Managers of Franchisee's Studio. Each Designated Studio Manager must complete to Franchisor's satisfaction, the ORANGE SHOE Initial Training Program, under the terms and conditions specified in this Agreement.

Upon the death, disability or termination of employment of Franchisee's Designated Studio Manager, Franchisee agrees to immediately notify Franchisor. Franchisee agrees to designate a successor or acting Designated Studio Manager no later than thirty (30) days following the death, disability or termination of the predecessor Designated Studio Manager. Each successor Designated Studio Manager must attend and successfully complete Franchisor's next available Initial Training Program, and complete any other reasonable training at the times Franchisor specifies. This training will be at Franchisee's sole expense.

## **6.7 Staffing Requirements and Qualifications**

Franchisee agrees to staff the Studio in accordance with all criteria, specifications and directions Franchisor sets forth in its System Standards Manual or otherwise. Franchisee must hire, train, and supervise honest, reliable, competent and courteous employees for the operation of its Studio. Franchisee must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for its employees. These employees will be employees of Franchisee and not of Franchisor. Franchisee must ensure that a sufficient number of trained employees are available to meet the operational standards and requirements of its Studio at all times. Franchisee must ensure that its employees perform their duties in compliance with the terms of the System Standards Manual and any other materials applicable to employees that Franchisor communicates to Franchisee. Franchisee may give its employees only the minimum amount of information and material from the System Standards Manual that is necessary to enable them to perform their assigned tasks. Franchisee must ensure that its employees do not make or retain any copies of the System Standards Manual or any portion of thereof. Franchisor does not control the day-to-day activities of Franchisee's employees or the manner in which they perform their assigned tasks. Franchisor also does not control the hiring or firing of Franchisee's employees.

## **6.8 Requirements Concerning Products and Services**

Franchisee may be required to purchase certain products, supplies, equipment, materials and services required for the operation of the Studio only from Franchisor, its affiliates, or suppliers designated in writing by Franchisor; from suppliers selected by Franchisee and approved by Franchisor; and/or, in accordance with Franchisor's written specifications.

Franchisee may be required to purchase all of the Proprietary Products only from Franchisor, its affiliates, or from suppliers designated or approved by Franchisor.

Franchisor may approve other suppliers of required non-Proprietary Products that are not then designated by Franchisor as an approved supplier. Franchisee must notify Franchisor in writing of the product, material or supplies and of the proposed supplier and submit all information Franchisor may request, including specifications and samples, to enable Franchisor to determine whether the item complies with Franchisor's standards and whether the supplier meets Franchisor's approved supplier criteria. Approval of a supplier may be conditioned, among other things, on requirements for product quality, price, cost, frequency of delivery, standards of service, brand recognition and concentration of purchases and may be temporary, pending Franchisor's evaluation of the supplier. Franchisor also may charge Franchisee one hundred fifty and no/100 dollars (\$150.00) an hour for time spent by Franchisor in making a determination regarding approval of any alternative suppliers. Franchisor will, within thirty (30) days, notify you of our decision in writing (if approval is not received within thirty (30) days, this constitutes a rejection by Franchisor). Franchisor periodically establishes procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Franchisor's criteria for suppliers of specific products are available upon Franchisee's written request. Franchisor may revoke its approval of a supplier at any time in its sole discretion.

### **6.9 Opening Inventory**

Franchisor will designate, in its System Standards Manual or otherwise, the amount and nature of the opening inventory of products, supplies, equipment, materials and services required to be purchased by Franchisee for the operation of the Studio, including an opening inventory package of Proprietary Products and other items which Franchisee shall purchase from Franchisor (or its designee). Franchisee agrees to purchase the required opening inventory before the commencement of operations of the Studio.

### **6.10 Products and Services Sold by Franchisee**

Franchisee agrees to offer and sell all products, services and programs which are part of the ORANGE SHOE® System, and all other products, services and programs which Franchisor in the future incorporates into the ORANGE SHOE® System. Franchisee is prohibited from offering or selling any item, product, service or program which is not a part of the ORANGE SHOE® System or is hereafter deleted from that System. Franchisee may not use the ORANGE SHOE name or the Marks for the benefit of any business other than the franchised Studio business. Franchisee may not conduct (or permit the conducting of) any business other than the business contemplated by this Agreement at or from the Studio without Franchisor's prior written consent, which Franchisor may withhold for any reason or for no reason.

### **6.11 Computerized Point of Sale System and E-Mail Address**

A. Prior to the commencement of operations of the Studio, Franchisee agrees to procure and install at the Studio, at Franchisee's expense, the computerized point of sale and booking systems and related software, any other required operational or management software, project management software for Studio development, computer or mobile applications and/or web-based programs, associated computer hardware, phone system and required dedicated telephone and power lines, modem(s), printer(s), fax machines, and other related accessories or peripheral equipment which Franchisor specifies in its System Standards Manual or otherwise ("**Computer System**").

B. Franchisee agrees to provide any assistance required by Franchisor to bring its Computer System on line with Franchisor's system at Franchisor's headquarters at the earliest possible time. Franchisee expressly affirms and agrees that Franchisor will thereafter have the free and unfettered right to retrieve such data and information from Franchisee's Computer System as Franchisor, in its sole and exclusive judgment, deems necessary, desirable or appropriate, at such intervals as Franchisor determines in its sole and exclusive judgment. Franchisee agrees to accurately, consistently and completely record, structure, capture and provide through the Computer System all information concerning the operation of the Studio as Franchisor requires, in the form and at the intervals that Franchisor requires (in its System Standards Manual or otherwise), including (without limitation) the recordation, at the time of receipt, of all sales of all services and products sold by Franchisee from the Studio.

C. Franchisee agrees to bear the sole cost of the Computer System to be installed or purchased and activities to be accomplished by Franchisee, and the delivery, installation and maintenance costs of all hardware and software.

D. To ensure full operational efficiency and communication capability between Franchisor's computerized point of sale and booking systems and those of all ORANGE SHOE PERSONAL FITNESS® Studios, Franchisee agrees, at its expense, to keep its Computer System in good maintenance and repair. Franchisee further agrees to use, at its expense, only Franchisor's designated vendors that are specified in the System Standards Manual or otherwise to perform any such maintenance and repairs.

E. Franchisee understands that the Computer System is designed to accommodate a certain maximum amount of data, and that, as such limits are achieved, and/or as technology and/or software is developed in the future, Franchisor at its sole discretion may mandate that Franchisee add memory, ports, accessories, peripheral equipment and/or additional, new or substitute software to the original Computer System purchased by Franchisee. Franchisee further understands that it may become necessary for Franchisee to replace or upgrade the entire Computer System with a larger system(s) capable of assuming and discharging all the tasks and functions specified by Franchisor. Franchisee also understands and agrees that, as designs and functions change periodically, Franchisor may be required to make substantial modifications to its specifications, or to require installation of entirely different systems (during the term of this Agreement or upon successor franchise or extension). Franchisee agrees to install at its own expense such additions, changes, modifications, substitutions and/or replacements to its hardware, software, telephone lines and power lines and other related facilities as Franchisor directs, on those dates and within those times specified by Franchisor in its sole and exclusive discretion, in its System Standards Manual or otherwise. Franchisee shall pay the service, license or maintenance fees charged by Franchisor or its designated vendors in connection with the Computer System, any other required software, computer or mobile applications and/or web-based programs, as stated in the System Standards Manual or otherwise.

F. Franchisor may provide Franchisee with up to two (2) e-mail addresses with the orangeshoe.com domain name for Franchisee's use solely in connection with the operation of the Studio only, and for no other purpose. Franchisee acknowledges and agrees that it will not own these e-mail addresses or domain name and its rights to use such e-mail addresses will immediately cease upon the expiration or termination of this Agreement. Franchisor will charge Franchisee an annual fee, as set forth in the System Standards Manual or otherwise, for each additional e-mail address Franchisee requests. These e-mail addresses shall only be assigned to and used by Franchisee, its owners and the Designated Studio Manager.

G. Franchisee further agrees to use, at its expense, such internet/wireless services, e-mail services, telephone systems and services as Franchisor may require in connection with the operation of the Studio and to use only those vendors designated by Franchisor, as set forth in the System Standards Manual or otherwise. Franchisee shall pay the service or maintenance fees charged by Franchisor or its designated vendor for such internet/wireless services, e-mail services and/or telephone system services, as stated in the System Standards Manual or otherwise.

H. Franchisee expressly understands and agrees that Franchisor shall not be liable for any loss or damage whatsoever (direct, indirect, punitive, actual, consequential, incidental, special, or otherwise) resulting from any omission in the content or performance of, or any inability to access or use the Computer System and/or other services, regardless of the basis upon which liability is claimed, even if Franchisor has been advised of the possibility of such loss or damage. Franchisor makes no representation or warranty, express or implied, that the Computer System and/or other services will meet Franchisee's requirements or that they will be uninterrupted, timely, secure, or error free; nor does Franchisor make any warranty as to the results that may be obtained from the use of the Computer System and/or other services or as to the accuracy, completeness, timeliness, or reliability of any information obtained through or posted on such Computer System or services. Franchisor shall not be responsible for any problems or technical malfunctions of the Computer System and/or other services, including any problems or technical malfunctions of any telephone network or lines, computer on-line systems, servers, Internet access providers, computer equipment, software, or any combination thereof, including any injury or

damage to the computer of Franchisee or any other person as a result of using the Computer System and/or other services. Franchisee acknowledges that the Computer System and other services are being provided to Franchisee “as-is”.

I. In the event of any failure of the Computer System, or any part thereof, or any failure of the hardware installed by Franchisor or vendors to perform as a result of Franchisor’s or vendors’ installation of such hardware, the only liability of Franchisor or any vendors, and Franchisee’s sole and exclusive remedy, shall be use by Franchisor of commercially reasonable efforts to correct the failure or cause vendors to correct the failure.

#### **6.12 Rebates, Promotions and Gift Cards/Certificates**

A. Franchisee agrees, at its sole cost and expense, to issue and offer such rebates, giveaways and other promotions in accordance with advertising programs established by Franchisor, and further agrees to honor the rebates, giveaways and other promotions issued by other ORANGE SHOE® franchisees under any such program, so long as compliance with any of the foregoing does not contravene any applicable law, rule or regulation. Franchisee will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by Franchisor and which are accepted at all ORANGE SHOE PERSONAL FITNESS® Studios. Franchisee will not issue coupons or discounts of any type except as approved by Franchisor in writing.

B. In the event that the Studio closes or is otherwise abandoned, whether due to termination or expiration of this Agreement or for any other reason, it shall be the obligation of Franchisee to pay Franchisor the full amount of the Studio’s outstanding gift card/certificate liability at the time of closing. Such amount shall be paid together with all other fees and amounts payable in connection with the Studio closure pursuant to this Agreement.

#### **6.13 Hours of Operation**

Franchisee agrees to continuously operate the Studio on the days and during the minimum hours that Franchisor may from time to time specify in its System Standards Manual or otherwise. Franchisee may establish hours of operation in addition to the required minimum hours.

#### **6.14 Inspection and Operational Audit**

Franchisee agrees that Franchisor or any of its authorized agents or representatives may at any time during normal business hours enter the Studio to conduct an operational audit to determine compliance with this Agreement and with Franchisor’s policies, procedures, programs, standards, specifications and techniques as set forth in its System Standards Manual or elsewhere. Franchisor’s representatives may examine and inspect the Studio, the products, programs and services provided from or at the Studio, the products and supplies contained in the Studio, and the condition of the Studio.

Following any inspection and operational audit, and subject to the other provisions of this Agreement, Franchisee agrees to incorporate into its Studio any corrections and modifications Franchisor requires to maintain the standards of quality and uniformity prescribed by Franchisor, as quickly as is reasonably possible.

#### **6.15 Corporate and Partnership Franchisee Requirements; Records**

A. Franchisee, if a corporation, limited liability company, partnership, limited partnership, proprietorship or any other type of legal entity formed in compliance with applicable law (“**Business Entity**”), and any Business Entity assignee shall comply with the following requirements:

1. Furnish Franchisor with its Articles of Incorporation; Bylaws; other governing documents, including shareholder agreements, operating agreements, partnership agreements; list of officers, directors and shareholders (including number and percentage of shares, membership interests, partnership interests, or other form of equity security held); and any other documents Franchisor may reasonably request, and any amendments to them.

2. Confine its activities to the operation of the Studio to an ORANGE SHOE PERSONAL FITNESS® Studio, and its governing documents provide that its activities are confined exclusively to the operation of the franchised ORANGE SHOE PERSONAL FITNESS® Studio.
3. Maintain stop transfer instructions against the transfer on its records of any equity securities, (i.e. stock, membership interests, partnership interests, etc...) and must not issue any securities on the face of which the following printed legend does not legibly and conspicuously appear:

"The transfer of this [EQUITY SECURITY} is subject to the terms and conditions of a Franchise Agreement with FINANCIAL ACHIEVEMENTS CORPORATION, dated \_\_\_\_\_. Reference is made to the provisions of this Franchise Agreement and to the Articles and Bylaws of this Corporation. This certificate is not transferable and is not subject to sale assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of FINANCIAL ACHIEVEMENTS CORPORATION."

4. Maintain a current list of all owners of record and all beneficial owners of any class of voting equity securities of Franchisee, and must furnish this list to Franchisor on request.

B. Franchisee and any Business Entity assignee shall promptly notify Franchisor of any change in any of the information called for in this Section or in any document referred to in this Section.

C. If Franchisee is a Business Entity, then all owners of Franchisee shall execute an agreement in substantially the same form as attached hereto as Exhibit B with Franchisor under which the owners of Franchisee agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future owner of Franchisee must agree in writing to personally guarantee the performance of Franchisee's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor.

D. If Franchisee is a Business Entity, then Franchisee shall inform Franchisor in writing as to the identity of all of the persons who have an ownership interest in the Franchisee entity in the attached Ownership Addendum and ensure that the information contained therein is true, accurate and complete at all times. Franchisee shall not vary from the ownership interests and/or corporate structure without the prior written approval of Franchisor.

#### **6.16 Continuing Training of Franchisee's Personnel**

In order to impart to its employees the latest procedures, techniques, policies and standards of the ORANGE SHOE® System, Franchisee agrees to conduct in-house meetings, training programs, or other programs that Franchisor specifies from time to time, using any materials provided by Franchisor for this purpose. Franchisee further agrees to participate in Franchisor's mandatory webinars on the dates and times specified by Franchisor.

#### **6.17 No Statements by Franchisee**

Franchisee agrees to make no statements or comments without Franchisor's prior written approval to any media representative or any other third party (except for persons considering purchasing an ORANGE SHOE® franchise) relating to the contents of this Agreement, Franchisor or any Affiliate.

#### **6.18 Trade Accounts**

Franchisee agrees that it shall maintain its trade accounts in a current status and to seek to promptly resolve any disputes with trade suppliers.

### **6.19 Best Efforts; Cooperation with Franchisor**

Franchisee agrees to use its best efforts to develop and expand the market for the products and services offered by its Studio and to cooperate fully with Franchisor in accomplishing the purposes of this Agreement, including, but not limited to, those procedures and standards set forth in the System Standards Manual or otherwise.

### **6.20 Bookkeeping and Accounting**

Franchisee agrees to use all standard accounting forms that Franchisor may furnish as part of its System Standards Manual or otherwise. Franchisee agrees to submit all bookkeeping reports that Franchisor prescribes in its System Standards Manual. Franchisee will be solely responsible for performing all recordkeeping duties and bear the costs for performing all recordkeeping duties and services.

### **6.21 Submission of Non-Financial Reports**

Franchisee agrees to complete and submit to Franchisor the weekly, monthly, semi-annual or other periodic reports regarding the activity of the Studio that Franchisor prescribes in its System Standards Manual or otherwise.

### **6.22 Variance of Standards and Terms**

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right, as it may consider in the best interests of all concerned, to vary standards for any franchisee based on any condition which Franchisor considers important to the successful operation of the Franchisee's Studio. Franchisee will have no right to require Franchisor to disclose any variation to Franchisee or to grant Franchisee the same or a similar variation under this Agreement. Franchisee shall have no recourse against Franchisor on account of any variation from standard specifications and practices granted to any franchisee and shall not be entitled to require Franchisor to grant Franchisee a like or similar variation hereunder.

### **6.23 Testimonials and Endorsements**

Franchisee agrees to permit Franchisor or any of its authorized agents or representatives to communicate in any manner with customers of Franchisee's Studio to procure customer testimonials and endorsements of the products or services furnished by Franchisee, the ORANGE SHOE® System and any related products or services. Franchisee agrees to cooperate with Franchisor in procuring testimonials and endorsements. Franchisee agrees that Franchisor will be free to make whatever use of testimonials and endorsements that Franchisor determines, and that Franchisor will owe Franchisee absolutely no direct or indirect compensation or other duty as a consequence.

### **6.24 Products, Services, Equipment and Programs Developed by Franchisee**

Franchisee irrevocably and permanently licenses to Franchisor for incorporation in the ORANGE SHOE® System and use by Franchisor, its affiliates and (if Franchisor determines) other ORANGE SHOE® franchisees, all of the following if developed by or on behalf of Franchisee in conjunction with or related to the franchised Studio: products, equipment and programs; related products and services (including, without limitation, any computer software or Computer System); sales, marketing and promotional programs and campaigns; and any techniques and procedures relating to or regarding the operation of an ORANGE SHOE PERSONAL FITNESS® Studio. Franchisee agrees that Franchisor, its affiliates and franchisees will not be liable to Franchisee in any manner, whether for compensation or otherwise, as a consequence of this license.

## **ARTICLE 7: INSURANCE**

### **7.1 Required Insurance Coverage**

A. For Franchisee's and Franchisor's protection, Franchisee agree to maintain in full force and effect during the Term, at Franchisee's expense, the insurance specified by Franchisor for your ORANGE SHOE PERSONAL FITNESS® Studio. With thirty (30) days notice, Franchisor may periodically increase the amount

and change the types of insurance specified through changes in the System Standards Manual during the Term. As of the Effective Date, the following insurance policies (in addition to any insurance that may be required by applicable law, any lender, or any lessor): (a) comprehensive commercial general liability insurance against claims for bodily or personal injury, death and property damage caused by or occurring in connection with the operation of Franchisee's Studio; (b) property/casualty insurance for Franchisee's Studio and its contents; (c) worker's compensation insurance and employer's liability insurance as required by law; (d) professional liability and malpractice insurance; (e) products/completed operations insurance; (f) personal and advertising injury insurance; (g) business income coverage insurance for actual losses sustained or full amount of annual Gross Revenues; (h) cyber insurance, including data breach; (i) automobile liability insurance; and (j) any other insurance that Franchisor specifies in the System Standards Manual or otherwise require from time to time. Franchisee agrees to provide Franchisor with proof of coverage on demand. All insurance policies must: (1) (except for worker's compensation insurance) name Franchisor (and its members, officers, directors, and employees) as additional insureds; (2) contain such types and minimum amounts of coverage, exclusions and maximum deductibles as Franchisor prescribes from time to time; (3) contain a waiver by the insurance carrier of all subrogation rights against Franchisor; (4) provide that Franchisor receives 10 days prior written notice of the termination, expiration, cancellation or modification of the policy; and (5) include such other provisions as Franchisor may require from time to time. If any of Franchisee's policies fail to meet this criteria, then Franchisor may disapprove the policy and Franchisee must immediately find additional coverage with an alternative carrier satisfactory to Franchisor. Upon 30 days' notice to you, Franchisor may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If Franchisee fails to maintain any required insurance coverage, Franchisor has the right to obtain the coverage on Franchisee's behalf (which right shall be at Franchisor's option and in addition to Franchisor's other rights and remedies in this Agreement), and Franchisee must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to Franchisor, within ten (10) days after invoicing, all costs and premiums that Franchisor incurs.

B. Franchisor imposes and prescribes minimum standards and limits for certain types of required insurance coverage in its System Standards Manual or by other written notice to Franchisee. Franchisee agrees that Franchisor may modify the required minimum limits of insurance coverage from time to time by written notice to Franchisee. Upon delivery or attempted delivery of this written notice, Franchisee agrees to immediately purchase insurance conforming to the newly established standards and limits prescribed by Franchisor.

C. The insurance coverage acquired and maintained by Franchisee at its own expense and in accordance with this Section shall name Franchisor as an Additional Insured and provide that the coverage afforded applies separately to each insured against whom claim is brought as though a separate policy had been issued to each insured.

D. Franchisee agrees not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend these insurance policies without Franchisor's written consent.

## **7.2 No Undertaking or Representation**

Nothing contained in this Agreement may be considered an undertaking or representation by Franchisor that the insurance that Franchisee is required to obtain will insure Franchisee against any or all insurable risks of loss which may arise out of or in connection with the operation of the Studio.

## **7.3 Certificates of Insurance**

Franchisee agrees to promptly provide Franchisor with Certificates of Insurance evidencing the required coverage no later than ten (10) days before the date that the Studio will commence operations. Franchisee agrees to deliver a complete copy of Franchisee's policies of insurance to Franchisor within thirty (30) days following delivery of the Certificates of Insurance. Franchisee agrees to renew all insurance policies and documents, and

on renewal, to furnish a renewal Certificate of Insurance to Franchisor before the expiration date of the policy in question. Franchisor may at any time require Franchisee to forward to Franchisor full copies of all insurance policies.

#### **7.4 Notice of Claims and Demands**

Franchisee agrees to notify Franchisor of all claims or demands against Franchisee, the Studio, or Franchisor within three (3) days of Franchisee's receiving notice of any claim or demand. Franchisee further agrees to respond to all claims within the time required by law, rule or regulation. In addition, Franchisee agrees to cooperate with Franchisor (or its designee) in every way possible to defend Franchisor and Franchisee against all claims made by employees, customers or third parties. Franchisee agrees, when necessary, to make appearances at administrative or other hearings to present or reinforce these defenses.

### **ARTICLE 8: ADVERTISING**

#### **8.1 Advertising Standards**

A. Franchisee may only use advertising, marketing, identification and promotional materials and programs which Franchisor has either furnished or approved in writing in advance. Provided, however, if Franchisor makes advertising, marketing, identification and promotional materials and programs available to Franchisee, Franchisee must use only those materials furnished by Franchisor for all of Franchisee's advertising, marketing, identification and promotion of the Studio, at Franchisee's cost. In the event that Franchisor does not furnish Franchisee with advertising, identification and promotional materials and programs for the Studio, Franchisee must obtain Franchisor's prior written approval of all proposed advertising, marketing, identification and promotional materials or programs before any such materials are used or disseminated, following the required procedures set forth by Franchisor in its System Standards Manual or otherwise. Franchisor will communicate its approval or disapproval of any proposed advertising, marketing, identification and promotional materials and programs submitted by Franchisee within fifteen (15) business days following Franchisor's receipt of same, unless Franchisor notifies Franchisee in writing that additional time is needed to review the proposed materials. If Franchisor does not approve Franchisee's proposed advertising, marketing, identification and promotional materials within such fifteen (15) day period, such materials will be deemed disapproved. Franchisor's approval of any materials may be withheld for any or no reason. Neither the fact that Franchisor furnishes the material, approves of the material, nor the material itself, will directly or indirectly require Franchisor to pay for any advertising, identification or promotion.

B. Franchisee agrees to conduct all advertising which uses the Marks, or refers in any way to the Studio, in a dignified manner. Franchisee agrees to use only advertising that is in strict accordance with the standards, specifications and requirements specified in writing by Franchisor, in its System Standards Manual, or otherwise.

C. Franchisee may be afforded the option to participate in a regional or local advertising cooperative ("Co-op"). Such participation is not mandatory. If an advertising cooperative is created, Franchisee's Local Marketing Expenditures (or, 4% of previous month's Gross Revenues) will be applied to the cooperative's expenditures. No additional fees are required to be paid to the advertising cooperative. Franchisor-owned outlets may participate in such cooperatives.

D. If Franchisor becomes aware of any breach by Franchisee of this Section 8.1, Franchisor will notify Franchisee in writing of the facts which Franchisor believes have given rise to the breach. Franchisee acknowledges and agrees that if Franchisee does not cure the breach within three (3) calendar days after Franchisee's receipt of this notice, then Franchisor may terminate or remove any unauthorized advertising or promotion at Franchisee's expense, may direct third parties to cease displaying, publishing, disseminating and/or printing such unauthorized advertisements or promotions, and will also be entitled to terminate this Agreement unilaterally and immediately upon notice to Franchisee.

## 8.2 Computer Network Advertising

Franchisee may not maintain a World Wide Web page or otherwise maintain a presence or advertise the Studio on the Internet or any other public computer network or social media site except as required, sponsored, placed or approved in writing by Franchisor.

## 8.3 Grand Opening Advertising; Local Marketing, Advertising and Promotion

A. Beginning two (2) months before the commencement of the operation of the Studio, and continuing for two (2) months thereafter, Franchisee agrees to expend the total sum of between \$3,000 and \$5,000 for the grand opening advertising and promotion of its Studio (the “**Grand Opening Advertising**”). Franchisee agrees to make these Grand Opening Advertising expenditures using the advertising and promotional material, media, special events and other public relations activities that Franchisor requires or approves, in its System Standards Manual or otherwise.

B. Thereafter, Franchisee agrees to expend four percent (4%) of the previous month's Gross Revenues on Local Marketing Expenditures. “**Local Marketing, Expenditures**” means the local or regional marketing, advertising and promotional activities that Franchisor specifies in its System Standards Manual or otherwise, or approves in writing in advance. When requested by Franchisor, Franchisee shall submit to Franchisor, in the manner designated by Franchisor, a report detailing Franchisee’s Local Marketing Expenditures Franchisee made during the period of time specified by Franchisor. Franchisee shall also provide invoices or other documentation to support its Local Marketing Expenditures reported, if requested by Franchisor. Franchisee may spend more than the minimum required, at its discretion. If Franchisee fails to make the required minimum expenditures for local advertising and promotion, Franchisor may, at its option, require Franchisee to: (i) contribute the deficient amount to the Marketing Fund; or (ii) reimburse Franchisor for amounts that it spends on Franchisee’s behalf to satisfy Franchisee’s local advertising obligation, plus Franchisor’s related expenses.

## 8.4 Local Listing Internet Search Engine

Franchisee agrees to install the number and type of telephone lines and the type of answering or voicemail system (if any) required by Franchisor in its System Standards Manual or otherwise. Franchisee further agrees to list its ORANGE SHOE PERSONAL FITNESS® Studio on local internet search engines and/or in the manner designated, prescribed or required by Franchisor in its System Standards Manual or otherwise.

## 8.5 Administration of the ORANGE SHOE® Marketing Fund

Franchisor or its designee will administer the ORANGE SHOE® Marketing Fund (the “**Marketing Fund**”) as follows:

A. Franchisor will direct all advertising programs with sole control over the strategic direction, creative concepts, materials and media used in the programs, and the geographic, market and media placement and allocation of advertising. Franchisee acknowledges that the Marketing Fund is intended to further general public recognition and acceptance of the Marks for the benefit of the ORANGE SHOE® System. Franchisee further acknowledges that Franchisor and its designees undertake no obligation in administering the Marketing Fund to make expenditures for Franchisee which are equivalent or proportionate to Franchisee’s contributions, or to ensure that Franchisee benefits directly or proportionately from the placement of advertising or any other marketing or advertising activities, or to ensure that such advertising or marketing impacts or penetrates Franchisee’s Protected Territory. If Franchisor receives any promotional allowances with respect to Franchisee’s purchases of goods or services from vendors other than Franchisor or its affiliates, then Franchisor will be under no obligation to contribute the promotional allowances to the Marketing Fund. The Marketing Fund is not a trust and Franchisor is not a fiduciary with respect to the ORANGE SHOE® Marketing Fund.

B. The Marketing Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or localized advertising (including, without limitation, the cost of preparing and conducting television, radio, magazine, newspaper or other advertising campaigns and other public relations activities) and employing advertising agencies to assist in these activities; paying interest

on monies borrowed by the Marketing Fund from third parties unaffiliated with Franchisor; providing customer service comment cards to ORANGE SHOE PERSONAL FITNESS® Studio franchisees; and, sponsorship of sporting, charitable or other special promotional events. Franchisor need not maintain the sums paid by franchisees to the Marketing Fund or income earned from the Marketing Fund in a separate account from the other funds of Franchisor, but Franchisor may not use these amounts for any purposes other than those provided for in this Agreement. Franchisor may, however, expend the Marketing Fund for any reasonable administrative costs and overhead that Franchisor may incur in activities reasonably related to the administration or direction of the Marketing Fund and advertising programs for franchisees including, without limitation, conducting market research; preparing marketing, advertising and promotional materials; working with advertising agencies, advertising placement services and creative talent; and, collecting and accounting for assessments for the Marketing Fund.

C. Franchisor expects to expend most contributions to the Marketing Fund for marketing, advertising and promotional purposes during the fiscal year when the contributions are made. If Franchisor expends less than the total sum available in the Marketing Fund during any fiscal year, then Franchisor may expend the unused sum during the following fiscal year. If Franchisor expends an amount greater than the amount available in the Marketing Fund in any fiscal year (not including any sum required to be expended because Franchisor did not expend all the sums in the Marketing Fund during the preceding year), Franchisor will be entitled to reimburse itself from the Marketing Fund during the next fiscal year for all excess expenditures made during the preceding fiscal year. The Marketing Fund is not audited. No money will be spent by the Marketing Fund to primarily solicit new franchisees. Some media placement may advertise that franchises are available to be purchased, but it will be done in conjunction with the program of the ORANGE SHOE® brand. A statement of monies collected and costs incurred by the Marketing Fund will be prepared annually by Franchisor and will be furnished to Franchisee upon written request.

D. Although the Marketing Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Marketing Fund at any time. Franchisor will not terminate the Marketing Fund, however, until it has expended all money in the Marketing Fund for marketing, advertising and promotional purposes.

## ARTICLE 9: PAYMENTS TO FRANCHISOR

### 9.1 Gross Revenues

"**Gross Revenues**" means all revenues and income from whatever source derived or received by Franchisee from, through, by or on account of the operation of the franchised Studio, whether received in cash, in services, in kind, on credit (whether or not payment is received), bartering, or otherwise. There will be deducted from Gross Revenues, to the extent they have been included: (i) all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if Franchisee separately states the taxes when the customer is charged and if Franchisee pays the taxes to the appropriate taxing authority; and (ii) any documented refunds, chargebacks, credits and allowances given in good faith to customers by Franchisee (such deductions will not include any credit card user fees, returned checks or reserves for bad credit or doubtful accounts).

Franchisee agrees that the use of any coupons or other discounts, waivers, or any bartering or exchange transactions, or the sale of any products or services bearing the Marks outside the Studio without prior written approval by Franchisor is prohibited and the amount of the discount, unapproved exchange or unauthorized sale offered by Franchisee in such case shall also be included in the definition of Gross Revenues.

### 9.2 Continuing Royalty Fees

In consideration of Franchisor's grant to Franchisee of a license to use Franchisor's Marks and System, Franchisee agrees to pay to Franchisor a monthly Continuing Royalty Fee equal to six percent (6%) of Franchisee's prior month's Gross Revenues, as defined above ("**Continuing Royalty Fee**"). Unless otherwise indicated by Franchisor in writing, Continuing Royalty Fees will be collected by automated bank draft on the 10th of every month. Franchisee acknowledges that collection of the Continuing Royalty Fee by Franchisor

may commence prior to the date Franchisee opens for business if Franchisee collects income from customers prior to opening.

### **9.3 Marketing Fund Fee**

Franchisee agrees to pay to Franchisor a monthly Marketing Fund Fee in an amount equal to two percent (2.0%) of Franchisee's prior month's Gross Revenues ("**Marketing Fund Fee**"). Franchisor reserves the right to increase the Marketing Fund Fee at any time in its sole discretion. Unless otherwise indicated by Franchisor in writing, Marketing Fund Fees will be collected by automated bank draft on the 10th of every month. Franchisee acknowledges that collection of the Marketing Fund Fee by Franchisor may commence prior to the date Franchisee opens for business if Franchisee collects income from customers prior to opening.

### **9.4 Reporting and Payment**

Franchisee agrees to submit, in the manner designated by Franchisor, a weekly report to Franchisor for Franchisor's receipt on or before the day of each month designated by Franchisor (in its System Standards Manual or by other written communication to Franchisee) during the term of this Agreement. Said monthly report will consist of a statement reporting all Gross Revenues for the preceding month in the manner and form prescribed by Franchisor. Franchisee (if an individual) or an officer of Franchisee (if an entity) must sign the copy of the monthly report transmitted to Franchisor in writing. Franchisor reserves the right to require the electronic filing of Franchisee's monthly reports. Franchisee also agrees to furnish any sales data requested by Franchisor in the form, manner and frequency that Franchisor requests.

### **9.5 Commencement of Payments**

Except as expressly provided in this Agreement, the Continuing Royalty Fee, Marketing Fund Fee, and all other payments and fees due under this Agreement, will accrue on the date on which Franchisee actually commences operation of the Studio, and shall be paid monthly by Franchisee on a day prescribed in the System Standards Manual or elsewhere. All royalties and fees, including the Continuing Royalty Fee and Marketing Fund Fees, will continue to be due during the entire term of this Agreement.

### **9.6 Payments to Franchisor**

In addition to all other payments under this Agreement, Franchisee agrees to pay to Franchisor (or its affiliates) immediately upon demand by Franchisor:

A. The amount of all sales taxes, corporate taxes, trademark license taxes and any similar taxes imposed on, required to be collected, or paid by Franchisor on account of services or goods Franchisor has furnished to Franchisee through sale, lease or otherwise, or on account of collection by Franchisor of the Initial Franchise Fee, Continuing Royalties or Marketing Fund Fees or other payments called for by this Agreement.

B. All amounts advanced by Franchisor, or which Franchisor has paid, or for which Franchisor has become obligated to pay, on behalf of Franchisee for any reason.

C. All amounts due to Franchisor (or its affiliates), for products or services purchased by Franchisee from Franchisor, its affiliates or designees.

### **9.7 Late Charge and Related Fees**

Franchisee agrees to pay to Franchisor (or its affiliates) the lesser of 18% per annum or the maximum rate of interest allowed by law interest on any amounts due to Franchisor (or its affiliates) under this Agreement at the maximum interest rate permitted by law. Franchisee shall also pay Franchisor a fee of \$50 if bank payment is refused for any check or pre-authorized draft received by Franchisor or its affiliates from Franchisee.

### **9.8 Application of Funds**

If Franchisee is delinquent in the payment of any obligation to Franchisor under this Agreement, or under any other agreement with Franchisor or any of its affiliates, then Franchisor or the Affiliate may apply any payment

from Franchisee to the oldest obligation due, whether under this Agreement or otherwise, whether or not there is any contrary designation by Franchisee.

### **9.9 Franchisee May Not Withhold**

Franchisee agrees not to withhold payment of any Continuing Royalty Fee, Marketing Fund Fee or any other amounts due to Franchisor or its affiliates on grounds of the alleged non-performance of any of Franchisor's obligations under this Agreement.

### **9.10 Automated Bank Draft**

Franchisee understands and agrees that Franchisor shall require that all Continuing Royalty Fees, Marketing Fund Fees, and all other fees and costs required to be paid to the Franchisor or any Co-op that may be established must be paid by automatic bank draft, unless otherwise specified by Franchisor, to ensure that the fees and costs are received on the day due and/or that past due invoices are paid to Franchisor. Franchisee agrees to comply with Franchisor's payment instructions, and to sign any and all documents and forms necessary to effectuate the automatic bank drafts, including the electronic funds transfer authorization form attached to this Agreement as Exhibit D.

If Franchisee's automated bank drafts for any amounts due to Franchisor (or its affiliates) are returned for insufficient funds (or for any other reason) two (2) or more times within any three (3) month period or three (3) or more times within any 12 month period, then Franchisor may require Franchisee to pay for all products and supplies that must be purchased from Franchisor (or its affiliates), including Proprietary Products, prior to their delivery, as set forth in and in accordance with the policies and procedures established in the System Standards Manual or otherwise.

### **9.11 Security Agreement**

In order to secure the prompt performance by Franchisee of the obligations of this Agreement, Franchisee grants Franchisor a security interest in the franchise granted by this Agreement and the furniture, equipment, fixtures, improvements and Gross Revenues of the Studio. Franchisee shall execute Franchisor's standard Security Agreement attached hereto as Exhibit E. In order to perfect this security interest, Franchisee shall also execute a standard UCC-1 Financing Statement. Franchisee authorizes Franchisor:

- A. To file a copy of the Security Agreement, the UCC-1 Financing Statement and any other documents that may be necessary to perfect the security interest granted herein; and
- B. To sign on behalf of Franchisee and to file in any jurisdiction, with or without signature of Franchisee, financing statements with respect to this security interest and Security Agreement.

## **ARTICLE 10: RECORDS, AUDITS AND REPORTING REQUIREMENTS**

### **10.1 Financial Statements**

A. No later than thirty (30) days following the end of each calendar month during the term of this Agreement, Franchisee agrees to furnish to Franchisor, in a form approved by Franchisor, a statement of the Studio's profit and loss for the month and a balance sheet as of the end of the month. Franchisee shall certify these statements to be true and correct.

B. No later than ninety (90) days following the end of each calendar year of Franchisee during the term of this Agreement, Franchisee agrees to furnish to Franchisor, in a form approved by Franchisor, a statement of the Studio's profit and loss for the calendar year and a balance sheet as of the end of the calendar year, prepared on a compilation basis and certified to be true and correct by Franchisee. Franchisor reserves the right to require these annual financial statements to be audited by an independent certified public accountant and if it does so the opinion of said certified public accountant may be qualified only to the extent reasonably acceptable to the Franchisor.

C. The financial statements required above must be prepared in accordance with generally accepted accounting principles, including all disclosures required under those principles.

D. No later than thirty (30) days following Franchisee's filing of the tax returns of the Studio, Franchisee agrees to furnish to Franchisor exact copies of the tax returns, including federal, state and any local income tax returns, together with a certificate from an independent certified public accountant that all Social Security payments, taxes and fees required to be paid by Franchisee to any governmental agency or entity have been paid, and that if Franchisee is a corporation, there is no reason to believe that Franchisee's corporate status has been impaired.

## **10.2 Financial Records and Audit or Financial Review**

A. Franchisee agrees to record all revenues received by it or the Studio. Franchisee further agrees to keep and maintain adequate records of these revenues, and to maintain and preserve accurate books, records and tax returns in the English language, including related supporting material (such as cash receipts, and credit and charge records) for the Studio for at least three years. Franchisor may specify, in its System Standards Manual or otherwise, the forms that Franchisee will be required to use in recording the revenues of the Studio. Franchisee agrees to keep and preserve for three years the types and classes of records that Franchisor requires in its System Standards Manual or otherwise, and all business, personnel, financial and operating records relating to Franchisee's Studio.

B. Franchisor will have the right, at any time, with or without written notice, during regular hours, to enter Franchisee's premises to inspect, audit and make copies of all records including, but not limited to, the following: books of accounts; bank statements; cash or other receipts; checkbooks; documents; records; sales and income tax returns (federal, state and, if applicable, city); and, files of Franchisee relating to programs, products and services sold and transacted. These files shall include (without limitation) Franchisee's operating records; bookkeeping and accounting records; customer lists; customer orders; operating records; operating reports; correspondence; general Studio records; Franchisee's copy of the System Standards Manual (as amended); invoices; payroll records; journals; ledgers and Franchisee's files; memoranda and other correspondence; contracts and all sources and supporting records used to prepare reports and forms which Franchisee is required to submit to Franchisor under this Agreement, including the books or records of any corporation, partnership or proprietorship which owns the Studio. Franchisee agrees to make any of these materials available for examination at Franchisee's premises.

C. If Franchisor causes an audit or a financial review by a Certified Public Accountant or other professional to be made for any period and the audit or review reveals that Franchisee understated the Gross Revenues in Franchisee's monthly reports to Franchisor by any amount, then Franchisee agrees to immediately pay Franchisor the additional amount payable as shown by the audit or financial review, plus interest at the highest rate permitted by law.

If an audit or financial review of the Studio by a Certified Public Accountant or other professional reveals that Franchisee understated the Gross Revenues on Franchisee's monthly reports to Franchisor by two percent (2%) or more for any month within the period of examination, or for the entire period of examination, when compared to Franchisee's actual Gross Revenues, then in addition to paying the additional amounts due and interest as calculated above, Franchisee agrees to immediately pay Franchisor the full cost of the audit or the financial review for the entire period of examination.

If an audit or financial review reveals an understatement by Franchisee of five percent (5%) or more for any calendar year, then in addition to paying the additional amounts due, interest as calculated above and the full cost of the audit or financial review for the entire period of examination, Franchisee's understatement will constitute a material and incurable breach of this Agreement which will entitle Franchisor to terminate this Agreement immediately upon notice to Franchisee, with no opportunity to cure.

## ARTICLE 11: CONFIDENTIAL INFORMATION

### 11.1 Restriction on Use of Confidential Information

Franchisee agrees that it will never, during the Term of this Agreement or at any time after this Agreement expires or terminates, divulge or use any Confidential Information (as defined below) for the benefit of any other persons, partnership, proprietorship, association, corporation or entity. "**Confidential Information**" means knowledge, trade secrets or know-how concerning the systems of operation, programs, products, services, customers or practices of Franchisee, Franchisor or the ORANGE SHOE® System. Confidential Information includes (without limitation) all information, knowledge and expertise regarding the ORANGE SHOE® System (also referred to as "**know-how**"), techniques and information which Franchisor, its affiliates, or their officers, designate as confidential. Confidential Information will not, however, include information which Franchisee can demonstrate came to its attention before Franchisor disclosed it to it or which, at or after the time of disclosure, has become public through publication or communication by others, but not through any act of Franchisee.

Except as authorized in this Agreement, Franchisee agrees never to copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing the Confidential Information in whole or in part; store it in a computer, data base or other electronic format; or, otherwise make it available to any third party. Upon the expiration or termination of this Agreement, Franchisee agrees to return to Franchisor all Confidential Information, including all materials, books, records, software and manuals considered confidential under this Agreement in Franchisee's possession.

Franchisee and its Designated Studio Manager may divulge only Confidential Information necessary to operate the Studio, and only to those of Franchisee's employees, agents or independent contractors who need access to it for this purpose. Franchisee agrees to take all necessary precautions to ensure that its employees retain the Confidential Information in confidence, including, but not limited to, requiring its employees to sign, at the time of employment, a Confidentiality/Non-Compete Agreement in a form substantially the same as the agreement attached to this Agreement as Exhibit C. Franchisee shall provide to Franchisor an executed copy of the Confidentiality/Non-Compete Agreement for all of Franchisee's employees who need access to Confidential Information in connection with the operation of the Studio and shall provide the executed agreement at the time each such employee is hired.

### 11.2 Customer Lists and the Studio's Customers

Franchisee shall maintain a current customer list (the "**Customer List**") containing as to each customer of the Studio such customer's name, address, telephone number, zip code and e-mail address, and such other information Franchisor may require as set forth in the System Standards Manual. Franchisee shall also maintain the Customer List in the form and manner that Franchisor requires as set forth in the System Standards Manual. During the term of this Agreement, Franchisee may use the Customer List, and any of the information contained therein or derivable therefrom, provided such use is consistent with this Agreement and solely for the purpose of promoting the Studio. Notwithstanding that it may have been created and maintained by Franchisee, the Customer List is, and remains, Franchisor's exclusive property, as is all information pertaining to the Studio's customers and potential customers that Franchisee may collect, compile or maintain. After the expiration or termination of this Agreement, for any reason, Franchisee may not use or disclose the Customer List or any other information pertaining to the Studio's customers and potential customers, or any of the information contained therein or derivable therefrom without Franchisor's written prior authorization.

## ARTICLE 12: COVENANTS NOT TO COMPETE

### 12.1 In-Term Covenant Not to Compete

Franchisee agrees that during the Term of this Agreement, it will not directly or indirectly engage in any other business which is similar to the business of the Studio franchised hereunder or, which offers or sells any product,

service or component which now or in the future is part of the ORANGE SHOE® System, or any similar product or service (a "**Competitive Business**").

Franchisee is prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant. In addition, Franchisee agrees not to divert any business that should be handled by the Studio to any other entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent Franchisee from owning for investment purposes up to an aggregate of five percent (5%) of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, and so long as Franchisee does not control the company in question.

Further, during the Term of this Agreement, and for two (2) years after the termination or expiration of this Agreement for any reason, Franchisee agrees not to solicit or hire former or present personnel of Franchisor, its affiliates or of any other ORANGE SHOE® franchisee. If Franchisee is a Business Entity, Franchisee agrees to cause its shareholders, members, partners or proprietors, and its directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

### **12.2 Post-Term Covenant Not to Compete**

Franchisee agrees that for a period of two (2) years immediately following the expiration or termination of this Agreement for any reason, Franchisee will not directly or indirectly engage in any Competitive Business.

Franchisee is prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, adviser, or consultant, if the other business is located within Franchisee's Protected Territory, within twenty (20) miles of the perimeter of Franchisee's Protected Territory, or within twenty (20) miles of the perimeter of (or within) any ORANGE SHOE PERSONAL FITNESS® Studio Protected Territory (whether Franchisor-owned, franchised or otherwise established and operated).

If Franchisee owns the Studio Location, furthermore, then for a period of two (2) years immediately following the expiration or termination of this Agreement for any reason, said Location may not be used for the operation of a Competitive Business.

It is the intention of the provisions of this Section to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, leasing the existing Location to a Competitive Business, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent Franchisee from owning for investment purposes up to an aggregate of 5% of the capital stock of any Competitive Business, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, and so long as Franchisee does not control the company in question.

If Franchisee is a Business Entity, Franchisee agrees to cause its shareholders, members, partners or proprietors, and its directors, officers and employees to refrain from any of the competitive activities described above in any manner which Franchisor reasonably requests.

### **12.3 Lesser Included Covenants Enforceable At Law**

If all or any portion of the covenants not to compete set forth in this Article are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and shall not by necessity invalidate the entire covenants. Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of this Article as if the resulting covenants were separately stated in and made a part of this Agreement. Franchisor reserves the right to reduce the scope of the covenants not to compete

set forth in this Article without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee.

#### **12.4 Enforcement of Covenants Not To Compete**

Franchisee acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee consents to the entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of the covenants not to compete set forth in this Agreement. Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through Franchisee's unlawful use of Franchisor's Confidential Information, know-how, methods and procedures. Further, Franchisee expressly agrees that any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement. Franchisee agrees to pay all costs and expenses, including reasonable attorneys' and experts' fees, incurred by Franchisor in connection with the enforcement of the covenants not to compete set forth in this Agreement.

#### **12.5 Independent Covenants**

Franchisor and Franchisee agree that each of the forgoing covenants shall be construed as independent of any other covenant or provision of this Agreement.

#### **12.6 Covenants Reasonable**

Franchisee and its owners acknowledge and agree that: (a) the terms of this Agreement are reasonable both in time and in scope of geographic area; (b) Franchisor's use and enforcement of covenants similar to those described above with respect to other ORANGE SHOE® franchisees benefits Franchisee and its owners in that it prevents others from unfairly competing with Franchisee's Studio; and (c) Franchisee and its owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. FRANCHISEE AND ITS OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.

### **ARTICLE 13: ASSIGNMENT; RIGHT OF FIRST REFUSAL**

#### **13.1 Assignment By Franchisor**

Franchisor shall have the unlimited right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity.

#### **13.2 Assignment By Franchisee - General**

With respect to Franchisee's obligations under this Agreement, this Agreement is personal, since Franchisor has entered into this Agreement in reliance on and in consideration of Franchisee's singular personal skill and qualifications, and the trust and confidentiality that Franchisor reposes in Franchisee. Therefore, except as provided below, neither Franchisee's interest in this Agreement, its rights or privileges under this Agreement, the franchised business, the Studio, nor any interest in the Studio or business, may be assigned, sold, transferred, shared, redeemed, sublicensed or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner, without first obtaining Franchisor's written consent in accordance with this Article, or without first complying with Franchisor's right of first refusal as provided for herein.

This Agreement is a personal obligation of Franchisee. None of Franchisee's rights to use the ORANGE SHOE® System, Marks, Confidential Information and know-how are transferable except in strict compliance with the terms of this Agreement. Any actual or attempted assignment, transfer or sale of this Agreement, or any interest in this Agreement, or of the franchised business, in violation of the terms of this Article will be null, void and of no effect, and will constitute a material and incurable breach of this Agreement.

"Assignment" for the purposes of this Agreement includes (without limitation):

A. The transfer or redemption in the aggregate of more than 25% of the capital stock or voting power of any corporate franchisee, as originally constituted on the date of execution of this Agreement, to any person or entity who is not (i) already a shareholder of Franchisee (a "**Shareholder**"), (ii) the spouse of any Shareholder, (iii) a trust controlled by a Shareholder whose trustee is a Shareholder or (iv) a corporation, partnership or proprietorship controlled and composed solely of Shareholders;

B. The transfer or redemption in the aggregate of more than 25% of a partnership or proprietorship interest, as originally constituted on the date of execution of this Agreement, in a franchisee that does Studio as a partnership or proprietorship, to any person or entity who is not (i) already a partner or proprietor of Franchisee (a "**Partner or Proprietor**"), (ii) the spouse of any Partner or Proprietor, (iii) a trust controlled by a Partner or Proprietor whose trustee is Partner or Proprietor; or, (iv) a corporation or partnership controlled and composed solely of Partners or Proprietors.

Franchisee agrees to immediately report to Franchisor all transfers of ownership in a corporate, partnership or proprietorship franchisee, even if less than 25%, in accordance with the procedures set forth in Franchisor's System Standards Manual or otherwise.

### **13.3 Assignment By Franchisee - To A Corporation Formed By Franchisee**

If Franchisee desires to transfer its interest in this Agreement to a corporation formed by Franchisee solely for the convenience of ownership, Franchisee shall obtain Franchisor's prior written consent. Franchisor will not unreasonably withhold consent if all the following conditions are met:

1. The corporation is newly organized and duly incorporated, and its activities are confined to acting exclusively as an ORANGE SHOE® franchisee.
2. Franchisee is the sole owner of all the stock of the corporation and is its principal officer (or Franchisee is the sole owner of 75% or more of all stock of the corporation, with the remaining stockholders being Franchisee's spouse and/or adult children).
3. If Franchisee is more than one individual, each individual must have the right to the same proportionate ownership interest in the corporation as it or she had in the Studio before the transfer.
4. Franchisee and the corporation execute an agreement in substantially the same form as attached hereto as Exhibit B with Franchisor under which Franchisee and the corporation agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future shareholder of the corporation must agree in writing to personally guarantee the performance by the corporation of Franchisee's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Franchise Agreement and any other agreements between Franchisee and Franchisor.
5. The name of the corporation formed by Franchisee may not include the Mark "ORANGE SHOE®" any variant of " ORANGE SHOE®" or any words confusingly similar to " ORANGE SHOE®".
6. All stock certificates of the corporation must be endorsed with the following legend, conspicuously placed:

"The transfer of this stock is subject to the terms and conditions of a Franchise Agreement dated [date of this Agreement] between FINANCIAL ACHIEVEMENTS CORPORATION and [Name of Franchisee]. This certificate is not transferable and is not subject to sale, assignment, pledge, mortgage, encumbrance, or transfer, by operation of law or otherwise, without the prior written consent of FINANCIAL ACHIEVEMENTS CORPORATION. "

7. The Articles of Incorporation, Bylaws and other organizational documents of the corporation must state that the issuance and transfer of any interest in the corporation are restricted by the terms of the Franchise Agreement.
8. That the assignor (and all shareholders of a corporate assignor, and all partners of a partnership assignor, and all proprietors of a proprietorship assignor) executes a general release, of any and all claims, demands and causes of action which Franchisee and its partners, proprietors, directors, officers, shareholders, executors, administrators and assigns (as the case may be) may or might have against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Any transfer pursuant to this Section will not be subject to Franchisor's rights of first refusal provided for below, and will not require payment of a transfer fee.

#### **13.4 Assignment By Franchisee - Sale To Third Party**

A. Franchisee may not sell or otherwise assign or transfer the franchise conveyed by this Agreement, the franchised Studio, the Studio, or any interest in any of these, without Franchisor's prior written consent. If Franchisor does not elect to exercise its right of first refusal, then Franchisor will not unreasonably withhold consent to the assignment and sale. Franchisee agrees that it will not be unreasonable for Franchisor to impose, among other requirements, the following conditions to consenting to the assignment and sale:

1. That Franchisee complies with the right of first refusal provisions as provided for in this Agreement.
2. That the proposed assignee applies to Franchisor for acceptance as a franchisee, and furnishes to Franchisor the information and references that Franchisor requests to determine assignee's skills, qualifications and economic resources.
3. That the proposed assignee presents itself for a personal interview at Franchisor's corporate office, or any other location designated by Franchisor, at the date and time reasonably requested by Franchisor, without expense to Franchisor.
4. That the assignee (or the principal officers, shareholders or directors of a corporate assignee) demonstrates that it has the skills, qualifications, ethics, moral values and economic resources necessary, in Franchisor's reasonable judgment, to conduct the Studio business contemplated by this Agreement, and to fulfill its obligations to the assignor.
5. That the proposed assignee and its proposed Designated Studio Manager have attended and successfully completed Franchisor's Initial Training Program before the assignment, and any other training that Franchisor reasonably requires; there shall be no cost for the Initial Training Program, however, all expenses including transportation to any training, lodging, food, salaries of proposed assignee's employees and other living expenses shall be borne by the proposed assignee.
6. That the lessor or sublessor of the Studio Location consents in writing to the assignment of Franchisee's Lease to the proposed assignee.
7. That as of the date of the assignment, the assignor has fully complied with all of its monetary and other obligations to Franchisor and its affiliates under this Agreement and any other agreement or arrangement with Franchisor or its affiliates.
8. That if the Franchise Agreement is being assigned, or the franchised Studio is being sold, the assignee executes a separate Franchise Agreement in the form and on the terms and conditions Franchisor then offers to prospective franchisees who are similarly situated (except that the assignee will not be obligated to pay another Initial Franchise Fee, but will be required to pay

a transfer fee as set forth herein below, and the Continuing Royalty Fee will be that specified in this Agreement). The term of the new Franchise Agreement will expire on the date of expiration of this Agreement. The execution of the new Franchise Agreement will terminate this Agreement, except for the guarantees of Franchisee and the post-termination and post-expiration provisions under this Agreement.

9. That the total sales price is not so excessive, in Franchisor's sole determination, that it jeopardizes the continued economic viability and future operations of the franchise.
10. If the proposed assignee is purchasing part, but not all, of an interest in a corporate or partnership franchisee to this Agreement, then the proposed assignee must execute a Guarantee in the form acceptable to Franchisor guarantying all of the obligations under this Agreement.
11. That the assignor (and all shareholders of a corporate assignor, and all partners of a partnership assignor, and all proprietors of a proprietorship assignor) executes a general release, of any and all claims, demands and causes of action which Franchisee and its partners, proprietors, directors, officers, shareholders, executors, administrators and assigns (as the case may be) may or might have against Franchisor and its affiliates, and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including, without limitation, claims arising under federal, state and local laws, rules and ordinances.
12. That the assignee pays Franchisor a transfer fee of ten thousand and no/100 dollars (\$10,000.00) plus Franchisor's reasonable out-of-pocket expenses (including, without limitation, attorneys' fees), incurred in connection with the assignment. If the assignee is an immediate family member of the assignor, the transfer fee will be waived.
13. That the assignor furnishes to Franchisor a copy of the executed contract of assignment.
14. That the assignee, at its expense, upgrade the Studio to conform to the then-current standards and specifications of the ORANGE SHOE® System, and completes this upgrading within the time reasonably specified by Franchisor.
15. That Franchisee remains liable for all the obligations to Franchisor arising out of or related to this Agreement before the effective date of the transfer or assignment, and executes all instruments reasonably requested by Franchisor to evidence this liability.
16. That the assignor complies with the terms of the post-term covenant not to compete set forth in this Agreement, commencing on the effective date of the assignment.

B. If Franchisor consents to the assignment of this franchise, it will also consent to the assignment of Franchisee's Lease agreement with its Studio lessor and all other agreements between Franchisor and Franchisee. Franchisee, if the franchise is assigned, also agrees to assign its Lease agreement with the Studio lessor and all other agreements between Franchisor and Franchisee to the same assignee. After the assignment, Franchisee will remain liable under all the assigned agreements to the extent they require.

C. Franchisee agrees to defend at its own cost and to indemnify and hold harmless Franchisor, its parent (if any), and the subsidiaries, affiliates, designees, shareholders, directors, officers, employees and agents of either entity, from and against any and all losses, costs, expenses (including attorneys' and experts' fees), court costs, claims, demands, damages, liabilities, however caused (whether or not the losses, costs, expenses, court costs, claims, demands, damages or liabilities are reduced to judgment), resulting directly or indirectly from or pertaining to any statements, representations or warranties that may be given by Franchisee to any proposed assignee of the franchise, or any claim that Franchisee or the assignor engaged in fraud, deceit, violation of franchise laws of other illegality in connection with the negotiations leading to the consummation of the assignment.

### **13.5 Assignment By Franchisee - Transfer Upon Death or Disability**

Upon the death or disability of the last surviving principal, partner or shareholder of Franchisee (as the case may be), Franchisee's rights will pass to Franchisee's estate, heirs, legatees, guardians or representatives, as appropriate (collectively, the "**Estate**"). The Estate may continue the operation of the Studio if: (i) the Estate provides a competent and qualified individual acceptable to Franchisor to serve as Designated Studio Manager and operate the Studio on a full-time basis; (ii) this individual attends and successfully completes Franchisor's next offered Initial Training Program at the Estate's expense; and, (iii) this individual assumes full-time operation of the franchise as Designated Studio Manager within one month of the date Franchisee dies or becomes disabled. In the alternative, the Estate may sell Franchisee's franchise within one month in accordance with the provisions of this Agreement.

From the date of death or disability until a fully trained and qualified Designated Studio Manager assumes full-time operational control of the franchised Studio, Franchisor may assume full control of and operate the franchised Studio, but will have no obligation to do so. If Franchisor does so, then during this period, Franchisor will deduct its expenses for travel, lodging, meals, and all other expenses and fees from the Studio's Gross Revenues and pay itself a management fee equal to the greater of (i) two times the salary paid to the individual(s) assigned by Franchisor to operate the Studio, or (ii) 10% of the Studio's monthly Gross Revenues. This management fee will be in addition to the Continuing Royalty Fees and Marketing Fund Fees due Franchisor. Any remaining funds will then be remitted to Franchisee's Estate. Any deficiency in sums due to Franchisor under this Agreement must be paid by Franchisee's Estate to Franchisor within ten days of Franchisor's notifying the Estate of the deficiency. Franchisor will not be obligated to operate Franchisee's franchise. If it does so, Franchisor will not be responsible for any operational losses of the franchise, nor will it be obligated to continue operation of the Studio.

### **13.6 Right of First Refusal**

The right of Franchisee to assign, transfer, redeem or sell its interest in this Agreement or the franchised Studio, voluntarily or by operation of law (as provided above), will be subject to Franchisor's right of first refusal. Franchisor shall exercise its right of first refusal in the following manner:

1. Franchisee shall deliver to Franchisor a true and complete copy of the offer (the "**notice**") and furnish to Franchisor any additional information concerning the proposed transaction that Franchisor reasonably requests.
2. Within twenty one (21) days after Franchisor's receipt of the notice (or, if Franchisor requests additional information, within twenty one days after receipt of the additional information), Franchisor may either consent or withhold its consent to the assignment or redemption, in accordance with this Article, or at its option, accept the assignment to itself or to its nominee, on the terms and conditions specified in the notice. However, Franchisor will be entitled to all of the customary representations and warranties given by the seller of assets of a Studio, including (without limitation), representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and Franchisee's contingent and other liabilities affecting the assets.
3. If a partial transfer is proposed through the assignment or redemption of more than 25% of the capital stock of a Business Entity to other than the original shareholders, members or partners or proprietors of Franchisee (measured against the ownership of the Franchisee entity as originally constituted on the date of execution of this Agreement), then Franchisor will have the option to purchase not only the interests being transferred but also the remaining interests, so that Franchisor's resulting ownership will be 100% of the franchise. The price of these remaining interests will be proportionate to the price of the interests initially being offered.
4. Franchisor's credit will be deemed equal to the credit of any proposed purchaser. Franchisor may substitute cash for any other form of payment proposed in the offer.

5. If Franchisor exercises its right of first refusal, Franchisor will be given at least sixty (60) days after notifying Franchisee of its election to exercise its right of first refusal to prepare for closing. Franchisee agrees to take all action necessary to assign its Lease agreement with the lessor of the Studio Location to Franchisor.
6. If Franchisor elects not to exercise its right of first refusal and consents to the proposed assignment or redemption, then Franchisee will, subject to the provisions of this Article, be free to assign this Agreement or the franchised Studio to its proposed assignee on the terms and conditions specified in the notice. If, however, the terms are changed, the changed terms will be deemed a new proposal, and Franchisor will have a right of first refusal with respect to this new proposal.
7. Franchisor's election not to exercise its right of first refusal with regard to any offer will not affect its right of first refusal with regard to any later offer. If Franchisor does not exercise its right of first refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. Franchisee and any proposed assignee must comply with all the criteria and procedures for assignment of the franchise, the Franchise Agreement and/or the franchised Studio specified in this Article.

### **13.7 No Encumbrance**

Franchisee will have no right to pledge, encumber, hypothecate or otherwise give a security interest in this Agreement, the franchise, the Studio or the franchised business in any manner to any third party person or entity without Franchisor's prior written permission, which Franchisor may withhold for any reason.

## **ARTICLE 14: MARKS**

### **14.1 Franchisee's Non-Ownership of Marks**

Nothing in this Agreement will give Franchisee any right, title or interest in or to any of the Marks of Franchisor (or its affiliates) except as a mere privilege and non-exclusive license, during the term of this Agreement, to display and use the Marks according to the limitations set forth in this Agreement. Franchisee understands and agrees that the limited license to use the Marks granted by this Agreement applies only to those Marks which Franchisor designates (and has not designated as withdrawn from use), and those Marks which Franchisor may in the future designate in writing. Franchisee agrees not to represent in any manner that it has acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted under this Agreement or Franchisee's use of the Marks. All uses of the Marks by Franchisee, whether as a trademark, service mark, trade name or trade style, will inure to Franchisor's benefit. Following the expiration or termination of this Agreement, no monetary amount will be attributable to any goodwill associated with Franchisee's use of the Marks or operation of the franchised Studio.

### **14.2 Acts in Derogation of the Marks**

Franchisee agrees that the Marks are the exclusive property of Franchisor (or its affiliates). Franchisee asserts and will in the future assert no claim to any goodwill, reputation or ownership of the Marks by virtue of Franchisee's licensed use of the Marks, or for any other reason. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor or its affiliates in connection with the Marks, either during or after the term of this Agreement. Franchisee agrees not to apply for or obtain any trademark or service mark registration of any of the licensed Marks or any confusingly similar marks in its own name. Franchisee agrees to use the Marks only for the uses and in the manner licensed under this Agreement and as provided in this Agreement. Franchisee agrees that it will not, during or after the term of this Agreement, in any way dispute or impugn the validity of the Marks, the rights of Franchisor (or its affiliates) to the Marks, or the rights of Franchisor, its affiliates or other franchisees of Franchisor to use the Marks.

### **14.3 Use and Display of Marks**

A. Franchisee agrees to use the Marks in full compliance with rules prescribed from time to time by Franchisor in its System Standards Manual or otherwise. Franchisee is prohibited (except as expressly provided in this Agreement) from using any Mark with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed by Franchisor to Franchisee). Franchisee may not use any Mark in connection with the sale of any unauthorized product, service or program or in any other manner not explicitly authorized in writing by Franchisor. Franchisee may use the Marks only for the operation of the franchised Studio or in advertising for the franchised Studio in a manner consistent with Franchisor's corporate brand guidelines, as they presently exist or as they may exist in the future. Franchisee's right to use the Marks is limited to the uses authorized under this Agreement.

B. Franchisee may not use the Marks in any way which will incur any obligation or indebtedness on behalf of Franchisor. Franchisee agrees to comply with Franchisor's instructions in filing and maintaining all requisite trade name or fictitious name registrations, and to execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.

C. Franchisee agrees to affix Franchisor's Marks on the Studio and the uniforms, equipment, fixtures, signs, stationery, advertising, sales/promotional materials and other objects, in the size, color, lettering style and fashion and at the places which Franchisor designates in its System Standards Manual or otherwise. Franchisee also agrees to display the Marks and relevant trademark and copyright notices pursuant to the requirements set forth in the System Standards Manual. Except as expressly provided in the System Standards Manual or otherwise, Franchisee may not erect or display in or on its ORANGE SHOE PERSONAL FITNESS® Studio, stationery, advertising, sales or promotional materials or any other objects bearing any other trademarks, logotypes, symbols or service marks. Franchisee may not use any names, marks or logotypes other than the Marks in connection with the franchised Studio without Franchisor's prior written approval.

D. Franchisee shall, at the request of Franchisor and at Franchisor's cost, affix and display in a conspicuous location in its Studio, such signs, stationary and sales/promotional materials advertising the sale of ORANGE SHOE franchises. Franchisee shall affix and display a sign in a conspicuous location in its Studio, the fact that Franchisee is an independent contractor and not affiliated with Franchisor.

### **14.4 Non-Use of Trade Name**

If Franchisee is a Business Entity, it may not use Franchisor's Marks or any confusingly similar words or symbols, in Franchisee's corporate, partnership or limited liability company name. In particular, Franchisee may not use the words "ORANGE SHOE®," "ORANGE SHOE PERSONAL FITNESS® Studio" or any variant as part of its corporate, partnership, proprietorship, or limited liability company name.

### **14.5 Required Means of ORANGE SHOE® Identification**

Franchisee shall conduct its Studio business under the assumed business name "ORANGE SHOE®." Franchisee agrees, at its expense, to perform all filings and procure all required or necessary governmental approvals or registrations required to do business under that assumed business name. Franchisee agrees to identify itself as a franchisee, but not an agent, of Franchisor.

### **14.6 Defense of Marks and Copyrights By Franchisor**

If Franchisee receives notice, is informed or learns of any claim, suit or demand against it on account of any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or any of Franchisor's copyrights (each, a "**claim**"), Franchisee agrees to promptly notify Franchisor. Franchisor will then promptly take any action it may consider necessary to protect and defend Franchisee against the claim and indemnify Franchisee against any actual damages and reasonable costs or expenses incurred in connection with the claim, so long as the claim is based solely on any alleged infringement, unfair competition, or similar matter relating to the use of the Marks or copyrights. Franchisee may not settle or compromise the claim by a third party without Franchisor's prior written consent. Franchisor will have the right to defend, compromise and settle the

claim at its sole cost and expense, using its own counsel. Franchisee agrees to cooperate fully with Franchisor in connection with the defense of the claim. Franchisee grants irrevocable authority to Franchisor, and appoints Franchisor as Franchisee's attorney in fact, to defend and/or settle all claims of this type. Franchisee may participate at its own expense in the defense or settlement, but Franchisor's decisions with regard to the settlement will be final. Franchisor will have no obligation to defend or indemnify Franchisee pursuant to this Section if the claim arises out of or relates to Franchisee's use of any of the Marks and/or Franchisor's copyrights in violation of the terms of this Agreement.

#### **14.7 Prosecution of Infringers**

If Franchisee receives notice, is informed or learns that any third party which it believes is not authorized to use the Marks is using the Marks or any variant of the Marks, Franchisee agrees to promptly notify Franchisor. Franchisor will then determine whether or not it wishes to take any action against the third party on account of the alleged infringement of Franchisor's Marks. Franchisee will have no right to make any demand or to prosecute any claim against any alleged infringer of Franchisor's Marks for or on account of an alleged infringement.

#### **14.8 Discontinuance or Substitution of Marks**

Franchisee agrees to comply with any instruction by Franchisor to modify or discontinue use of any Mark, or to use any additional or substituted Marks. Franchisee waives all claims arising from or relating to any Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Mark addition, modification, substitution or discontinuation. If Franchisor requires Franchisee to add, modify, substitute or discontinue any Mark, Franchisee agrees to bear the costs and expenses associated with any such changes. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

#### **14.9 Internet**

A. Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, web page, domain name, bulletin board, newsgroup or other Internet related medium or activity) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time.

B. Franchisee acknowledges and agrees that Franchisor is the owner of, and will retain all right, title and interest in and to (i) the domain name "orangeshoe.com"; (ii) the URL: "[www.orangeshoe.com](http://www.orangeshoe.com)"; all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; (iii) all social media identifiers, handles, profiles, streams, and pages of any kind, now known and those not yet contemplated, that use the Marks in any manner; (iv) all computer programs and computer code (e.g., HTML, XML DHTML, Java) used for or on the Franchisor's web site(s), excluding any software owned by third parties; (v) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Franchisor's web site(s); and (vi) all intellectual property rights in or to any of the foregoing.

C. Franchisee Acknowledges that:

1. Franchisor has established the Website. Franchisor may, at its sole option, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content and functionality of the Website; (ii) make operational changes to the Website; (iii) change or modify the URL and/or domain name of the Website; (iv) substitute, modify, or rearrange the Website, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to, among other things, (a) comply with Applicable Law, (b) respond to changes in market conditions or technology, and (c) respond to any other circumstances; (v)

limit or restrict end-user access (in whole or in part) to the Website; and (vi) disable or terminate the Website, or suspend listings of Franchisee locations or Franchisee's access to the Website in the event of a default by Franchisee, without Franchisor having any liability to Franchisee.

2. The Website may include one or more interior pages that identify Studios operated under the Marks, including the Studio developed and operated hereunder, by among other things, geographic region, address, telephone number(s), and menu items. The Website may also include one or more interior pages dedicated to franchise sales by Franchisor and/or relations with Franchisor's investors.
3. Franchisor may, from time to time, establish the Franchisee Page. Franchisor may permit Franchisee to customize or post certain information to the Franchisee Page, subject to Franchisee's execution of Franchisor's then-current participation agreement, and Franchisee's compliance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Such participation agreement may require the Franchisee to pay a reasonable fee for the establishment and maintenance of the Franchisee Page, and may include, without limitation, specifications and limitations for the data or information to be posted to the Franchisee Page, customization specifications, the basic template for design of the Franchisee Page, parameters and deadlines specified by Franchisor, disclaimers, and such other standards and specifications and rights and obligations of the parties as Franchisor may establish from time to time. Any modifications (including customizations, alterations, submissions or updates) to the artwork, graphics, design, functionality, software, code or the like made by Franchisee for any purpose will be deemed to be a "**work made for hire**" under the copyright laws, and therefore, Franchisor shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Franchisee hereby assigns those modifications to Franchisor for no additional consideration and with no further action required and shall execute such further assignments(s) as Franchisor may request.
4. Without limiting Franchisor's general unrestricted right to permit, deny and regulate Franchisee's participation on the Website in Franchisor's discretion, if Franchisee shall breach this Agreement, or any other agreement with Franchisor or its affiliates, Franchisor may disable or terminate the Franchisee page and remove all references to the Studio developed and operated hereunder on the Website until said breach is cured.
5. Franchisee shall not, and shall not permit any others to, sell (which includes order-taking), advertise, or merchandise, any Competitive Business products (including Proprietary Products) by any computer medium or electronic medium (including, any Internet home page, e-mail address, website, web page (including the Franchisee Page), domain name, bulletin board, newsgroup or other Internet related medium or activity) without Franchisor's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Franchisor may establish from time to time. Without limiting Franchisor's rights in this Agreement, all of said rights are reserved to Franchisor.

D. Franchisor also shall have the sole right (but no obligation) to develop an Intranet network through which Franchisor and its franchisees can communicate by e-mail or similar electronic means. Franchisee agrees to use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that Franchisor includes in the System Standards Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

## ARTICLE 15: RELATIONSHIP OF THE PARTIES

### 15.1 Independent Contractor

It is expressly agreed that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee is an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Franchisee is the employer, employee, agent, partner or co venturer of or with the other, each being independent. Franchisee agrees that it will not hold itself out as the agent, employee, partner or co venturer of Franchisor. All employees hired by or working for Franchisee shall be hired and discharged at Franchisee's sole discretion, and shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control, direct or indirect, actual or reserved. Each of the parties shall file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Franchisee agree that the relationship created by this Agreement is not a fiduciary relationship. Franchisee shall not, under any circumstances, act or hold itself out as an agent or representative of Franchisor. Franchisee shall clearly identify itself, on all documentation and signage to the public that it is an independently owned and operated business.

### 15.2 Indemnification

Franchisee agrees to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following Claims: (a) any Claim asserted against Franchisee and/or any of the Indemnified Parties arising from the marketing, use or operation of Franchisee's Studio or Franchisee's performance and/or breach of any of Franchisee's obligations under this Agreement; (b) any other Claim arising from alleged violations of Franchisee's relationship with and responsibility to Franchisor; (c) any Claim resulting from Franchisee's breach of any representations, warranties, or covenants; (d) any Claim arising as a result of Franchisee's misuse of Franchisor's Intellectual Property; (e) any Claim relating to a breach of Franchisee's Lease; (f) any Claim relating to taxes or penalties assessed by any governmental entity against Franchisor that are directly related to Franchisee's failure to pay or perform functions required of Franchisee under this Agreement; or (g) Franchisee's negligent acts or omissions or willful misconduct in connection with the ownership or operation of Franchisee's Studio. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. Franchisee may participate in such defense at Franchisee's own expense. Franchisee agrees to give Franchisee's full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within ten (10) days of the date of each invoice delivered by such Indemnified Party to Franchisee enumerating such costs, expenses and attorneys' fees. **"Indemnified Party"** or **"Indemnified Parties"** means Franchisor and each of its past, present and future owners, members, officers, directors, employees and agents, as well as its parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents. **"Claim"** or **"Claims"** means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries. **"Losses and Expenses"** means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys' fees; experts' fees; accountants' fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all

other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim.

## **ARTICLE 16: DEFAULT AND TERMINATION**

### **16.1 Termination By Franchisor - Automatic Termination Without Notice**

Franchisee will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to Franchisor without notice to Franchisee, if: Franchisee, the franchised Studio or the Business Entity to which the franchise relates is adjudicated as bankrupt or insolvent; all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against Franchisee or the franchised business and is not immediately contested and/or dismissed within sixty (60) days from filing; a bill in equity or other proceeding for the appointment of a receiver or other custodian of Franchisee, the franchised business or assets of either is filed and consented to by Franchisee; a receiver or other custodian (permanent or temporary) of all or part of Franchisee's assets or property is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law are instituted by or against Franchisee or the franchised business; Franchisee is dissolved; execution is levied against Franchisee, the franchised business or its property; or, the real or personal property of the franchised business is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

### **16.2 Termination By Franchisor Upon Notice - No Opportunity To Cure**

Franchisee will have materially breached this Agreement and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the breach, effective immediately upon Franchisee's receipt of notice (which, whether sent by certified mail, registered mail, fax, overnight courier or personal physical delivery, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee) upon the occurrence of any of the following events:

A. Franchisee does not commence operation of the franchised Studio within three hundred sixty five (365) days following execution of this Agreement by Franchisor; at any time ceases to operate the franchised Studio; abandons the franchise relationship; or, abandons the franchise by failing to operate the Studio for five (5) consecutive days during which Franchisee is required to operate the Studio under this Agreement (or any shorter period of time after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to operate the franchise), unless Franchisee's failure to operate is due to fire, flood, other Acts of God or other similar causes beyond Franchisee's control.

B. Franchisee omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement.

C. Franchisor and Franchisee agree in writing to terminate the Franchise Agreement.

D. Franchisee does not provide a copy of the proposed Lease, or does not otherwise secure a Studio Location within the time limits and following the procedures specified in this Agreement.

E. Franchisee fails to timely cure a default under the Lease for the Studio Location which could result in the loss of Franchisee's right to possession of the Studio Location; or Franchisee loses the right to possession of the Studio Location, provided, however, that if the loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee, the premises are damaged or destroyed, then Franchisee will have thirty (30) days after this event to apply for Franchisor's approval to relocate and reconstruct the premises in accordance with the applicable provisions of this Agreement. This approval may not be unreasonably withheld, but it will be reasonable for Franchisor to withhold approval if the Studio will not re-open within three hundred sixty-five (365) days of the closing of the previous Studio Location.

F. Franchisee (or, if Franchisee is a Business Entity, any principal of Franchisee) engages in an act that could be deemed a felony, fraud, crime involving moral turpitude, or any other crime or offense which

Franchisor reasonably believes is related to Franchisee's operation of the franchised Studio, or is likely to have an adverse effect on the ORANGE SHOE® System, the Marks, the goodwill associated with the Marks or Franchisor's interest in the System or Marks.

G. A threat or danger to public health or safety results from Franchisee's continued operation of the franchised Studio.

H. Franchisee reuses and/or recycles any Proprietary Product, or sells such products to third parties without the prior approval and written consent of Franchisor.

I. Franchisee fails to correct any local, state or municipal health or sanitation law or code violation within seventy-two hours after being cited for such violation.

J. Franchisee (or any principal of a Business Entity) purports to transfer any rights or obligations under this Agreement, any interest in Franchisee or the franchised Studio to any third party in violation of the terms of this Agreement.

K. Franchisee conceals revenues; knowingly maintains false books or records; falsifies information or otherwise defrauds or makes false representations to Franchisor; or, knowingly submits any substantially false report to Franchisor.

L. Franchisee engages in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice.

M. Franchisor causes an audit to be made for any period and the Gross Revenues as shown by Franchisee's monthly statements submitted to Franchisor is found to be understated by 5% or more for any calendar year.

N. Franchisee interferes or attempts to interfere with Franchisor's contractual relations with other franchisees, customers, employees, advertising agencies or any third parties.

O. Franchisee interferes or attempts to interfere with Franchisor's ability or right to franchise or license others to use and employ Franchisor's Marks and System or Franchisee makes any use of the Marks not authorized under this Agreement.

P. Franchisee receives three (3) notices of default within any eighteen (18) month period.

Q. Franchisee offers or sells any unapproved products and/or conducts (or permits the conducting of) any business other than the business contemplated by this Agreement at or from the Studio without Franchisor's prior written consent.

R. If Franchisee shall abandon the Studio. For purposes of this Agreement, "abandon" shall refer to (i) Franchisee's failure, at any time during the term of this Agreement, to keep the Premises or Studio open and operating for, and conducting, retail business for a period of five (5) consecutive days, except as provided in the System Standards Manuals, (ii) Franchisee's failure to keep the Premises or Studio open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Studio, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Franchisee's control, and/or (iii) Franchisee's failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Studio solely with the "ORANGE SHOE®" name.

### **16.3 Termination by Franchisor - Fifteen Days to Cure**

Except as provided in Section 16.1, 16.2, 16.4 and in Section 8.1, Franchisee will have fifteen (15) calendar days after its receipt from Franchisor of a written Notice of Termination to remedy any default under this Agreement, not specified in the preceding section and to provide evidence that it has done so to Franchisor. If Franchisee has not cured any default within that time (or, if appropriate, Franchisee has not initiated action to cure the default within that time) or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the fifteen day period, or any longer period required by applicable

law. All Notices of Termination, whether sent by certified mail, registered mail, fax, overnight courier or by physically delivering the notice in person, will be deemed to have been received by Franchisee upon delivery or first attempted delivery of the notice to Franchisee's Studio.

#### **16.4 Franchisee's Failure to Pay**

Franchisee shall have ten (10) days to cure any default in the timely payment of sums due to Franchisor or its affiliates, after Franchisor's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Franchisor may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

#### **16.5 Cross Default**

Any default or breach by Franchisee of any other agreement between Franchisor or its affiliates and Franchisee will be deemed a default under this Agreement, and any default or breach of this Agreement by Franchisee will be deemed a default or breach under any and all other agreements between Franchisor and Franchisee. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor will have the right to terminate all the other agreements between Franchisor and Franchisee in the same manner provided for in this Agreement for termination of this Agreement. Franchisee will be given the same opportunity to cure defaults under any other agreement between Franchisor or its affiliates and Franchisee as Franchisee has under this Agreement.

#### **16.6 Notice Required By Law**

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed amended to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

### **ARTICLE 17: FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES ON TERMINATION OR EXPIRATION**

#### **17.1 Post-Termination Obligations**

A. If this Agreement expires or terminates for any reason, Franchisee will cease to be an authorized ORANGE SHOE franchisee and Franchisee will lose all rights to the use of Franchisor's Marks, the ORANGE SHOE® System, all Confidential Information and know-how owned by Franchisor and any goodwill engendered by the use of Franchisor's Marks.

Upon termination or expiration of this Agreement for whatever reason, Franchisee agrees to:

1. Immediately pay all sums due and owing to Franchisor or its affiliates, all sums due and owing to any lessor, employees, taxing authorities, advertising agencies and all other third parties, and shall immediately pay to Franchisor the full amount of the Studio's outstanding gift card/certificates.
2. Discontinue the use of the Marks, and not operate or do business under any name or in any manner which might tend to give the general public the impression that it is operating an Orange SHOE Personal Fitness® Studio, or any similar business. Franchisee may not use, in any manner or for any purpose, directly or indirectly, any of Franchisor's Confidential Information, trade secrets, procedures, forms, techniques, know-how or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including (without

limitation): ORANGE SHOE products, services and programs; specifications or descriptions of Franchisor's products and services; lists of customers, employees and independent contractors; Franchisor's System Standards Manual and any Supplements to it; forms, advertising matter, marks, devices, signs, insignia, slogans and designs used in connection with the franchised Studio; telephone number listed in any telephone directory under the name "ORANGE SHOE®," or any similar designation or directory listing relating to the franchised Studio; and, the systems, procedures, techniques, criteria, concepts, designs, advertising and promotion techniques, specifications, and all other components, specifications and standards, which comprise (or in the future may comprise) a part of the ORANGE SHOE® System.

3. Take all necessary action to cancel any assumed name or equivalent registration which contains the Mark "ORANGE SHOE®," or any other Mark of Franchisor, or any variant, within fifteen days following termination or expiration of this Agreement. If Franchisee fails or refuses to do so, Franchisor may, in Franchisee's name, on Franchisee's behalf and at Franchisee's expense, execute all documents necessary to cause discontinuance of Franchisee's use of the name "ORANGE SHOE®," or any related name used under this Agreement. Franchisee irrevocably appoints Franchisor as Franchisee's attorney-in-fact to do so.
4. Upon any termination of this Agreement by Franchisor, Franchisor will have the right immediately to enter and take possession of Franchisee's Studio to maintain continuous operation of the previously-franchised Studio, provide for orderly change of management and disposition of personal property, and otherwise protect Franchisor's interests. If Franchisee disputes the validity of Franchisor's termination of the franchise, Franchisor will nevertheless have the option (which Franchisee irrevocably grants) to operate the Studio business pending the final, unappealed determination of the dispute by a court of competent jurisdiction. If a court of competent jurisdiction makes a final, unappealed determination that the termination was not valid, Franchisor agrees to make a full and complete accounting for the period during which it operated the previously-franchised Studio.
5. In the event of termination for any default by Franchisee or of termination by Franchisee through failure to make payment following notice to cure, pay to Franchisor all expenses it incurs as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees.
6. At Franchisor's option, which is exercisable in writing within thirty (30) days from the date of expiration or termination of this Agreement, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, assign to Franchisor any interest which Franchisee has in any Lease, right or entry or easement for the Studio Location, and vacate the Studio promptly and completely, rendering all necessary assistance to Franchisor to enable it to take prompt possession. Except as provided for in Section 17.1.B.4 or as otherwise instructed by Franchisor, Franchisee shall immediately close the franchised Studio for business, and, during the thirty (30) day period following expiration or termination, Franchisee shall not take any action to remove, conceal, assign, transfer or sell, any items containing the Marks, signs, equipment, furniture, fixtures, equipment or other tangible assets used in, or necessary for, the effective operation of the Studio.
7. If Franchisee owns the Studio Location, execute and deliver to Franchisor a Lease for the Studio Location on commercially reasonable terms. If the parties cannot agree on such terms within a reasonable time, Franchisor will designate an independent appraiser. The appraiser's determination will be binding, and Franchisee shall execute and deliver to Franchisor a Lease for the Studio Location on the terms determined by the appraiser to be commercially reasonable. Franchisor and Franchisee will each pay 50% of the fee charged by the independent appraiser. Upon its execution of the Lease for the Studio Location, Franchisee agrees to vacate

the Studio promptly and completely, rendering all necessary assistance to Franchisor to enable it to take prompt possession.

8. Immediately deliver to Franchisor all training or other manuals furnished to Franchisee (including the System Standards Manual and Supplements to the System Standards Manual), computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear Franchisor's Marks or slogans or insignias or designs, advertising contracts, forms and other materials or property of Franchisor, and any copies of them in Franchisee's possession which relate to the operation of the franchised Studio. Franchisee may retain no copy or record of any of these items, except for Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law. Franchisee agrees that the foregoing items, materials, lists, files, software and other similar items will be deemed to be the property of Franchisor for all purposes.
9. Within fifteen (15) days from the date of termination or expiration of this Agreement, or if termination is contested by Franchisee, within fifteen (15) days after a court decides the propriety of the termination, arrange with Franchisor for an inventory to be made by Franchisor, at Franchisor's cost, of all the personal property, fixtures, equipment, signs, inventory, supplies and any other tangible assets of Franchisee and the franchised Studio, including, without limitation, all items bearing the Marks. Franchisor will have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, or if termination is contested by Franchisee, within thirty (30) days after a court decides the propriety of the termination, to purchase from Franchisee any or all of these items for the total purchase price of Two Thousand Five Hundred Dollars (\$2,500). If Franchisor elects to exercise this option to purchase, Franchisee shall be obligated to sell to Franchisor any and all of the furniture, fixtures, equipment, inventory, supplies, and other tangible assets of Franchisee and the franchised Studio for the total purchase price of Two Thousand Five Hundred Dollars (\$2,500), and Franchisor may set off all amounts due from Franchisee under this Agreement against this purchase price. Franchisee shall not, for a period of thirty (30) days after termination or expiration of this Agreement, transfer, convey, assign or sell to any person or entity other than Franchisor, any of the fixtures, equipment, inventory, supplies and other tangible assets of Franchisee and the franchised Studio. Any conveyance, sale or transfer of any of the fixtures, equipment, inventory and supplies of Franchisee and the franchised Studio during this time shall be null and void.
10. Immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner.
11. Cease using the telephone numbers listed in any telephone directories, local listings or local internet search engines under the name "ORANGE SHOE" or any other confusingly similar name or directory listing relating to the franchised Studio. Franchisee agrees that Franchisor will have the absolute right to notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use all telephone numbers and all classified and other directory listings for the Studio. Franchisee further agrees, upon Franchisor's written demand, to direct the telephone company and all listing agencies to transfer to Franchisor, or to any other person and location that Franchisor directs, all telephone numbers and directory listings of the Studio. Franchisee acknowledges and agrees that Franchisor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks, and Franchisee hereby authorizes Franchisor to direct the telephone company and all listing agencies to transfer Franchisee's telephone numbers and directory listings to Franchisor or to any other person and location that Franchisor directs, if this Agreement expires or is

terminated. The telephone company and all listing agencies may accept this Agreement as evidence of the exclusive rights of Franchisor to such telephone numbers and directory listings and this Agreement will constitute the authority from Franchisee for the telephone company and listing agency to transfer all such telephone numbers and directory listings to Franchisor. This Agreement will constitute a release of the telephone company and listing agencies by Franchisee from any and all claims, actions and damages that Franchisee may at any time have the right to allege against them in connection with this Section. Franchisee agrees to execute such other documents as Franchisor may require to complete the transfer of the telephone numbers as contemplated herein.

12. Strictly comply with the post-termination/post-expiration covenants not to compete set forth in this Agreement.
13. Continue to abide by those restrictions pertaining to the use of Franchisor's Confidential Information, trade secrets and know-how set forth in this Agreement.
14. Immediately refrain from engaging in any contacts with customers or potential customers. Upon termination or expiration of this Agreement, Franchisee acknowledges and agrees that all customers shall thereafter belong to Franchisor or its assign.
15. Immediately surrender to Franchisor all computer software, data storage disks or tapes used in the operation of the franchised Studio, printouts, and other information pertaining to computer operations, codes, procedures and programming. Franchisee agrees not to destroy, damage, hide or take any steps to prevent Franchisor from obtaining any information which Franchisee had stored in the computer system of the franchised Studio. Franchisee agrees not to retain any printouts, disks or tapes containing any of the programs or data stored in the computer system.
16. If Franchisor elects not to assume possession of the Studio, then promptly upon termination or expiration, Franchisee agrees to perform all reasonable redecoration and remodeling of the Studio as Franchisor considers necessary in its reasonable judgment to distinguish the Studio from an ORANGE SHOE PERSONAL FITNESS® Studio.

B. The expiration or termination of this Agreement will be without prejudice to Franchisor's rights against Franchisee, and will not relieve Franchisee of any of its obligations to Franchisor at the time of expiration or termination, or terminate Franchisee's obligations which by their nature survive the expiration or termination of this Agreement.

## **17.2 Liquidated Damages**

If Franchisor terminates this Agreement as a result of Franchisee's default, or Franchisee terminates this Agreement without cause prior to its expiration date, then Franchisee shall pay to Franchisor liquidated damages on or before thirty (30) days following the termination. The amount of liquidated damages will be equal to the Continuing Royalty Fees and Marketing Fund Fees that Franchisor would have received for three (3) years based on Franchisee's most recent annual Gross Revenues. If Franchisee's ORANGE SHOE PERSONAL FITNESS® Studio has not been open for one (1) year immediately preceding termination, the liquidated damages will be calculated by taking the number that is the monthly average of Continuing Royalty Fees and Marketing Fund Fees payable to Franchisor from the date Franchisee's ORANGE SHOE PERSONAL FITNESS® Studio was opened through the date of termination and multiplying it by thirty-six (36). If the time remaining in the Franchise Agreement is less than thirty-six (36) months, the monthly average as calculated above will be multiplied by the number of months remaining in the Term of this Agreement.

## **ARTICLE 18: WAIVER AND DELAY**

No waiver or delay in either party's enforcement of any breach of any term, covenant or condition of this Agreement will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting any of the foregoing, the acceptance of any payment

specified to be paid by Franchisee under this Agreement will not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

**ARTICLE 19: FRANCHISOR'S WITHHOLDING OF CONSENT FRANCHISEE'S EXCLUSIVE REMEDY**

In no event may Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval to a proposed act by Franchisee under the terms of this Franchise Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of setoff, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

**ARTICLE 20: INTEGRATION OF AGREEMENT**

This Agreement and all ancillary agreements executed contemporaneously with this Agreement, constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements.

Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee.

**ARTICLE 21: NOTICES**

Any notice required or permitted to be given under this Agreement shall be in writing; shall be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), by overnight mail, by e-mail (where allowed by law), or by facsimile transmission; and, will be effective on the date that delivery is documented to have been first attempted. Any notice to Franchisor shall be addressed to Franchisor at:

FINANCIAL ACHIEVEMENTS CORPORATION  
Attn: Katie Michel  
1450 Capitol Dr Unit C  
Pewaukee, WI 53072

Notice to Franchisee shall be addressed to Franchisee at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Either party to this Agreement may, in writing, on ten (10) days notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

**ARTICLE 22: MISCELLANEOUS**

**22.1 Construction and Interpretation; Further Acts**

The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement.

The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Franchisee.

It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

Since the words "Franchisor" and "Franchisee" in this Agreement may be applicable to one or more parties, the singular will include the plural, and the masculine will include the feminine and neuter. If more than one party or person is referred to as "Franchisee" under this Agreement, then their obligations and liabilities under this Agreement will be joint and several.

The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

## **22.2 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) unreasonable, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

## **ARTICLE 23: COSTS OF ENFORCEMENT; ATTORNEYS' FEES; GOVERNING LAW; VENUE; MEDIATION**

### **23.1 Costs of Enforcement**

Franchisor will be entitled to recover from Franchisee reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation in any action instituted against Franchisee to secure or protect Franchisor's rights under this Agreement, or to enforce the terms of this Agreement.

### **23.2 Attorneys' Fees**

If Franchisor becomes a party to any action or proceeding concerning this Agreement, the franchised Studio, or the Studio due to any act or omission of Franchisee or its authorized representatives and not to any act or omission of Franchisor or its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding with respect to Franchisee or the franchised Studio, then Franchisee will be liable to Franchisor for the reasonable attorneys' fees, experts' fees and court costs incurred by Franchisor in the action or proceeding, regardless of whether the action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Franchisee.

### **23.3 Governing Law**

This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Wisconsin without recourse to Wisconsin choice of law or conflicts of law principles. Nothing in this Section is intended to invoke the application of any franchise or similar law, rule or regulation of the State of Wisconsin or any other state, which would not otherwise apply.

### **23.4 Venue**

Any litigation arising out of or related to this Agreement; any breach of this Agreement; the relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, will be instituted exclusively in a court of competent jurisdiction in Dane County, Wisconsin.

### **23.5 Waiver of Jury Trial/Class Action**

All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for any claims arising out of this Agreement, whether now existing or arising in the future.

The parties agree that any litigation arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees, multi-unit developers, or area developers. Franchisee agrees not to join or attempt to join other franchisees, area developers, or other third parties in any arbitration or litigation proceeding and to refrain from participating in any "class action" litigation or arbitration proposed or asserted by one or more other franchisees.

### **23.6 Punitive Damages**

In no event will Franchisor be liable to Franchisee for punitive, special, or exemplary damages in any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement. In any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement, Franchisee shall be limited to recovering its actual damages only.

### **23.7 Mediation**

In the event of any dispute, other than disputes that are the subject of Franchisee's default pursuant to Section 16.1 or Section 16.2, either party has the option of initiating a mediation proceeding by submitting a written request for mediation to American Arbitration Association according to its procedures, or any other mediation service mutually agreed to by the parties according to such mediator's procedures. The mediation process shall begin promptly and shall be concluded within ten (10) business days after the day the request for mediation is made, unless the parties mutually otherwise agree. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any litigation. All mediation proceedings shall take place in the county and state where Franchisor has its principal place of business. The expenses of the mediation service shall be borne equally by both parties, and all other expenses relating to such mediation shall be borne by the party incurring them. The commencement of any dispute resolution procedure shall not act to prevent Franchisor from instituting or proceeding with any action which may be the subject of the dispute

## **ARTICLE 24: SURVIVAL**

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

## **ARTICLE 25: SUBMISSION OF AGREEMENT**

The submission of this Agreement does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by Franchisor and Franchisee. The date of execution by Franchisor will be considered the date of execution of this Agreement.

**THIS AGREEMENT WILL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR.**

FRANCHISEE ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

**INTENDING TO BE LEGALLY BOUND**, the parties have executed and delivered this Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR:  
FINANCIAL ACHIEVEMENTS  
CORPORATION, a Wisconsin corporation

FRANCHISEE:  
\_\_\_\_\_

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

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

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

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

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

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

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

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



**EXHIBIT A TO FRANCHISE AGREEMENT  
FRANCHISED TERRITORY; CENTER LOCATION**

**Site Selection Territory:**

The Site Selection Territory as defined in Section 1.2 of the Franchise Agreement is:

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**Location:**

The Location as defined in Section 1.1 of the Franchise Agreement is:

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**Protected Territory:**

The Protected Territory as defined in Section 1.2 of the Franchise Agreement is:

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**INTENDING TO BE LEGALLY BOUND**, the parties have executed and delivered this Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR:  
FINANCIAL ACHIEVEMENTS  
CORPORATION, a Wisconsin corporation

FRANCHISEE:  
\_\_\_\_\_

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

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

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

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

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

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

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

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

**EXHIBIT B**  
**PRINCIPAL OWNERS GUARANTY**

In consideration of the execution by FINANCIAL ACHIEVEMENTS CORPORATION (“**Franchisor**”) of the ORANGE SHOE® Franchise Agreement (the "**Franchise Agreement**"), dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between Franchisor and \_\_\_\_\_ (**Franchisee**) and for other good and valuable consideration, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one (1) person has executed this Guarantee, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder:

(a) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (c) any right or remedy under the Agreement, this Guarantee or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Franchisee or any of the undersigned shall be deemed notice to or demand upon Franchisee and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by

Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

Should any one (1) or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Franchise Agreement.

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

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

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

## **EXHIBIT C TO FRANCHISE AGREEMENT**

### **NON-DISCLOSURE AND NON-COMPETITION AGREEMENT**

This Non-Disclosure and Non-Competition Agreement (“**Agreement**”) is entered into by the undersigned (the “**Disclosee**”) as of the date written below.

The Company is a Franchisee of Financial Achievements Corporation (“**Franchisor**”), pursuant to which it has been granted a non-exclusive license to use Franchisor’s trademarks and service marks, the business systems identified by such Marks (the “**System**”), and certain confidential information.

In consideration of the Disclosee’s employment by the Company, and as a material inducement for the Company to disclose certain confidential and/or proprietary information to the Disclosee in connection with the business of being a franchisee of Franchisor, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Disclosee agrees to be bound by the following representations, warranties and covenants, to be effective, during and at all times after the Disclosee’s employment by or affiliation with the Company:

1. The Disclosee may have received or been given access to, or will receive or be given access to, certain confidential information and trade secrets of Franchisor and/or the Company, all relating to or useful in the Company’s business and all labeled, treated as, or otherwise considered by Franchisor and/or the Company as confidential or proprietary information (collectively, the “**Confidential Information**”). The Confidential Information includes, without limitation, the Franchisor confidential manuals, memoranda, agreements, correspondence, records, plans and reports used or created by the Company or supplied to the Company by Franchisor; know-how; identities of current and prospective customers and suppliers; advertising and marketing techniques; procedures and techniques, and operational and quality assurance procedures.

2. The Disclosee represents, warrants and agrees that the Disclosee will keep any and all of the Confidential Information from being made known or disclosed to any person or entity, except for the exclusive use and benefit of the Company or Franchisor. The Disclosee shall not reproduce, or permit the reproduction, directly or indirectly, of any of the Confidential Information except as required by the Company, or permit the removal of, nor shall the Disclosee remove, any of the Confidential Information from the premises of the Company.

3. The Confidential Information is the exclusive property of Franchisor and/or the Company. Upon request by the Company, and in any event upon termination of the Disclosee’s employment or affiliation for whatever reason, the Disclosee shall return to the Company all documents and other material in the Disclosee’s possession or under the Disclosee’s control which may contain or be derived from Confidential Information, together with all documents, notes, or other work product which is connected with or derived from the Disclosee’s employment by, or ownership of, the Company. The Disclosee shall, from time to time as may be requested by the Company, do all things which may be necessary to establish or document the Company’s rights of any such work product.

4. The Disclosee shall promptly provide notice to the Company if the Disclosee knows of or suspects the disclosure of any Confidential Information by any person or entity, which disclosure would not be permitted if such person or entity were bound by the terms of this Agreement. Such notice is signed by the Disclosee and shall reasonably describe such unpermitted disclosure.

5. The Disclosee acknowledges and agrees that Franchisor has a legitimate business interest and would be unable to protect its System, trademarks, service marks and its Confidential Information against unauthorized use or disclosure and Franchisor would be irreparably harmed and unable to encourage a free exchange of ideas and information among the franchisees within the Franchisor’s franchise system if the Disclosee were permitted to engage in the acts described below. The Disclosee covenants that during the Disclosee’s relationship with the Company (as an employee or independent contractor) and for a 24-month period thereafter, the Disclosee will not:

(a) directly or indirectly, solicit or otherwise attempt to induce, by combining or conspiring with, or attempting to do so, or in any other manner influence any employee, officer, director, agent, consultant, representative, supplier, contractor or distributor of the Company to terminate or modify his or her position with, or to compete against, the Company or Franchisor;

(b) directly or indirectly, solicit or perform any services of the kind offered by Company or the Franchisor on any present or former customer of Franchisor or the Company;

(c) in addition to, and not in limitation of other provisions hereof, the Disclosee shall not in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Company or Franchisor;

(d) solicit any customer of Company or Franchisor;

(e) engage in or become interested in the same or substantially similar business as Company within a twenty-five (25) mile radius of the Company's Studio or any other ORANGE SHOE PERSONAL FITNESS® Studios, including but not limited to the operation of a business offering fitness services, whether an as individual, partner, shareholder, director, officer, principal or agent. This paragraph shall not be interpreted so as to prevent the Disclosee from working as an employee at a business that engages in fitness services provided that all other provisions of this Agreement are complied with.

6. Disclosee acknowledges and agrees that Company's existing customers belong to the Company and not the Disclosee, and that Disclosee is not entitled to maintain a list of Company's customers. Disclosee further acknowledges and agrees that Company's customer list is a unique and valuable asset of the Company and Company shall be irreparably harmed if Disclosee were permitted to use Company's customer list for any purpose other than to benefit Company.

7. The existence of any claim or cause of action by the Disclosee against the Company predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company and/or Franchisor of this Agreement. Any failure to object to any conduct in violation of this Agreement shall not be deemed a waiver by the Company or Franchisor. In the event that any court shall finally hold that any other provision stated in this Agreement constitutes an unreasonable restriction upon the Disclosee, the Disclosee hereby expressly agrees that the provisions of this Agreement shall not be rendered void, but shall apply to such other extent as such court may judicially determine or indicate constitutes a reasonable restriction under the circumstances involved. The Disclosee agrees that it shall forthwith comply with any covenant as so modified, which is fully enforceable to the extent permitted by applicable law. The obligations of the Disclosee to Franchisor are in addition to, and not in lieu of, any additional or more restrictive obligations the Disclosee may have to Franchisor in any other agreement.

8. The Disclosee acknowledges and confirms that the restrictions contained herein are fair and reasonable and not the result of overreaching, duress or coercion of any kind. The Disclosee further acknowledges and confirms that his or her full, uninhibited and faithful observance of each of the covenants contained in this Agreement will not cause any undue hardship, financial or otherwise, and that the enforcement of each of the covenants contained in this Agreement will not impair his or her ability to obtain employment commensurate with his or her abilities and on terms fully acceptable to the Disclosee or otherwise to obtain income required for his or her comfortable support and of his or her family, and the satisfaction of the needs of his or her creditors. The Disclosee acknowledges and confirms that his or her special knowledge of the Franchisor/Company's business (and anyone acquiring such knowledge through the Disclosee) is such as would cause the Company and Franchisor serious injury and loss if the Disclosee (or anyone acquiring such knowledge through the Disclosee) were to use such ability and knowledge to the detriment of the Company or Franchisor.

9. In the event the Company should bring any legal action or other proceeding for the enforcement of this Agreement, the time for calculating the term of the restrictions therein shall not include the period of time commencing with the filing of legal action or other proceeding to enforce the terms of this Agreement hereof through the date of final judgment or final resolution, including all appeals, if any, of such legal action or other proceeding.

10. The parties recognize the necessity of the Disclosee's compliance with the terms of this Agreement to Franchisor as the franchisor of the business operated by the Company. Accordingly, the Disclosee agrees and acknowledges that Franchisor is a third party beneficiary of the Disclosee's obligations hereunder and Franchisor is entitled to all rights and remedies conferred upon the Company or Franchisor hereunder, which Franchisor may enforce directly against the Disclosee with or without the consent or joinder of the Company.

11. No modification or waiver of any of the terms of this Agreement are effective unless made in writing and signed by the Disclosee, the Company and Franchisor. All of the terms of this Agreement is binding upon, inure to the benefit of, and be enforceable by the Disclosee, the Company, and Franchisor and their respective legal representatives, heirs, successors and assigns.

12. The Confidential Information is a unique and valuable asset of the Company and Franchisor, and the Company and Franchisor shall be irreparably damaged (and damages at law would be an inadequate remedy) if this Agreement is not specifically enforced. Therefore, in the event of a breach or threatened breach by the Disclosee of this

Agreement, the Company and Franchisor shall be entitled to injunctions restraining such breach, without being required to show any actual damage or to post any bond or other security, and/or to a decree for specific performance of this Agreement. The Disclosee irrevocably and unconditionally: (a) agrees that any legal proceeding relating to this Agreement shall be brought in the state courts in Dane County or the District Court of the United States, Eastern District of Wisconsin; (b) consents to the jurisdiction of each such court; and (c) waives any objection which the Disclosee may have to the laying of venue of any proceeding in any of such courts.

13. The Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Wisconsin.

14. The Company and/or Franchisor shall be entitled to recover from Disclosee all reasonable attorneys' fees, costs, and expenses incurred by or on behalf of the Company and/or Franchisor in matters arising out of or related to the interpretation or enforcement of any provision of this Agreement or any of the Company's or Franchisor's rights hereunder.

15. This Agreement has been carefully reviewed, negotiated, understood and agreed to by all parties hereto. In the event of any ambiguities in this Agreement, any statute or rule of construction that ambiguities are to be resolved against the drafter of the agreement shall not be employed in the interpretation of this Agreement.

16. This Agreement neither creates nor is intended to imply the existence of an employment contract and does not represent a promise or representation of employment or continued employment. Nothing in this Agreement shall change the "at-will" nature of Disclosee's employment relationship with the Company.

Dated: \_\_\_\_\_

DISCLOSEE:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

**EXHIBIT D TO FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS TRANSFER  
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO  
FINANCIAL ACHIEVEMENTS CORPORATION (“PAYEE”)**

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, “**debits**”) drawn on such account which are payable to the above named Payee. It is agreed that Depository’s rights with respect to each such debit shall be the same with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever.

The Depositor agrees with respect to any action taken according to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose for payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor’s own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee under the foregoing request and authorization, or in any manner arising by reason of the Depository’s or Payee’s participation therein.

Name of Depository: \_\_\_\_\_

Name of Depositor: \_\_\_\_\_

Designated Bank Acct.: \_\_\_\_\_

(Please attach one voided check for the above account)

Studio Location: \_\_\_\_\_

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

Phone #: \_\_\_\_\_

Fax #: \_\_\_\_\_

Name of Franchisee/Depositor: \_\_\_\_\_

By: \_\_\_\_\_  
Signature and Title of Authorized Representative

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

**EXHIBIT E TO FRANCHISE AGREEMENT**  
**SECURITY AGREEMENT**

In consideration of the execution by Franchisor of the ORANGE SHOE Franchise Agreement (the "**Franchise Agreement**"), dated the \_\_\_ day of \_\_\_\_\_, between FINANCIAL ACHIEVEMENTS CORPORATION ("**Secured Party**") and \_\_\_\_\_ ("**Debtor**"), and for other good and valuable consideration, the Parties hereby agree as follows:

1. Background.

Secured Party, as Franchisor, and Debtor, as Franchisee, are parties to the Franchise Agreement pursuant to which, among other things, Debtor is obligated to pay, from time to time, certain sums to Secured Party. In order to induce Secured Party to enter into the Franchise Agreement, Debtor, among other things, is entering into this Security Agreement pursuant to which Debtor's payment and performance of all obligations under the Franchise Agreement are secured on the terms and conditions hereinafter provided for. Capitalized terms, which are defined in the Franchise Agreement, shall have the same meaning herein.

2. Security Interest.

To secure the payment and performance by Debtor of all obligations and liabilities under the Franchise Agreement (such payment and performance of such obligations and liabilities being hereinafter collectively referred to as the "**Obligations**"), Debtor shall and hereby does grant, convey, assign and transfer to Secured Party, a security interest in and to the Franchise Agreement and all signs and other appurtenances and other property, real and personal, bearing any of the Marks used at, located on or affixed to the ORANGE SHOE PERSONAL FITNESS® Studio (the "**Studio**"), and all equipment, fixtures, furnishings and improvements located at the Studio, or owned or hereafter acquired by Debtor, and the Gross Revenues (as defined in the Franchise Agreement, of the Studio (the "**Collateral**").

3. Default.

3.1 Definitions. The term "**Event of Default**," as used herein, shall mean the occurrence and continuation of any one or more of the following events:

(a) Any failure of Debtor to promptly and faithfully pay, observe and perform, when due, any of the Obligations;

(b) If Debtor becomes insolvent, commits an act of bankruptcy, files a voluntary petition in bankruptcy, or an involuntary petition in bankruptcy is filed, or a permanent or temporary receiver or trustee for the Studio, or all or substantially all of the Debtor's property is appointed by any court and such appointment is not actively opposed through legal action, or Debtor makes an assignment or arrangement for the benefit of creditors, or calls a meeting of creditors, or Debtor makes a written statement to the effect that he, she or it is unable to pay his, her or its debts as they become due, or a levy of execution is made upon Debtor, or an attachment or lien outstanding with respect to the Studio for thirty (30) days, unless the attachment or lien is being duly contested in good faith by Debtor, and Secured Party is so advised in writing;

(c) If Debtor loses possession or the right of possession of all or a significant part of the Studio through condemnation or casualty and the Studio is not relocated or reopened as required by the Franchise Agreement; or

(d) If Debtor is a corporation, partnership, joint venture, or other legal entity, and any action is taken which purports to merge, consolidate, dissolve, or liquidate Debtor without the prior written consent of Secured Party.

3.2 Remedies. Upon the occurrence of an Event of Default, all amounts payable to Secured Party shall become immediately due and payable and Secured Party shall have all the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the state or states in which the Collateral may be located,

including the right to enter upon the Studio peaceably and remove all Collateral. Secured Party shall give Debtor reasonable notice of the time and place of any public or private sale or other intended disposition of all of any particular Collateral, as the case may be. Debtor agrees that the requirement of reasonable notice shall be met if notice is mailed to Debtor at its address listed in Section 21 of the Franchise Agreement not less than five (5) business days prior to the sale or other disposition. Expenses of retaking, holding, preparing for sale, selling or the like, shall include, without limitation, Secured Party's reasonable attorneys' fees and other legal expenses. Secured Party's rights and remedies, whether pursuant hereto or pursuant to the Uniform Commercial Code or any other statute or rule of law conferring rights similar to those conferred by the Uniform Commercial Code, shall be cumulative and not alternative.

4. Notices.

Any notice, request or other communication to either party by the other as provided for herein shall be given in writing and shall be deemed given on the date the same is: (i) actually received; or (ii) mailed by overnight mail or certified or registered mail, return receipt requested, postage prepaid and addressed to the addresses set forth in Section 21 of the Franchise Agreement. The person and the place to which notices or copies of notices are to be mailed to either party may be changed from time to time by such party by written notice to the other party.

5. Applicable Law.

This Security Agreement shall be governed by and interpreted under the laws of the State of Wisconsin, without regard to the principles of conflict of laws thereof.

6. Miscellaneous.

6.1 This Security Agreement shall inure to the benefit of, and shall be binding upon the respective successors, assigns and legal representatives of the parties hereto.

6.2 The captions used herein are inserted for reference purposes only and shall not affect the interpretation or meaning of this Security Agreement.

6.3 Debtor hereby authorizes Secured Party, from time to time, to file financing statements in such form as may be necessary to perfect the security interest in the Collateral in any or all pertinent jurisdictions and in this regard, to execute said financing statements for itself (as secured party) and for Debtor (as debtor), as Debtor's agent. Upon Secured Party's request, Debtor shall execute any such financing statement as debtor.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Security Agreement as of the day and year first above written.

SECURED PARTY:  
FINANCIAL ACHIEVEMENTS  
CORPORATION, a Wisconsin corporation

DEBTOR:  
\_\_\_\_\_

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

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

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

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

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

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

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

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

**EXHIBIT F TO THE FRANCHISE AGREEMENT  
ADDENDUM TO LEASE**

This Addendum to Lease, dated \_\_\_\_\_, 200\_\_, is entered into between \_\_\_\_\_  
\_\_\_\_\_ (“**Landlord**”) and  
\_\_\_\_\_ (“**Tenant**”).

RECITALS

A. The parties have entered into a Lease Agreement dated \_\_\_\_\_, 20\_\_\_\_, (the “**Lease**”) pertaining to the premises located at \_\_\_\_\_ (the “**Premises**”).

B. Landlord acknowledges that Tenant has agreed to operate an ORANGE SHOE PERSONAL FITNESS® Studio at the Premises pursuant to Tenant’s Franchise Agreement (the “**Franchise Agreement**”) with Financial Achievements Corporation (“**Franchisor**”) under the name “ORANGE SHOE PERSONAL FITNESS® Studio” or other name designated by Franchisor (the “**Studio**”).

C. The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum to provide Franchisor the opportunity to preserve the Premises as an ORANGE SHOE PERSONAL FITNESS® Studio as provided herein.

AGREEMENT

Landlord and Tenant agree as follows:

1. After the expiration or termination of the Franchise Agreement for any reason, Franchisor shall have the option for thirty (30) days to cure any defaults; at Franchisor's election, either to assume the obligations of and replace Tenant as the lessee under the Lease, or to have another franchisee of Franchisor assume the obligations of and replace Tenant as the lessee under the Lease; and, if Franchisor has assumed the obligations of and replaced Tenant as the lessee under the Lease, to reassign the Lease to another franchisee of Franchisor.

2. The Landlord will furnish to Franchisor written notice specifying any default by the Tenant and the method of curing the default; allow Franchisor thirty (30) days after receipt of the notice to cure the defaults (except that if the default is the non-payment of rent, Franchisor will have only fifteen (15) days from receipt of notice to cure the default); and, allow Franchisor to exercise its option for Franchisor or another franchisee of Franchisor to succeed to Tenant’s interest in the Lease.

3. The Landlord will accept Franchisor or another franchisee of Franchisor designated by Franchisor as a substitute tenant under the Lease upon notice from Franchisor that it is exercising its option for Franchisor or another franchisee of Franchisor to succeed to Tenant's interest in the Lease and/or to reassign the Lease to another franchisee of Franchisor following Franchisor's assumption of obligations under the Lease.

4. The Landlord acknowledges that Tenant alone is responsible for all debts, payments and performances under the Lease before Franchisor or another franchisee of Franchisor takes actual possession of the premises and Landlord shall not require Franchisor to satisfy any past-due obligations of Tenant as a condition of assignment to Franchisor.

5. The Lease may not be modified or amended without Franchisor's prior written consent. The Landlord will promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the executed modifications and amendments.

6. The Landlord may, upon the written request of Franchisor, disclose to Franchisor all reports, information or data in the Landlord's possession (as applicable) with respect to sales made in, upon or from the leased Studio Premises.

7. Following the expiration or termination of the Franchise Agreement for any reason, Franchisor may enter the premises to remove its Marks and other proprietary property or property containing the Marks.

8. The Landlord agrees that it will not Lease space in the shopping center, building or plaza to another tenant who offers the same or similar services offered by the ORANGE SHOE® franchise system.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the dates written below.

LANDLORD:

\_\_\_\_\_

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

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

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

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

TENANT:

\_\_\_\_\_

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

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

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

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

**EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT**  
**AREA DEVELOPMENT AGREEMENT AND EXHIBITS**

**AREA DEVELOPMENT AGREEMENT**  
**Between**  
**FINANCIAL ACHIEVEMENTS CORPORATION**  
**And**

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**EXHIBITS**

- A. Development Area
- B. Minimum Development Obligations
- C. Ownership Interest
- D. Guaranty

## AREA DEVELOPMENT AGREEMENT

**THIS AREA DEVELOPMENT AGREEMENT** (the “**Agreement**”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (the “**Effective Date**”), between FINANCIAL ACHIEVEMENTS CORPORATION, a Wisconsin limited liability company, with its principal office at 1450 Capitol Dr Unit C, Pewaukee, WI 53072 (“**Franchisor**”) and \_\_\_\_\_, whose principal address is \_\_\_\_\_ (“**Developer**”).

### RECITALS

**WHEREAS**, Franchisor is the sole and exclusive owner of the right to license a proprietary system for the operation of a health and fitness center that offers personal fitness training, classes, small group, and corporate wellness programs, in home training and individualized nutrition and weight loss counseling under the trade name and federally registered trademark ORANGE SHOE® (the “**ORANGE SHOE® System**”). The ORANGE SHOE® System includes, among other things, the following elements, all or some of which may be deleted, changed, improved or further developed by Franchisor from time to time:

Plans and specifications for distinctive standardized premises, featuring characteristic exterior style, colors and design, interior design and furnishing, equipment, layout, exterior signage, and marketing techniques and materials;

A uniform method of operating, which is described in the System Standards Manual;

Distinctive and characteristic trade names, trade dress, trademarks and service marks, including, but not limited to: “ORANGE SHOE®” (the “**Trademarks**” or “**Marks**”), signs, designs, color schemes, standardized premises featuring characteristic exterior style, colors, and design, interior design and furnishings and equipment layout, and emblems as Franchisor designates in the System Standards Manual or otherwise in writing or as prescribed for use with the ORANGE SHOE® System and as may from time to time be developed;

Systems and procedures necessary to operate a franchised business; and

Such exclusive confidential information and trade secrets as has been and may from time to time be developed, and which are disclosed by Franchisor to its franchisees in confidence in connection with the construction and operation of an ORANGE SHOE PERSONAL FITNESS® Studio.

Such exclusive confidential information and trade secrets as has been and may from time to time be developed, and which are disclosed by Franchisor to its franchisees and developers in confidence in connection with the construction and operation of an ORANGE SHOE PERSONAL FITNESS® Studio.

**WHEREAS**, Franchisor desires to expand and develop its franchise business, and seeks sophisticated and efficient multi-unit developers willing to develop numerous ORANGE SHOE PERSONAL FITNESS® Studios within designated areas.

**WHEREAS**, Developer desires to be granted the opportunity, subject to the terms and conditions of this Agreement, to develop franchised ORANGE SHOE PERSONAL FITNESS® Studios in a limited geographic area for each Studio, each more particularly described in Exhibit A hereto (“**Development Areas**”).

**WHEREAS**, Franchisor is willing to grant Developer the opportunity to develop ORANGE SHOE PERSONAL FITNESS® Studios in a Development Area for each Studio, subject to the terms and conditions of this Agreement. The operation of each ORANGE SHOE PERSONAL FITNESS® Studio will be governed by a separate franchise agreement.

**WHEREAS**, Developer understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations, and service and the necessity of developing ORANGE SHOE PERSONAL FITNESS® Studios in strict conformity with this Agreement and Franchisor’s requirements.

**NOW, THEREFORE**, the parties in consideration of the undertaking and commitments set forth in **this** Agreement, agree as follows:

## **ARTICLE 1: GRANT OF DEVELOPMENT RIGHTS**

### **1.1 Grant of Development Rights**

A. Subject to the provisions of this Agreement, Franchisor hereby grants to Developer, and Developer hereby accepts, the right and obligation to develop within the Development Areas designated in Exhibit A to this Agreement the cumulative number of ORANGE SHOE PERSONAL FITNESS® Studios (“**Studio**” or “**Studios**”) identified in Exhibit B to this Agreement (as set forth in Section 2.1) during the term of this Agreement (“**Development Term**”).

B. Upon the timely completion of the ORANGE SHOE PERSONAL FITNESS® Studios identified in Exhibit B to this Agreement (the “**Specified Studios**”), Franchisor may, in its sole discretion, grant Developer the right to develop and open such additional number of Studio(s) within Development Areas (“**Additional Studio(s)**”) as Developer may elect and as approved by Franchisor. Franchisor’s decision to grant Developer the right to develop and open Additional Studio(s) shall be subject to the following conditions:

- (i) Developer shall have timely opened all Specified Studios in accordance with the Development Schedule set forth in Exhibit B, without extension;
- (ii) Developer shall not then be in default under this Agreement, the franchise agreement for each Studio, any other agreement involving the operation of a Studio, including any Lease, or any other agreement with Franchisor or its affiliates;
- (iii) Developer demonstrates that it has the financial and managerial ability necessary, among other things, in Franchisor's reasonable judgment, to develop and operate Additional Studio(s);
- (iv) The location(s) for such Additional Studio(s) is approved by Franchisor;
- (v) Developer and Franchisor shall have agreed on the number of Additional Studio(s), the Development Area assigned to each Studio, and the time frame for opening such Additional Studio(s); and
- (vi) Developer shall sign the then-current franchise agreement and additional agreements for such Additional Studio as Franchisor shall then require.

### **1.2 Development Right Only**

This Agreement is not a license or a franchise agreement. It does not give Developer the right to operate Studios or to use any part of the ORANGE SHOE® System, or the Marks. In addition, this Agreement does not give Developer the right to license others to operate Studios or use any part of the ORANGE SHOE® System or the Marks. This Agreement gives Developer the opportunity to enter into franchise agreements for the operation of Studios at locations solely within the Development Area assigned to each Studio and approved by Franchisor. Each Studio developed pursuant to this Agreement shall be established and operated only in strict accordance with a separate franchise agreement. Developer’s right to use any part of the ORANGE SHOE® System or the Marks shall only be derived under a franchise agreement with Franchisor. Developer hereby acknowledges and agrees that the ORANGE SHOE® System and the Marks are solely owned by and are the valuable property right of Franchisor and/or its affiliates. Any unauthorized use of the ORANGE SHOE® System and the Marks shall constitute a material breach of this Agreement and an infringement of Franchisor’s (and/or its affiliate’s) rights in and to the ORANGE SHOE® System and the Marks.

### **1.3 No Subfranchising by Developer**

Developer shall not offer, sell, or negotiate the sale of “ORANGE SHOE®” franchises to any third party, either in Developer’s own name or in the name and on behalf of Franchisor, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Developer the right to do so.

### **1.4 Forms of Agreement**

Developer acknowledges that, over time, Franchisor will enter into agreements with other developers and with franchisees that may contain provisions, conditions, and obligations that differ materially from those contained in this Agreement. The existence of different forms of agreements and the fact that Franchisor and other developers and franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

### **1.5 Reservation of Rights**

Except as expressly limited by Section 1.6 below, Franchisor and its affiliates retain all rights with respect to ORANGE SHOE PERSONAL FITNESS® Studios , the ORANGE SHOE® System and Marks and the sale of products and other goods and services, anywhere in the world, including, without limitation, the right to:

A. (a) own, operate, situate and/or license others to operate ORANGE SHOE PERSONAL FITNESS® Studios anywhere outside the Development Areas, as we consider appropriate, including within close proximity to the Location or Development Areas; (b) offer and sell products and services within the Development Areas that are not part of the ORANGE SHOE® System through any distribution method; (c) offer and sell within the Development Areas (either themselves or through franchisees), those Proprietary Products and other products and services which this Agreement contemplates Franchisee will offer and sell; (d) to operate a business of the type franchised under this Agreement or grant a franchise for the operation of a similar or competitive business within the Development Areas so long as the Marks are not used, and/or (e) offer, sell and/or otherwise distribute, at wholesale or retail, and under the Marks, and/or other names and marks, the Proprietary Products, components thereof or variations thereon, which now or in the future are a part of the ORANGE SHOE® System, to any person or entity, both within and outside Franchisee's Development Areas, from and/or to any location whatsoever or by means of any channel of distribution. Franchisor and its affiliates may engage in such wholesale or retail sales activities from, at, to, or through existing spas, department stores, hotels and/or any other wholesale or retail entities or facilities whatsoever. Franchisee understands and acknowledges that this Agreement does not grant Franchisee any rights with respect to such sales whether conducted now or in the future.

### **1.6 Limited Rights**

Provided that Developer is in compliance with the terms of this Agreement and any other agreements with Franchisor or its affiliates and is current on all obligations due to Franchisor and its affiliates, and except as reserved in the preceding Section 1.5 and except if an ORANGE SHOE PERSONAL FITNESS® Studio(s) is already operating in any Development Area granted to any particular Studio as of the Effective Date, Franchisor will not, during the Development Term, operate or license others to operate Studios identified by the name and mark “ORANGE SHOE®” in the Development Areas. The restrictions contained in this Section 1.6 are applicable only to Franchisor and its franchisees.

Developer acknowledges that this Agreement confers no trade or marketing exclusivity in the Development Areas on Developer, and Franchisor, its affiliates, subsidiaries, franchisees, and licensees may solicit, service, advertise and offer their products and services to any individual or entity, regardless of his/her or its geographic location, including within the Development Areas.

## **ARTICLE 2: DEVELOPER'S DEVELOPMENT OBLIGATIONS**

### **2.1 Minimum Development Obligation**

During the Development Term, Developer shall timely develop, open and continuously operate within the each Development Area not less than the cumulative number of Studios set forth in Exhibit "B" (the "**Development Schedule**"). For each Studio to be developed during the Development Term, Developer shall have obtained Franchisor's prior written approval of the site at which Developer's Studios will be located, by the site approval date listed in the Development Schedule in the attached Exhibit "B." Strict compliance with the Development Schedule is essential to this Agreement. Any failure by Developer in fulfilling its obligations to develop, open and continuously operate any Studio when required by the Development Schedule or to obtain site approval by the date specified in the Development Schedule (collectively, the "**Minimum Development Obligations**") shall constitute a material, non-curable breach of this Agreement permitting Franchisor to immediately terminate this Agreement by giving written notice of termination to Developer. Developer acknowledges that this Agreement may require Developer to pursue and develop multiple projects at the same time, and that time is of the essence with respect to Developer's development and opening of the Studios.

### **2.2 Force Majeure**

Should Developer be unable to meet the Minimum Development Obligation solely as the result of Force Majeure, including, but not limited to strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, without limitation, any legal disability of Franchisor to deliver a Franchise Disclosure Document pursuant to Section 6.2 of this Agreement), which result in the inability of Developer to construct or operate Studio(s) in the Development Areas, and which Developer could not by the exercise of due diligence have avoided, the time periods in the Development Schedule shall be extended by the amount of time during which such Force Majeure shall exist and only as to those time periods affected by the Force Majeure. Developer's inability to obtain financing (regardless of the reason) shall not constitute Force Majeure under this Agreement.

Should Franchisor be unable to meet any of its obligations under this Agreement solely as the result of Force Majeure, including, but not limited to strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, without limitation, any legal disability of Franchisor to deliver a Franchise Disclosure Document pursuant to Section 6.2 of this Agreement), the time for performance of such obligation shall be extended by the amount of time during which such Force Majeure shall exist.

The party whose performance is affected by an event of Force Majeure shall immediately give written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration.

## **ARTICLE 3: DEVELOPMENT AREA**

### **3.1 Description of Development Area**

The Development Areas shall be the geographic area described in Exhibit A to this Agreement. Developer may not change its Development Areas without obtaining Franchisor's prior written approval, which may be withheld for any or no reason and in Franchisor's sole discretion.

## **ARTICLE 4: TERM OF AREA DEVELOPMENT AGREEMENT**

### **4.1 Development Term**

Subject to the terms and provisions of this Agreement, the term of this Agreement shall commence on the Effective Date and shall expire on the first to occur of: (1) the date the last Studio required to be opened as

set forth in the Development Schedule actually opens for business; or (2) the date the last Studio was required to be opened as set forth in the Development Schedule (“**Development Term**”).

#### **4.2 Renewal**

Developer shall have no right to renew this Agreement.

### **ARTICLE 5: PAYMENTS BY DEVELOPER**

#### **5.1 Initial Franchise Fees for Specified Studios**

You must pay us (i) an Area Development Fee of \$29,000 for each Studio you agree to develop (“**Development Fee**”), (ii) \$39,000 for your first Studio, and (iii) a portion of the Initial Franchise Fee in the amount of \$20,000 for each additional Studio you agree to develop. The remaining Initial Franchise Fee is due upon signing of each Franchise Agreement for the locations you develop. The total Initial Franchise Fee due for each ORANGE SHOE PERSONAL FITNESS® Studio as follows:

<b>Number of Studios being Developed</b>	<b>Initial Franchise Fee</b>
1	\$39,000
2	\$30,000
3	\$25,000
4 and up	\$20,000 each

Development Fees and Initial Franchise Fees are not refundable once paid.

### **ARTICLE 6: EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS**

#### **6.1 Site and Location Approval**

Developer shall obtain Franchisor’s approval of a proposed site and location (“**Location**”) within the Development Areas for each of its Studios in accordance with Franchisor’s procedures (“**Site Approval**”). Upon identifying a proposed Location for construction of a Studio, Developer shall submit to Franchisor such information regarding the proposed Location as Franchisor shall require, as provided in its System Standards Manual or otherwise, together with the terms of any proposed Lease relating to the Location in accordance with Developer’s obligations under each separate franchise agreement. Franchisor may seek such additional information as it deems necessary within fifteen (15) business days of submission of the Site, and Developer shall respond promptly to such request for additional information, including without limitation, Franchisor’s request for a business plan demonstrating Developer’s financial capability as provided in Section 6.3 below. If Franchisor does not reject the Location in writing within fifteen business days, or within fifteen business days after receipt of such additional information, whichever is later, the Location shall be deemed approved. The Location must be within the Development Area assigned to the Studio being developed.

Developer is solely responsible for selecting a Location and Franchisor has the right to accept or reject a Location in its reasonable business judgment. Franchisor’s Site Approval is not a representation, warranty or a promise by Franchisor of any kind that a Studio at an approved location will achieve any certain level of sales volume or profitability. Similarly, Franchisor’s approval of one or more locations and its refusal to approve other locations is not a representation or a promise that an approved location will have a higher sales volume or be more profitable than a location which Franchisor did not approve.

In addition, Franchisor assumes no liability or responsibility for: (1) evaluation of an approved location site’s soil for hazardous substances; (2) inspection of any structure on the approved location site for asbestos or other toxic or hazardous materials; (3) compliance with the Americans with Disabilities Act (“**ADA**”); or (4)

compliance with any other applicable law. It is the Developer's sole and exclusive responsibility to obtain satisfactory evidence and/or assurances that the approved location (and any structures thereon) is free from environmental contamination and in compliance with the requirements of the ADA.

## **6.2 Execution of Franchise Agreements**

Provided that Developer is then in full compliance with all of the terms and conditions of this Agreement and any other agreements with Franchisor and its affiliates, Franchisor agrees to offer to Developer a franchise to operate a Studio at an approved Location by delivering to Developer promptly after approval of a Location, a Franchise Disclosure Document (“FDD”) and two execution copies of Franchisor's then-current form franchise agreement pertaining to the approved Location (the “**New Franchise Agreement**”). Immediately upon receipt of the FDD, Developer shall return to Franchisor a signed acknowledgment of receipt of the FDD. After the passage of any disclosure period required by applicable law, Developer shall execute and deliver to Franchisor two copies of the New Franchise Agreement and the Initial Franchise Fee required pursuant to the New Franchise Agreement or this Agreement, less a credit, if any, applicable pursuant to Section 5.1. Franchisor shall execute and return to Developer one copy of the New Franchise Agreement after receipt of the Initial Franchise Fee and provided that Developer is then in full compliance with all the terms and conditions of this Agreement and any other agreements with Franchisor and its affiliates. Developer shall procure the Location by purchase or Lease pursuant to the terms of the New Franchise Agreement, and return one copy of the executed Lease or, if purchased, the deed evidencing Developer's right to occupy the approved Location. Developer shall then promptly commence construction and operation of the Studio pursuant to the terms of the New Franchise Agreement.

Notwithstanding the foregoing, if Franchisor is not legally able to deliver an FDD to Developer by reason of any lapse or expiration of its franchise registration, or because Franchisor is in the process of amending any such registration, or for any other reason beyond Franchisor's reasonable control, Franchisor may delay approval of the location for Developer's proposed Studio until such time as Franchisor is legally able to deliver an FDD, and such delay shall not constitute a default under this Agreement.

The form of the New Franchise Agreement for Developer's Studios developed pursuant to this Agreement shall be Franchisor's then-current standard form in use at the time Developer is required to sign a franchise agreement for each Studio to be developed.

## **6.3 Developer's Financial Responsibility and Business Plan**

Developer assumes all cost, liability and expense for locating, obtaining and developing sites for Studios and constructing and equipping Studios in accordance with Franchisor's standards at approved locations. Developer shall not make any binding commitments to purchase or Lease a location until the location has been approved in writing by Franchisor.

Upon Franchisor's request, Developer shall submit to Franchisor a business plan outlining the actions that Developer will take to ensure the development and management of a proposed Studio in accordance with Franchisor's standards and the New Franchise Agreement. In addition to a business plan, Developer shall submit to Franchisor, upon Franchisor's request, financial statements and other financial information sufficient to demonstrate to Franchisor in Franchisor's sole and absolute judgment, that Developer has adequate financial capabilities to properly develop and operate the proposed Studio and fulfill its obligations under the New Franchise Agreement. Developer agrees to revise the business plan, and submit current financial statements as requested by Franchisor. Developer further agrees to implement any changes to Developer's business plan as approved or required by Franchisor. Notwithstanding anything herein to the contrary, Developer acknowledges and agrees that Franchisor may refuse to grant to Developer a franchise for a proposed Studio if Developer does not meet Franchisor's then current standards and qualifications for the grant of a new franchise, including without limitation, Developer's failure to demonstrate to Franchisor, in its sole and absolute judgment, that Developer is sufficiently capitalized and has sufficient financial resources to open and operate a Studio in accordance with the New Franchise Agreement. Developer's

approval or non-approval of Developer's business plan to develop and open a Studio shall not constitute an express or implied assurance, representation or warranty as to the sales volume, profitability, cost and expenses of development of a Studio, the success or profitability of Developer's business plan, or the sufficiency of Developer's financial resources. Developer agrees and acknowledges that there are many factors which may impact the implementation of Developer's business plan, and which may require Developer to change or adapt its business plan from time to time and Franchisor's approval or disapproval of Developer's business plan or financial capabilities indicates only Franchisor's minimum criteria for the development of a Studio.

#### **6.4 Condition Precedent to Franchisor's Obligations**

It shall be a condition precedent to Franchisor's obligations pursuant to Sections 6.1 and 6.2, that Developer shall have performed all of its obligations under and pursuant to this Agreement and all other agreements between Developer and Franchisor.

### **ARTICLE 7: DEVELOPER OWNERSHIP**

#### **7.1 Representations**

If Developer is a corporation, a limited liability company, a partnership or any other type of organization (collectively, "**business entity**"), Developer makes the following representations and warranties: (1) it is duly organized and validly existing under the laws of the state of its formation; (2) it is qualified to do business in the state in which the Development Areas are located; (3) execution of this Agreement and the development and operation of Studios are permitted by its governing documents; and (4) Developer's Articles of Incorporation, Articles of Organization, written partnership agreement or other organizational or governing documents shall at all times provide that the activities of Developer are limited exclusively to the development and operation of franchised ORANGE SHOE PERSONAL FITNESS® Studio s .

#### **7.2 Governing Documents, Records and Requirements**

Developer shall comply with the corporate and partnership franchisee requirements set forth in the New Franchise Agreement(s).

#### **7.3 Ownership Interests**

If Developer is a business entity, all interests in Developer shall be owned as set forth in attached Exhibit C. Developer represents and warrants that its ownership interests and/or share structure and initial capitalization are as set forth on Exhibit C and Developer further covenants that it will not vary from the ownership interests and/or corporate structure without the prior written approval of Franchisor. If Developer is a corporation, Developer shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities of the corporation (and the number of shares owned by each). If Developer is a limited liability company, Developer shall maintain a current list of all members (and the percentage membership interest in the partnership (and the percentage ownership of each owner). Developer shall comply with Article 8 of this Agreement prior to any change in ownership interest and shall execute addenda to Exhibit C as changes occur to ensure the information contained in Exhibit C is true, accurate and complete at all times.

#### **7.4 Guaranty**

If Developer is a corporation, limited liability company, partnership, limited partnership or any other type of legal entity formed in compliance with applicable law, then all owners of Developer shall execute an agreement in substantially the same form as attached hereto as Exhibit D with Franchisor under which the owners of Developer agree to be jointly and severally liable for all the obligations to Franchisor under this Agreement, and expressly agree to be bound by all the terms, conditions and covenants of this Agreement. Each present and future owner of Developer must agree in writing to personally guarantee the performance of Developer's obligations under this Agreement, and to be individually bound by all the terms and conditions of this Agreement and any other agreements between Developer and Franchisor.

## ARTICLE 8: ASSIGNMENT; RIGHT OF FIRST REFUSAL

### 8.1 Assignment by Franchisor

Franchisor shall have the unlimited right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity at any time.

### 8.2 Assignment by Developer

A. This Agreement has been entered into by Franchisor in reliance upon and in consideration of the singular personal skill, qualifications and trust and confidence reposed in Developer or, in the case of a corporate or partnership Developer, the principal officers or partners thereof who will actively and substantially participate in the development, ownership and operation of the franchised Studios. Therefore, neither Developer, nor any partner, if Developer is a partnership, nor any shareholder, if Developer is a corporation, shall, by operation of law or otherwise, sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber to any person, persons, partnership, association, corporation or other entity, any interest in this Agreement, or any interest under this Agreement, or any interest in any proprietorship, partnership or corporation which owns any interest in this Agreement, nor offer, permit or suffer the same, without Franchisor's prior written consent and subject to Franchisor's right of first refusal as provided for in Section 8.3 of this Agreement. Any actual or attempted assignment, transfer or sale of this Agreement, or any interest in this Agreement, or of the franchised business, in violation of the terms of this Article will be null, void and of no effect, and will constitute a material and incurable breach of this Agreement.

B. Should Franchisor not elect to exercise its said right of first refusal, or should such right of first refusal be inapplicable, as herein provided, Franchisor's consent to such assignment, but not to the partition, sharing or dividing of rights under this Agreement, shall not be unreasonably withheld; provided, however, that Franchisor may impose any reasonable condition(s) to the granting of its consent. No direct or indirect transfer of rights to develop less than all remaining undeveloped Studios shall be permitted, it being understood and agreed that Developer shall have no right to transfer partial development rights. Without limiting the generality of the foregoing, Franchisor's consent to the assignment shall be subject to the following conditions:

- (i) that the assignee (or the principal officers, shareholders, directors or general partners of the assignee in the case of a corporate or partnership assignee), in the business judgment of Franchisor, must be of good moral character and reputation, have a good credit rating, must have the business experience, organizational and financial resources to complete the Development Schedule and timely open all Specified Studios, and to maintain, operate and promote all existing and new Studios in accordance with the requirements of this Agreement and the franchise agreement and ancillary agreements for each Studio. Developer and the assignee shall provide Franchisor with such information as Franchisor may require to make such determination concerning each proposed assignee;
- (ii) that Developer must have opened at least one Specified Studio covered by this Agreement;
- (iii) that the assignee expressly assumes in writing for the benefit of Franchisor all rights and obligations of Developer under this Agreement and all franchise agreements executed pursuant hereto and approved to be transferred;
- (iv) that the assignee shall have completed the Franchisor's training program to Franchisor's satisfaction, exercised in good faith; that as of the date of any such assignment, Developer shall have fully complied with all of its obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor;

- (v) that the assignee, if then a franchisee of Franchisor, is not then in default of any of its obligations to Franchisor;
- (vi) that the price and other terms of sale of the interest to be conveyed shall not, in the good faith judgment of Franchisor, jeopardize the ability of the assignee to complete the Development Schedule on time, properly maintain, operate and promote all Studios and meet the assignee's financial obligations to Franchisor, third party suppliers and creditors. This provision shall not create any liability on the part of Franchisor to the assignee in the event that Franchisor approves the transfer and the assignee experiences financial difficulties. Developer and the assignee agree not to create, impose or assert any security interest, lien or claim, at the time of the transfer or thereafter, in this Agreement;
- (vii) that Developer furnishes to Franchisor a copy of the executed contract of assignment with the assignee assuming all of Developer's obligations under this Agreement;
- (viii) that the assignee executes a new Area Development Agreement and all ancillary agreements in the form and on the terms and conditions Franchisor then offers to prospective area developers who are similarly situated (except that the assignee will not be obligated to pay another Area Development Fee, but will be required to pay the Initial Franchise Fee balance for each Specified Studio that the assignee develops and the Initial Franchise Fee for any Additional Studios). The term of the new Area Development Agreement will expire on the date of expiration of this Agreement. The execution of the new Area Development Agreement will terminate this Agreement, except for the guarantees of Developer and the post-termination and post-expiration provisions under this Agreement;
- (ix) that Developer shall pay to Franchisor, prior to any such assignment, a transfer fee equal to Five Thousand Dollars (\$5,000) which is reasonably required to cover Franchisor's expenses relating to said assignment. The foregoing transfer fee is in addition to the transfer fee(s) required to be paid under the franchise agreements for any Studio approved to be transferred;
- (x) that Developer remains liable for all the obligations to Franchisor arising out of or related to this Agreement before the effective date of the transfer or assignment, and executes all instruments reasonably requested by Franchisor to evidence this liability; and
- (xi) that the assignee and Developer shall execute a general release of all claims against Franchisor, its affiliates, and their respective officers, directors, owners, representatives, agents and employees (in their corporate and individual capacities) in a form acceptable to Franchisor.

C. In the event of the death of Developer, or any partner or shareholder thereof at any time during the term of this Agreement, the legal representative of Developer, partner or shareholder, together with all surviving partners or shareholders, if any, jointly, shall within three (3) months of such event apply, in writing, for the right to transfer this Agreement, or the interest of the deceased partner or shareholder in this Agreement, to such person or persons as the legal representative may specify. Such transfer shall be approved by Franchisor upon fulfillment of all of the conditions set forth herein, except that no transfer fee shall be required if the assignee is a beneficiary or heir of Developer. If the legal representative and all surviving partners or shareholders, if any, do not comply with the aforesaid provisions or do not propose an assignee, all rights granted to Developer under this Agreement shall terminate forthwith and automatically revert to Franchisor.

D. Developer shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written permission of Franchisor, which permission may be withheld for any reason whatsoever in Franchisor's sole and absolute subjective judgment.

### **8.3 Right of First Refusal**

Except as expressly provided in Article 8 of this Agreement to the contrary, any assignment of this Agreement, or any interest herein, shall be subject to Franchisor's right of first refusal with respect thereto. Franchisor's said right of first refusal shall be exercised in the following manner:

1. Developer shall deliver to Franchisor a true and complete copy of the offer (the "**notice**") and furnish to Franchisor any additional information concerning the proposed transaction that Franchisor reasonably requests.
2. Within twenty one (21) days after Franchisor's receipt of the notice (or, if Franchisor requests additional information, within twenty one days after receipt of the additional information), Franchisor may either consent or withhold its consent to the assignment or redemption, in accordance with this Article, or at its option, accept the assignment to itself or to its nominee, on the terms and conditions specified in the notice.
3. Franchisor's credit will be deemed equal to the credit of any proposed purchaser. Franchisor may substitute cash for any other form of payment proposed in the offer.
4. If Franchisor exercises its right of first refusal, Franchisor will be given at least sixty (60) days after notifying Developer of its election to exercise its right of first refusal to prepare for closing.
5. If Franchisor elects not to exercise its right of first refusal and consents to the proposed assignment or redemption, then Developer will, subject to the provisions of this Article, be free to assign this Agreement to its proposed assignee on the terms and conditions specified in the notice. If, however, the terms are changed, the changed terms will be deemed a new proposal, and Franchisor will have a right of first refusal with respect to this new proposal.
6. Franchisor's election not to exercise its right of first refusal with regard to any offer will not affect its right of first refusal with regard to any later offer. If Franchisor does not exercise its right of first refusal, this will not constitute approval of the proposed transferee, assignee, redemption or the transaction itself. Developer and any proposed assignee must comply with all the criteria and procedures for assignment of this Agreement as well as the franchise agreement(s) executed pursuant hereto and approved to be transferred.

### **8.4 Individual Franchise Agreements**

Developer shall not execute any New Franchise Agreement, or construct or equip any Studio, with a view to transfer or assign such New Franchise Agreement or Studio.

## **ARTICLE 9: CONFIDENTIALITY AND NON-COMPETITION**

### **9.1 Confidential Information**

Franchisor possesses and will further develop and acquire certain knowledge, know-how, technologies, processes, techniques, manuals, secret formulas, customer lists, and any other information that Franchisor designates as confidential, proprietary, trade secrets or that is not readily available to the public without a breach of duty to Franchisor ("**Confidential Information**"). Franchisor may disclose to Developer, and Developer may acquire such parts of the Confidential Information in the development of Studios under this Agreement. Developer acknowledges and agrees that neither Developer nor any other person or entity will acquire any interest in or rights to the Confidential Information other than those granted in this Agreement

and any franchise agreements with Franchisor or its affiliates, and that the use, disclosure or duplication of the Confidential Information for any other purpose, including, without limitation, the use of the Confidential Information in any other business would constitute an unfair method of competition with Franchisor, its affiliates, Franchisor's franchisees and the ORANGE SHOE® System. Developer agrees to disclose the Confidential Information only to its owners and to its employees and only to the extent reasonably necessary for the development of Studios under this Agreement.

## 9.2 In-Term Covenant Not to Compete

Developer agrees and acknowledges that if Developer were permitted to hold interests in a business which is similar to the business of the Studios developed hereunder or, which offers or sells any product, service or component which now or in the future is part of the ORANGE SHOE® System, or any similar product or service ("**Competitive Business**"), Franchisor would be unable to protect, among the legitimate business interests, its Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among the franchisees and developers in its franchise business. Accordingly, Developer, its owners, officers, directors, shareholders, general partner or limited partner (collectively "**Restricted Parties**" and individually, a "**Restricted Party**") shall not directly or indirectly during the Development Term:

1. Solicit or otherwise attempt to induce (by combining or conspiring with, or attempting to do so), or influence in any other manner any of Franchisor's franchisees or developers to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor;
2. As owner or director, employee, agent, lender, lessor, broker, consultant, franchisor, franchisee, or in any other similar capacity whatsoever connected in any manner with the ownership, management, operation or control, or conduct of a Competitive Business, anywhere in the United States or in any other market area in which an ORANGE SHOE PERSONAL FITNESS® Studio is: (i) operating; (ii) under construction; or (ii) demonstrably expected to be under development during the Development Term; and
3. In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the ORANGE SHOE® System, Franchisor's business or the business of Franchisor's affiliates, developers or franchisees.

## 9.3 Post-Term Covenant Not to Compete

During the two (2) year period after the expiration or sooner termination of this Agreement, neither Developer nor any of the other Restricted Parties may directly or indirectly:

1. Solicit or otherwise attempt to induce (by combining or conspiring with, or attempting to do so), or influence in any other manner any of Franchisor's franchisees or developers to terminate or modify his, her or its business relationship with Franchisor or to compete with Franchisor;
2. As owner, officer, director, employee, agent, lender, lessor, broker, consultant, franchisor, franchisee, or in any other similar capacity whatsoever be connected in any manner with the ownership, management, operation, control, or conduct of a Competitive Business within the Development Areas or within fifty (50) miles of Developer's Studios or any other ORANGE SHOE PERSONAL FITNESS® Studio that is: (i) operating; (ii) under construction or development, or (iii) under development within twelve (12) months after such expiration or termination; and
3. In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize the ORANGE SHOE® System, Franchisor's business or the business of Franchisor's affiliates, developers, or franchisees.

#### **9.4 Developer's Acknowledgments Concerning Covenants**

Developer agrees and acknowledges that this Article 9 limits Developer's right to compete only to the extent necessary to protect Franchisor from unfair competition. Developer and each of the other Restricted Parties acknowledges and confirms that the scope of activities prohibited in this Article 9, as well as the length of the term and geographical restrictions contained therein, are necessary to protect Franchisor's legitimate business interests and are fair and reasonable and not the result of overreaching, duress, or coercion of any kind. Developer and the other Restricted Parties each agree that the restrictions set forth in Article 9 will not impair Developer or any of the Restricted Parties' ability to obtain employment commensurate with its abilities and on terms fully acceptable to it or otherwise to obtain income required for the comfortable support of itself and its family, and the satisfaction of the needs of its creditors.

#### **9.5 Lesser Included Covenants Enforceable At Law**

The parties hereby expressly agree that if the scope or enforceability of this Article 9 is disputed at any time by Developer, a court of competent jurisdiction may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under applicable law, and shall not by necessity invalidate the entire covenants. In addition, Franchisor reserves the right to reduce the scope of either, or both, of said provisions without Developer's consent, at any time or times, effective immediately upon notice to Developer. Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of this Article as if the resulting covenants were separately stated in and made a part of this Agreement.

#### **9.6 Enforcement of Covenants Not To Compete**

Developer acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Developer consents to the entry of an injunction prohibiting any conduct by Developer in violation of the terms of the covenants not to compete set forth in this Agreement. Developer expressly agrees that it may conclusively be presumed that any violation of the terms of the covenants not to compete was accomplished by and through Developer's unlawful use of Franchisor's Confidential Information, know-how, methods and procedures. Further, Developer expressly agrees that any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants not to compete set forth in this Agreement. Developer agrees to pay all costs and expenses, including reasonable attorneys' and experts' fees, incurred by Franchisor in connection with the enforcement of the covenants not to compete set forth in this Agreement.

### **ARTICLE 10: TERMINATION**

#### **10.1 Termination Pursuant to a Material Breach of this Agreement**

This Agreement may be terminated by Franchisor for cause without notice or opportunity to cure, except for such notice and cure period as may be required by law. In addition to any of the grounds for termination that may be stated elsewhere in this Agreement, Franchisor may terminate this Agreement, and the rights granted by this Agreement, upon written notice to Developer without an opportunity to cure upon the occurrence of any of the following events:

1. Developer omitted or misrepresented any material fact in the information it furnished to Franchisor in connection with Franchisor's decision to enter into this Agreement;
2. Any attempt by Developer to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement;
3. Developer is insolvent or is unable to pay its creditors (including Franchisor or its affiliates); files a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against Developer a petition in bankruptcy, an arrangement for

the benefit of credits or petition for reorganization, which is not dismissed within sixty (60) days of the filing; Developer makes an assignment for the benefit of creditors; or a receiver or trustee is appointed for Developer and not dismissed within sixty (60) days of the appointment;

4. Franchisor and Developer agree in writing to terminate this Agreement;
5. Failure of Developer to meet the Minimum Development Obligations within the time periods specified in the Development Schedule set forth herein;
6. Failure of Developer, at any time during the Development Term, to have open and continuously operating the number of Studios required by the Development Schedule; Failure of Developer to obtain Franchisor's written approval of a Location by the applicable date required by the Development Schedule;
7. Failure of Developer to open any of the Studios by the applicable date required by the Development Schedule;
8. Developer begins construction of a Studio without obtaining Franchisor's prior written approval of the Location;
9. Execution is levied against Developer's business or property(ies); suit to foreclose any lien or mortgage against the premises or equipment of any of Developer's Studios is instituted against Developer and is not dismissed within sixty (60) days; or the real or personal property of the Studio shall be sold after levy thereupon by any sheriff, marshall or constable;
10. Developer (or, if Developer is a corporation, partnership, proprietorship or other entity, any principal, owner, member, officer or director of Developer) is convicted of, or pleads no contest to, a felony charge, a crime involving moral turpitude; or any crime or offense that is reasonably likely, in the sole subjective opinion of Franchisor, to adversely affect Franchisor, its affiliates and the ORANGE SHOE® System;
11. Developer (or, if Developer is a corporation, partnership, proprietorship or other entity, any principal, owner, member, officer or director of Developer) does any act that Franchisor believes in its reasonable business judgment has a negative impact on the Marks or the ORANGE SHOE® System;
12. Developer interferes or attempts to interfere with Franchisor's contractual relations with other franchisees, customers, employees, advertising agencies or any third parties;
13. Developer interferes or attempts to interfere with Franchisor's ability or right to franchise or license others to use and employ Franchisor's Marks and System or Developer makes any use of the Marks not authorized under this Agreement or the franchise agreements;
14. Developer remains in default beyond the applicable cure period: (a) under any other agreement with Franchisor or its affiliates; (b) under any real estate Lease, equipment Lease or financing instrument relating to one of Developer's Studios; or (c) with any vendor or supplier to one of Developer's Studios;
15. Any of the individual franchise agreements or any other agreement between Developer and Franchisor is terminated; or
16. Developer and the Restricted Parties breach their obligations under Article 9 of this Agreement, or any other provisions related to Confidential Information and noncompetition by Developer.

## **10.2 Termination by Franchisor - Fifteen Days to Cure**

Except as provided above and in Section 10.1, Developer will have fifteen calendar days after its receipt from Franchisor of a written Notice of Default to remedy any default under this Agreement, not specified in the preceding section and to provide evidence that it has done so to Franchisor. If Developer has not cured any default within that time (or, if appropriate, Developer has not initiated action to cure the default within that time) or any longer period that applicable law may require, this Agreement will terminate immediately upon expiration of the fifteen day period, or any longer period required by applicable law.

All Notices of Default and Notices of Termination, whether sent by certified mail, registered mail, fax, overnight courier or by physically delivering the notice in person, will be deemed to have been received by Developer upon delivery or first attempted delivery of the notice to Developer's address set forth in Section 12.11 herein below.

## **10.3 Cross Default**

Any default or breach by Developer of any other agreement between Franchisor or its affiliates and Developer will be deemed a default under this Agreement, and any default or breach of this Agreement by Developer will be deemed a default or breach under any and all other agreements between Franchisor and Developer. If the nature of the default under any other agreement would have permitted Franchisor to terminate this Agreement if the default had occurred under this Agreement, then Franchisor will have the right to terminate all the other agreements between Franchisor and Developer in the same manner provided for in this Agreement for termination of this Agreement. Developer will be given the same opportunity to cure defaults under any other agreement between Franchisor or its affiliates and Developer as Developer has under this Agreement.

## **10.4 Notice Required By Law**

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be deemed amended to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

## **10.5 Effect of Termination**

Upon the expiration of the Development Term, or upon the prior termination of this Agreement, Developer shall have no further right to construct, equip, own, open or operate additional ORANGE SHOE PERSONAL FITNESS® Studios which are not, at the time of such termination or expiration, the subject of a then existing franchise agreement between Developer and Franchisor which is in full force and effect, and Franchisor may itself construct, equip, develop, open, own or operate, or license others to construct, equip, develop, open, own or operate ORANGE SHOE PERSONAL FITNESS® Studios in the Development Areas.

Developer shall immediately pay to Franchisor upon termination or expiration of this Agreement any amounts owed by Developer to Franchisor or its affiliates which are then unpaid plus any accrued interest.

# **ARTICLE 11: DISPUTE RESOLUTION**

## **11.1 Enforcement Costs**

Franchisor will be entitled to recover from Developer reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation, if Franchisor prevails in any action instituted against Developer to secure or protect Franchisor's rights under this Agreement, or to enforce the terms of this Agreement.

## **11.2 Attorneys' Fees**

If Franchisor becomes a party to any action or proceeding concerning this Agreement, the development of the Studios, or the Studios due to any act or omission of Developer or its authorized representatives and not to any act or omission of Franchisor or its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding with respect to Developer or the Studios, then Developer will be liable to Franchisor for the reasonable attorneys' fees, experts' fees and court costs incurred by Franchisor in the action or proceeding, regardless of whether the action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Developer.

## **11.3 Governing Law**

This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Wisconsin without recourse to Wisconsin choice of law or conflicts of law principles. Nothing in this Section is intended to invoke the application of any franchise or similar law, rule or regulation of the State of Wisconsin or any other state, which would not otherwise apply.

## **11.4 Venue and Jurisdiction**

Any litigation arising out of or related to this Agreement, any breach of this Agreement, the relations between the parties, and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, shall be instituted exclusively in a court of competent jurisdiction in Dane County, Wisconsin. The parties irrevocably and unconditionally consent to the jurisdiction of such court in any suit, action, or proceeding and waive any objection that he, she or it may have to the laying of venue of any such suit, action, or proceeding in any of such courts.

## **11.5 Waiver of Jury Trial/Class Action**

All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for any claims arising out of this Agreement, whether now existing or arising in the future.

The parties agree that any litigation arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees, multi-unit developers, or area developers. Franchisee agrees not to join or attempt to join other franchisees, area developers, or other third parties in any litigation or litigation proceeding and to refrain from participating in any "class action" litigation or arbitration proposed or asserted by one or more other franchisees.

## **11.6 Punitive Damages**

In no event will Franchisor be liable to Developer for punitive, special, or exemplary damages in any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement. In any action arising out of or relating to this Agreement, or any breach, termination, cancellation or non-renewal of this Agreement, Developer shall be limited to recovering its actual damages only.

## **11.7 Indemnity by Developer**

Developer hereby agrees to protect, defend and indemnify Franchisor, and all of its past, present and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising

out of or in connection with Developer's development and operation of the franchised ORANGE SHOE PERSONAL FITNESS® Studios pursuant hereto.

### **11.8 No Consequential Damages for Legal Incapacity**

Franchisor shall not be liable to Developer for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Developer by reason of any delay in the delivery of Franchisor's FDD caused by legal incapacity during the Development Term, or other conduct not due to the gross negligence or malfeasance of Franchisor. Such incapacity shall not be a default by Franchisor under this Agreement.

### **11.9 Joint and Several Liability**

If Developer consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

### **11.10 Remedies Cumulative**

Except as otherwise expressly provided in this Agreement, no remedy in this Agreement conferred upon any party is intended to be exclusive of any other remedy. Each and every such remedy is cumulative and is in addition to every other remedy given under this Agreement or, subject to any choice of law provided in this Agreement, now or later existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power, or remedy under this Agreement precludes any other or further exercise of such right, power, or remedy.

### **11.11 Franchisor's Withholding of Consent; Developer's Exclusive Remedy**

In no event may Developer make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval to a proposed act by Developer under the terms of this Agreement. Developer waives any such claim for damages. Developer may not claim any such damages by way of setoff, counterclaim or defense. Developer's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.

## **ARTICLE 12: GENERAL CONDITIONS AND PROVISIONS**

### **12.1 Relationship of Developer and Franchisor**

This Agreement does not create a fiduciary or other special relationship between the parties. No agency, employment, joint venture, or partnership is created or implied by the terms of this Agreement. It is expressly agreed that Developer has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Developer agrees that he will not hold himself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Developer shall be the employees of Developer and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Developer shall not issue any press releases without the prior written approval of Franchisor.

The sole relationship between Developer and Franchisor is a commercial, arms' length business relationship and there are no third-party beneficiaries to this Agreement. Developer's business is, and shall be kept, totally separate and apart from any that may be operated by Franchisor. In all public records, in relationships with other persons, and on letterheads and business forms, Developer shall indicate its independent ownership of Developer's Studios and that Developer is solely an independent contractor.

## **12.2 Variations**

Franchisor has the right, in its sole discretion, to waive, or permit variations from the standards of the ORANGE SHOE® System or any applicable agreement to any developer, franchisee, prospective developer or prospective franchisee based on the peculiarities of a particular site, existing building configuration or circumstance, density of population, business potential, trade area population or any other condition or circumstance. Franchisor has the right, in its sole discretion, to deny any such request Franchisor believes would not be in the best interest of the ORANGE SHOE® System.

## **12.3 Waiver and Delay**

No waiver or delay by Franchisor in Franchisor's enforcement of any breach of any term, covenant or condition of this Agreement by Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any separate franchise agreement between Franchisor and Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Studios) or to insist upon strict compliance with or performance of Developer's obligations under this Agreement or any separate franchise agreements between Franchisor and Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Studios), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

## **12.4 Survival**

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive the termination or expiration and will continue to be binding upon the parties to this Agreement.

## **12.5 Successors and Assigns**

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Developer and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained herein.

## **12.6 Third Parties**

Except as provided in this Agreement to the contrary with respect to any affiliates of Franchisor, nothing in this Agreement, whether express or implied, confers any rights or remedies under or by reason of this Agreement on any persons (including other ORANGE SHOE® franchisees) other than the parties and their respective personal or legal representatives, heirs, successors, and permitted assigns. Further, except as provided in this Agreement to the contrary with respect to any designee of Franchisor, nothing in this Agreement relieves or discharges the obligation or liability of any third persons to any party to this Agreement. Nor does any provision give any third persons any right of subrogation or action over or against any party to this Agreement.

## **12.7 Integration of Agreement**

This Agreement and all ancillary agreements executed contemporaneously with this Agreement, constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements.

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Developer expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to the terms in this Agreement. Developer understands and assumes the business risks inherent in this enterprise.

Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Developer.

### **12.8 Construction and Interpretation; Further Acts**

The titles and subtitles of the various articles and sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Developer. It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid. Since the words "Franchisor" and "Developer" in this Agreement may be applicable to one or more parties, the singular will include the plural, and the masculine will include the feminine and neuter. If more than one party or person is referred to as "Developer" under this Agreement, then their obligations and liabilities under this Agreement will be joint and several. The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

Each reference in this Agreement to a corporation or partnership will also refer to a limited liability company and any other entity or similar organization. Each reference to the organizational documents, shareholders, directors, officers and stock of a corporation in this Agreement will also refer to the functional equivalents of the organizational documents, shareholders, directors, officers and voting rights, as applicable, in the case of a limited liability company or any other entity or similar organization.

### **12.9 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) unreasonable, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

### **12.10 Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

### **12.11 Notices**

Any notice required or permitted to be given under this Agreement shall be in writing; shall be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), by overnight mail or by facsimile transmission; and, will be effective on the date that delivery is documented to have been first attempted. Any notice to Franchisor shall be addressed to Franchisor at:

FINANCIAL ACHIEVEMENTS CORPORATION  
Attn: Katie Michel  
1450 Capitol Dr Unit C  
Pewaukee, WI 53072

Notice to Developer shall be addressed to Developer at:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Either party to this Agreement may, in writing, on ten days notice, inform the other of a new or changed address or addressee(s) to which notices under this Agreement should be sent.

**ARTICLE 13: SUBMISSION OF AGREEMENT**

The submission of this Agreement does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by Franchisor and Developer. The date of execution by Franchisor will be considered the date of execution of this Agreement.

THIS AGREEMENT WILL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR.

**INTENDING TO BE LEGALLY BOUND**, the parties have executed and delivered this Agreement to be effective as of the Effective Date, regardless of the dates listed below.

FRANCHISOR:  
FINANCIAL ACHIEVEMENTS CORPORATION,  
a Wisconsin corporation

DEVELOPER:  
\_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT A TO AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT AREAS**

The Development Areas consists of the following geographical area, as defined by the following boundaries as of the date of execution of this Agreement.

<b>Studio</b>	<b>Development Area</b>
Studio 1	
Studio 2	
Studio 3	
Studio 4	
Studio 5	

FRANCHISOR:  
FINANCIAL ACHIEVEMENTS CORPORATION,  
a Wisconsin corporation

DEVELOPER:  
\_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**EXHIBIT B TO AREA DEVELOPMENT AGREEMENT**

**MINIMUM DEVELOPMENT OBLIGATIONS**

Cumulative Number of Studios to be in Operation	Site Approval Date	Required Opening Date

FRANCHISOR:  
FINANCIAL ACHIEVEMENTS CORPORATION,  
a Wisconsin corporation

DEVELOPER:  
\_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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



## EXHIBIT D TO AREA DEVELOPMENT AGREEMENT

### GUARANTY

In consideration of the execution by FINANCIAL ACHIEVEMENTS CORPORATION ("Franchisor") of the ORANGE SHOE® Area Development Agreement (the "**Development Agreement**"), dated the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between Franchisor and \_\_\_\_\_ ("**Developer**") and for other good and valuable consideration, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Development Agreement and in any other agreement(s) by and between Developer and Franchisor.

If more than one (1) person has executed this Guaranty, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Development Agreement and any other agreement(s) by and between Developer and Franchisor, and agree that this Guaranty shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Development Agreement and any other agreement(s) by and between Developer and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (a) any term, covenant or condition of the Development Agreement may be amended, compromised, released or otherwise altered by Franchisor and Developer, and the undersigned do guarantee and promise to perform all the obligations of Developer under the Development Agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Development Agreement may be released, substituted or added; (c) any right or remedy under the Development Agreement, this Guaranty or any other instrument or agreement between Franchisor and Developer may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Developer, any of the undersigned, any party to the Development Agreement or any other person.

Should Developer be in breach or default under the Development Agreement or any other agreement(s) by and between Developer and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Developer and without proceeding against or naming in such suit any other Developer, signatory to the Development Agreement or any others of the undersigned.

Notice to or demand upon Developer or any of the undersigned shall be deemed notice to or demand upon Developer and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Developer or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the Development Agreement, or under any other agreement(s) between Franchisor and Developer, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the Development Agreement or any other agreement(s) by and between Developer and Franchisor, shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty shall inure to the benefit of the Franchisor, its successors and assigns. This Guaranty may be

assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

Should any one (1) or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty effective as of the date of the Development Agreement.

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

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

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

**EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF CURRENT FRANCHISEES AND AREA DEVELOPERS**

<b>FRANCHISEE</b>	<b>STUDIO ADDRESS</b>	<b>STUDIO CITY</b>	<b>STUDIO STATE</b>	<b>PHONE NUMBER</b>
Bristerloo, LLC	5609 North Clark Street	Chicago	Illinois	773-654-3863
Simi Energy, LLC	5003-4 Lincoln Avenue	Chicago	Illinois	773-857-3112
Pak2chi, LLC	833 W. Touhy Avenue	Park Ridge	Illinois	630-890-9786
TAGR, Inc.	5400 King James Way, Ste 100	Fitchburg	Wisconsin	608-270-9480
S4, LLC	1 East Main Street, LL1	Madison	Wisconsin	608-255-0525
Thrive Endurance, LLC	601 Junction Road	Madison	Wisconsin	608-203-5169
Next Right Thing, LLC	114 East Main Street	Waunakee	Wisconsin	608-449-5013
Boost University LLC	2905 University Avenue	Madison	Wisconsin	608-467-2119
Neon Moon LLC	120 North Grand Avenue	Sun Prairie	Wisconsin	214-403-8586
Fitventures - Pewaukee Inc.	1450 Capitol Drive, Unit C	Pewaukee	Wisconsin	262-391-7739
Master Your DNA	14960 W Greenfield Ave	Brookfield	Wisconsin	262-782-4444

**EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FORMER FRANCHISEES AND AREA DEVELOPERS**

**ORANGE SHOE® Franchisees and/or Area Developers who had who had Outlet Terminated, Cancelled, Not Renewed, Transferred or Otherwise Voluntarily or Involuntarily Ceased to do Business under a Franchise Agreement During the Year Ended December 31, 2023 or Who has not Communicated with the Franchisor Within 10 Weeks of the Issue Date:**

**NONE**

No Studios were transferred during the year ended December 31, 2023.

Note: If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

## EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT

### SAMPLE GENERAL RELEASE

**THIS AGREEMENT** (“Agreement”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between **FINANCIAL ACHIEVEMENTS CORPORATION** (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ (hereinafter referred to as “Releasor”), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with that certain Franchise Agreement by and between Franchisor and Releasor, dated \_\_\_\_\_, and all ancillary documents executed in connection therewith, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys’ fees.

2. Releasor represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys’ fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. Wisconsin law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder, without regard to Wisconsin’s provisions for conflicts of laws. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys’ fees and costs incurred therein, and said action must be filed in the State of Wisconsin.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

7. Releasor further expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of California or any other state laws, and does so understanding and acknowledging the significance and consequences of such specific waiver of Section 1542. Releasor acknowledges that they are or may be represented by counsel, and acknowledge that they are familiar with the provisions of California Civil Code Section 1542, which provides as follows: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR. Releasor acknowledges that he/she/or it may later discover claims or facts in addition to or different from those set forth in this release and which, if known or suspected at the time of executing this release, may have materially affected this Agreement. Nonetheless, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge of all claims, Releasor expressly acknowledges that this Release is also intended to include in its effect, without limitation, all claims which they do not know or expect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claim or claims. Releasor waives any rights, claims or causes of action that might arise as a result of such different or additional claims or facts. Notwithstanding the governance of this Release by laws of the State of North Carolina, it is the intent of Releasor to waive any right, claim or cause of action as is consistent with the forgoing waiver of Section 1542 of the Civil Code of California.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

FRANCHISOR:  
FINANCIAL ACHIEVEMENTS  
CORPORATION, a Wisconsin corporation

RELEASOR:  
\_\_\_\_\_

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

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

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

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

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

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

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

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

**EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

# FINANCIAL ACHIEVEMENTS CORPORATION

## Financial Statements

December 31, 2023



# FINANCIAL ACHIEVEMENTS CORPORATION

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October 17, 2024

## INDEPENDENT AUDITOR'S REPORT

To the Owners  
Financial Achievements Corporation  
Deerfield, Wisconsin

### Opinion

We have audited the financial statements of Financial Achievements Corporation (the Company), which comprise the balance sheet as of December 31, 2023, the related statements of changes in stockholders' equity (deficit), income, and cash flows for the year then ended, and the related notes to the financial statements.

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

### Basis for Opinion

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

### Other Matter

The financial statements of the Company, as of and for the year ended December 31, 2022, were audited by other auditors, whose report dated July 31, 2024, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

*Chortek LLP*

Chortek LLP

# FINANCIAL ACHIEVEMENTS CORPORATION

## BALANCE SHEETS

Assets	As of December 31,	
	2023	2022
<b>Current assets</b>		
Cash	\$ 1,627	\$ 1,338
Contracts receivable	26,332	26,919
<b>Total current assets</b>	27,959	28,257
<b>Property and equipment, net of accumulated depreciation</b>	9,404	15,809
<b>Other assets</b>		
Goodwill, net of accumulated amortization	69,000	92,000
Intangible assets, net of accumulated amortization	15,000	20,000
Notes receivable - related parties	236,228	220,428
Interest receivable - related parties	9,790	7,435
<b>Total other assets</b>	330,018	339,863
<b>Total assets</b>	\$ 367,381	\$ 383,929
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 68,666	\$ 28,852
Due to related parties	1,192	1,192
Current portion of long-term debt		
Note payable - stockholders	11,510	12,085
Accrued interest	9,349	11,410
Accrued payroll	4,200	4,200
<b>Total current liabilities</b>	94,917	57,739
Long-term debt, less current portion		
Note payable - stockholders	271,198	329,215
Economic injury disaster loan	150,000	150,000
<b>Total liabilities</b>	516,115	536,954
<b>Total stockholders' equity (deficit)</b>	(148,734)	(153,025)
<b>Total liabilities and stockholders' equity</b>	\$ 367,381	\$ 383,929

# FINANCIAL ACHIEVEMENTS CORPORATION

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

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	<u>Total</u>	<u>Retained Earnings (Deficit)</u>	<u>Common Stock</u>
<b>Balance, January 1, 2022</b>	\$ (134,150)	\$ (135,150)	\$ 1,000
Net income	2,458	2,458	-
Distributions	<u>(21,333)</u>	<u>(21,333)</u>	<u>-</u>
<b>Balance, December 31, 2022</b>	(153,025)	(154,025)	1,000
Net income	21,518	21,518	-
Distributions	<u>(17,227)</u>	<u>(17,227)</u>	<u>-</u>
<b>Balance, December 31, 2023</b>	\$ (148,734)	\$ (149,734)	\$ 1,000

# FINANCIAL ACHIEVEMENTS CORPORATION

## STATEMENTS OF INCOME

	Year Ended December 31,			
	2023		2022	
	Amount	% to Contract Revenues	Amount	% to Contract Revenues
<b>Contract revenues</b>	\$ 316,382	100.00 %	\$ 293,700	100.00 %
<b>Operating expenses</b>				
Amortization expense	28,000	8.85	28,000	9.53
Depreciation expense	6,405	2.02	6,406	2.18
Dues and subscriptions	829	0.26	1,485	0.51
Advertising & marketing expense	126,937	40.12	131,104	44.64
Meals and entertainment	1,124	0.36	1,373	0.47
Miscellaneous expense	1,518	0.48	323	0.11
Office supplies and expense	5,858	1.85	6,928	2.36
Payroll expenses	54,410	17.20	66,342	22.59
Professional fees	28,119	8.89	18,891	6.43
Rent expense	4,200	1.33	4,550	1.55
Storage	3,600	1.14	3,900	1.33
Travel expense	3,680	1.16	4,115	1.40
Uniforms	-	-	90	0.03
Vehicle expense	7,802	2.46	9,776	3.32
<b>Total operating expenses</b>	272,482	86.12	283,283	96.45
<b>Income from operations</b>	43,900	13.88	10,417	3.55
Other income (expense)				
Interest income	2,355	0.74	3,368	1.15
Other income	-	-	10,800	3.68
Interest expense	(24,737)	(7.82)	(22,127)	(7.54)
<b>Net income</b>	\$ 21,518	6.80 %	\$ 2,458	0.84 %

# FINANCIAL ACHIEVEMENTS CORPORATION

## STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net income	\$ 21,518	\$ 2,458
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization	28,000	28,000
Depreciation	6,405	6,406
(Increase) decrease in interest receivable	(2,355)	(3,368)
	<u>53,568</u>	<u>33,496</u>
Changes in operating assets and liabilities:		
(Increase) decrease in -		
Contracts receivables	587	(3,201)
Inventories	-	773
Increase (decrease) in -		
Accounts payable - trade	39,814	17,169
Accrued interest	(2,061)	4,272
Accrued payroll	-	(1,000)
	<u>-</u>	<u>(1,000)</u>
<b>Net cash provided (used) by operating activities</b>	<u>91,908</u>	<u>51,509</u>
<b>Cash flows from investing activities</b>		
Net payments (proceeds) on notes receivable - related party	<u>(15,800)</u>	<u>(15,600)</u>
<b>Net cash provided (used) by investing activities</b>	<u>(15,800)</u>	<u>(15,600)</u>
<b>Cash flows from financing activities</b>		
Payments on note payable - stockholder	(58,592)	(22,478)
Distributions	<u>(17,227)</u>	<u>(21,333)</u>
<b>Net cash provided (used) by financing activities</b>	<u>(75,819)</u>	<u>(43,811)</u>
Increase (decrease) in cash	289	(7,902)
Cash, beginning of year	<u>1,338</u>	<u>9,240</u>
<b>Cash, end of year</b>	<u>\$ 1,627</u>	<u>\$ 1,338</u>

# FINANCIAL ACHIEVEMENTS CORPORATION

## NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2023 AND 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### ***Nature of Operations***

Financial Achievements Corporation (the Company) is a Wisconsin corporation formed in December 2013. The Company commenced operations on January 1, 2017 as a franchisor of health and fitness centers under the "Orange Shoe" and "Orange Shoe Personal Fitness" names that offer personal fitness training, classes, small group and corporate wellness programs, in home training and individualized nutrition, and weight loss counseling. The Company has franchises in the states of Wisconsin and Illinois.

#### ***Concentrations of Credit and Other Risks***

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and contracts receivable.

The Company's cash balances are on deposit with one bank. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Company is exposed to credit risk in the event of default by the bank for amounts that exceed the FDIC limits. Management believes the Company is not exposed to significant credit risk on cash balances.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Contracts Receivable and Allowance for Credit Losses***

Contracts receivable are stated at the amount the Company expects to collect. Differences between the amount due and the amount the Company expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to the valuation allowance. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contracts receivable.

At each balance sheet date, the Company recognizes an expected allowance for credit losses. In addition, at each reporting date, the estimate is updated to reflect any changes in the credit risk since the receivable was initially recorded. The allowance estimate is derived from a review of the Company's historical loss rate. This estimate is adjusted for management's assessment of current economic conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant to the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. Management has considered future events and other factors deemed relevant to the Company and identified no significant increases or reductions in risk.

#### ***Property and Equipment***

Property and equipment are recorded at cost. The Company uses the straight-line method for recording depreciation and amortization expense for financial reporting purposes. The estimated lives of property and equipment are 5 years for both vehicles and fitness equipment.

Expenditures for additions, major renewals, and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or sold and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations.

## **Leases**

The Company recognizes leases in accordance with *Accounting Standards Codification (ASC) 842 - Leases*. The core principle of ASC 842 for lessees is that a lease asset and a lease liability are recognized on the balance sheet for all leases within the scope of the standard. Refer to Note 8 for additional information regarding the Company's lease policies under ASC 842.

## **Goodwill**

The recorded amounts of goodwill from business combinations are based on management's estimates of the fair value of the assets acquired and liabilities assumed at the date of acquisition. The Company has adopted the provisions of the Financial Accounting Standards Board (FASB) *ASC 350 Intangibles - Goodwill and Other*, the Private Company Accounting Alternative related to goodwill. Accordingly, the Company amortizes goodwill on a straight-line basis over a period of ten years and goodwill shall be tested for impairment if an event occurs, or circumstances change, indicating the fair value of the reporting unit may be below the carrying value. When evaluating whether goodwill is impaired, the Company compares the fair value of the entity to the entity's carrying amount, including goodwill. The fair value of the entity is estimated using a combination of the income, or discounted cash flows approach and the market approach, which utilizes data of comparable companies. If the carrying amount of the entity exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of the entity's goodwill to its carrying amount. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. The Company did not recognize an impairment loss related to goodwill for the years ended December 31, 2023 or 2022.

## **Intangible Assets**

Intangible assets consist of franchise contracts. The costs of the intangible assets are being amortized on a straight-line basis over their estimated useful lives of 10 years.

## **Revenue Recognition**

The Company recognizes revenue in accordance with *ASC 606 - Revenue from Contracts with Customers*. The core principle of ASC 606 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Refer to Note 3 for additional information regarding the Company's revenue recognition policies under ASC 606.

## **Advertising & Marketing Costs**

Advertising and marketing costs are expensed as they are incurred. Advertising and marketing expenses totaled \$126,937 and \$131,104 for 2023 and 2022, respectively.

## **Income Taxes**

The Company was formerly taxed as a C Corporation. On January 1, 2018 the Company, with the consent of the stockholders, made the election under Section 1362 of the Internal Revenue Code to be taxed as an S Corporation. This election provides for the stockholders of the Company to report their proportionate share of income, losses, and tax credits on their individual income tax returns. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Along with the election to be taxed as an S Corporation, the Company now has a net unrealized built-in gain. This is determined by the fair market value of the assets of the S Corporation as of the beginning of its first taxable year from which an election under Section 1362 is in effect that exceeds the aggregate adjusted bases of such assets at such time. Management believes that the net unrealized built-in gain is estimated to be \$45,193 as of December 31, 2023.

The Company classifies interest related to unrecognized tax benefits in interest expense and penalties related to unrecognized tax benefits in operating expenses. No interest or penalties related to unrecognized tax benefits were recognized during the years ended December 31, 2023 and 2022.

The Company files tax returns in the U.S. federal and various state jurisdictions. U.S. federal tax authorities have statutes of limitations of three years. The state jurisdictions have statutes of limitations that generally range from three to five years.

## ***Reclassification of Financial Statement Presentation***

Certain reclassifications were made to the December 31, 2022 financial statements to conform to the December 31, 2023 financial statement presentation. Such reclassifications had no effect on the stockholders' equity as previously reported.

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## **NOTE 2 - NEW ACCOUNTING PRONOUNCEMENTS**

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### ***Recent Accounting Pronouncements Adopted***

In June 2016, the FASB issued guidance (ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in ASC 326 were contracts receivable. The Company adopted the new standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures.

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## **NOTE 3 - REVENUE RECOGNITION**

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Revenue is recognized when control of the promised products or services are transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to for those products and services. In general, the Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts with the customer
- Identification of the performance obligation(s) in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

### ***Initial Franchise Fees***

The Company's initial franchise fees are used to offset the expenses incurred to research, approve, and provide assistance to franchisees in the opening of their locations. In addition, the fees are used for providing training prior to opening the location. The Company has elected the practical expedient under ASC 606 to account for certain pre-opening services as distinct from the franchise license. The Company's policy is to recognize the pre-opening services as distinct from the franchise license. The Company's policy is to recognize the pre-opening services as a single performance obligation. As such, these franchise fees are recognized at a point in time when the obligations have been met.

### ***Royalties***

The Company receives a continuing fee and a marketing fee based on a percentage of sales each month from the franchised locations as royalties. Revenue from royalties is recognized each month based on reported franchisee sales.

### ***Other Revenue***

The Company earns additional franchise revenues related to vendor rebates, franchise transfers, reservations, development agreements, and other miscellaneous items. Revenue is recognized as each individual performance obligation is satisfied.

Contract revenues includes franchise fees income and initial franchise fee income. Revenue recognized from goods and services under contracts that transfer to the customer at a point in time was \$315,241 and \$293,700, for the years ended December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, beginning contracts receivable related to contract revenue were \$26,919 and \$23,718, respectively. Ending contracts receivable related to contract revenue were \$26,332 and \$26,919, respectively.

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**NOTE 4 - DISCLOSURES PERTAINING TO STATEMENTS OF CASH FLOWS**

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	<u>2023</u>	<u>2022</u>
Cash paid during the year for -		
Interest	<u>\$ 26,798</u>	<u>\$ 17,855</u>

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**NOTE 5 - PROPERTY AND EQUIPMENT**

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Property and equipment as of December 31, 2023 and 2022 is summarized by major classification as follows:

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 19,938	\$ 19,938
Fitness and computer equipment	<u>12,090</u>	<u>12,090</u>
	32,028	32,028
Accumulated depreciation	<u>(22,624)</u>	<u>(16,219)</u>
Total property and equipment	<u>\$ 9,404</u>	<u>\$ 15,809</u>

Depreciation expense charged to operations for the years ended December 31, 2023 and 2022 was \$6,405 and \$6,406, respectively.

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**NOTE 6 - GOODWILL & INTANGIBLE ASSETS**

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Goodwill as of December 31, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Cost	\$ 230,000	\$ 230,000
Accumulated amortization	<u>(161,000)</u>	<u>(138,000)</u>
Net book value	<u>\$ 69,000</u>	<u>\$ 92,000</u>

For each of the years ended December 31, 2023 and 2022, goodwill amortization expense amounted to \$23,000 and is included in amortization expense.

Intangible assets as of December 31, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Franchise contracts	\$ 50,000	\$ 50,000
Accumulated amortization	<u>(35,000)</u>	<u>(30,000)</u>
Net book value	<u>\$ 15,000</u>	<u>\$ 20,000</u>

For each of the years ended December 31, 2023 and 2022, intangible assets amortization expense amounted to \$5,000 and is included in amortization expense.

Future amortization of goodwill and intangible assets are estimated to be as follows:

<u>Year Ending December 31,</u>	<u>Goodwill</u>	<u>Intangible Assets</u>	<u>Total</u>
2024	\$ 23,000	\$ 5,000	\$ 28,000
2025	23,000	5,000	28,000
2026	<u>23,000</u>	<u>5,000</u>	<u>28,000</u>
	<u>\$ 69,000</u>	<u>\$ 15,000</u>	<u>\$ 84,000</u>

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#### **NOTE 7 - NOTES PAYABLE**

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As of December 31, 2023 and 2022, the Company has a note payable to the stockholders of \$282,708 and \$341,300, respectively. As of December 31, 2023 and 2022, \$11,510 and \$12,085 of the balance is considered current, respectively. The note is payable in 360 monthly installments of \$1,809, including interest at 3.68% and is due on September 1, 2049.

The principal balance is scheduled to mature as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 11,510
2025	11,940
2026	12,386
2027	12,849
2028	13,329
Thereafter	<u>220,694</u>
	<u>\$ 282,708</u>

On October 29, 2020, the Company received a \$150,000 loan from the Small Business Administration (SBA) under its Economic Injury Disaster Loan (EIDL) assistance program in the light of the impact of the COVID-19 pandemic on the Company's business. Interest accrues at the rate of 3.75% per annum. Installment payments became due monthly beginning May 1, 2023 (thirty months from the date of the SBA note) in the amount of \$731. The payments are applied to the balance of accrued interest before being applied to principal. The balance of principal and interest is payable thirty years from the date of the SBA note. As of December 31, 2023 and 2022, the outstanding balance of the loan is \$150,000 and the balance of accrued interest is \$8,772 and \$10,748, respectively. In connection therewith, the Company received a \$1,000 advance, which does not have to be repaid.

The principal balance is scheduled to mature as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2027	\$ 810
2028	3,208
Thereafter	<u>145,982</u>
	<u>\$ 150,000</u>

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## **NOTE 8 - LEASES**

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The Company accounts for leases in accordance with ASC 842. The Company is a lessee in a related-party short-term operating lease for office and storage space. Leases are evaluated using the criteria outlined in ASC 842 to determine whether they will be classified as operating leases or finance leases. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Company determines if an arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Company recognizes a lease liability and right-of-use (ROU) asset at the commencement date of any long-term leases.

### ***Accounting Policy Election for Short-Term Leases***

The Company has elected, for all underlying classes of assets, to not recognize a ROU asset and lease liability for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term.

### ***Leases***

The Company leases office and storage space from a related-party under a short-term operating lease. These short-term lease payments are not included in lease payments used to determine the lease liability and are recognized as short-term lease costs when incurred. For the years ended December 31, 2023 and 2022, short-term lease costs totaled \$7,800 and \$8,450, respectively.

The Company has elected not to separate non-lease components from lease components in leases for office and storage space.

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**NOTE 9 - FRANCHISE FEES**

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Initial franchise fees are fully earned when paid and are not refundable. The Company also offers area development agreements. The initial fee for area development is \$29,000 for each studio to be developed, plus an initial franchise fee for each studio as follows:

Number of Studios being Developed	Initial Franchise Fee (each studio)
1	\$39,000
2	\$30,000
3	\$25,000
4 and up	\$20,000

The continuing fee is 6% of the franchisee's monthly gross revenues and is earned at the end of each month. Franchisees are also required to make a payment of 2% of monthly gross revenues to a marketing fund based on their franchise agreement (some may be negotiated down on an individual basis). Those fees are also earned at the end of each month. The marketing fund is used for research, development and supporting costs, and to develop and promote the brand name. The franchise agreement term is 10 years and can be renewed for three additional consecutive terms of 5 years. The renewal fee is 100% of the current initial franchise fee.

As of December 31, 2023, there were eleven franchised outlets in operation.

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**NOTE 10 - RELATED PARTY TRANSACTIONS**

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On December 31, 2020, a stockholder note receivable was created in the amount of \$119,328. The note is an interest only note and matures on December 31, 2026. The annual interest rate is 1.69%. As of December 31, 2023 and 2022, the balance of the note receivable is \$119,328 and the balance of interest receivable is \$8,272 and \$5,917, respectively.

As of December 31, 2023 and 2022, the Company has a note payable to its stockholders of \$282,708 and \$341,300, respectively. See Note 7 for further information.

The Company has a lease agreement with the stockholders. See Note 8 for further information on the lease.

The stockholders of the Company own 100% of 212 Fitness, LLC. As of December 31, 2023 and 2022, the Company has outstanding payables due to 212 Fitness, LLC of \$1,192. In 2023 and 2022, the Company paid fees to 212 Fitness, LLC for marketing services totaling \$18,975 and \$14,850.

The stockholders of the Company own 99% of Fitventures - Pewaukee, Inc, a franchisee of the Company. The Company recorded \$21,280 and \$20,521 of revenue from franchise continuation fees, marketing fees, and software for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, receivables due from Fitventures - Pewaukee, Inc. are \$1,695 and \$2,978, respectively. In addition, as of December 31, 2023 and 2022, there is a \$116,900 and \$101,100 interest only note receivable from Fitventures - Pewaukee, Inc., respectively. Interest accrues at the rate of 1.5% per annum with a maturity date of December 31, 2026. As of December 31, 2023 and 2022, the balance of interest receivable is \$1,518.

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**NOTE 11 - RISK MANAGEMENT**

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The Company is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. As of December 31, 2023 and 2022, the Company did not have commercial insurance coverage to mitigate any risks.

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**NOTE 12 - RETIREMENT PLAN**

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The Company has a solo 401(k) plan that became effective January 1, 2019. Employer contributions are discretionary. There were no employer contributions for the years ended December 31, 2023 and 2022.

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**NOTE 13 - SUBSEQUENT EVENTS**

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Management has evaluated subsequent events through October 17, 2024 the date on which the financial statements were available to be issued.

**Financial Achievements Corporation**

**Financial Statements**

**Years Ended December 31, 2022 and 2021**

**Financial Achievements Corporation**

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## Independent Auditor's Report

[www.mbecpa.com](http://www.mbecpa.com)

To the Shareholders of:  
Financial Achievements Corporation (an S-Corporation)  
Deerfield, WI

### **Opinion**

We have audited the accompanying financial statements of Financial Achievements Corporation, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of changes in stockholders' equity, operations, and cash flows for the years then ended, and the related notes to the financial statements.

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

### **Basis for Opinion**

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

### **Emphasis of Matter**

As discussed in Note A to the financial statements, management has implemented ASC 842 – Leases in 2022. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

***MBE CPAs, LLP***

Reedsburg, WI

July 31, 2024

**Financial Achievements Corporation**  
**Balance Sheets**  
**As of December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 1,338	\$ 9,240
Contracts receivable	21,847	20,649
Contracts receivable - related party	5,072	3,069
Inventory	-	773
Interest receivable	7,435	4,067
<b>Total Current Assets</b>	35,692	37,798
<b>Property and Equipment</b>		
Furniture and equipment	9,092	9,092
Vehicles	19,938	19,938
Computer and office equipment	2,998	2,998
Less accumulated depreciation	(16,219)	(9,813)
<b>Net Property and Equipment</b>	15,809	22,215
<b>Intangible Assets</b>		
Goodwill	230,000	230,000
Less accumulated amortization - goodwill	(138,000)	(115,000)
Franchise contracts	50,000	50,000
Less accumulated amortization - franchise contracts	(30,000)	(25,000)
<b>Net Intangible Assets</b>	112,000	140,000
<b>Other Assets</b>		
Notes receivable - related party	101,100	85,500
Note receivable - stockholder	119,328	119,328
<b>Total Other Assets</b>	220,428	204,828
<b>Total Assets</b>	\$ 383,929	\$ 404,841

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Balance Sheets**  
**As of December 31, 2022 and 2021**

	2022	2021
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,691	\$ 6,887
Accrued interest	11,410	7,138
Accrued payroll	4,200	5,200
Credit card payable	18,161	4,796
Due to related parties	1,192	1,192
Current portion of long-term debt - stockholders	12,085	10,029
<b>Total Current Liabilities</b>	57,739	35,242
<b>Long-Term Debt</b>		
Notes payable, net of current portion - stockholders	329,215	353,749
Economic injury disaster loan	150,000	150,000
<b>Total Long-Term Debt</b>	479,215	503,749
<b>Total Liabilities</b>	536,954	538,991
<b>Stockholders' Equity</b>		
Common stock, no par value, 5,000 shares authorized, 5,000 shares issued and outstanding	1,000	1,000
Retained earnings	(154,025)	(135,150)
<b>Total Stockholders' Equity</b>	(153,025)	(134,150)
<b>Total Liabilities and Stockholders' Equity</b>	\$ 383,929	\$ 404,841

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Statements of Changes in Stockholders' Equity**  
**As of December 31, 2022 and 2021**

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	<b>Common Stock</b>	<b>Retained Earnings</b>	<b>Total Stockholders' Equity</b>
<b>Balances, January 1, 2021</b>	\$ 1,000	15,356	\$ 16,356
Stockholder Distributions	-	(145,659)	(145,659)
Net Income (Loss)	-	(4,847)	(4,847)
<b>Balances, December 31, 2021</b>	<b>\$ 1,000</b>	<b>\$ (135,150)</b>	<b>\$ (134,150)</b>
Stockholder Distributions	-	(21,333)	(21,333)
Net Income (Loss)	-	2,458	2,458
<b>Balances, December 31, 2022</b>	<b>\$ 1,000</b>	<b>\$ (154,025)</b>	<b>\$ (153,025)</b>

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Statements of Operations**  
**As of December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Contract Revenues</b>		
Franchise fees income	\$ 293,700	\$ 255,106
Initial franchise fee income	-	19,000
Merchandise sales	-	4,684
<b>Total Contract Revenues</b>	<u>293,700</u>	<u>278,790</u>
<b>Cost of Goods Sold</b>	<u>-</u>	<u>5,252</u>
<b>Gross Profit</b>	293,700	273,538
<b>Operating Expenses</b>		
Amortization expense - goodwill	23,000	23,000
Amortization expense - franchise contracts	5,000	5,000
Continuing education	-	99
Depreciation expense	6,406	6,156
Dues and subscriptions	1,485	3,174
Marketing expense	131,104	119,790
Storage	3,900	3,550
Meals and entertainment	1,373	1,345
Miscellaneous expense	323	898
Office supplies and expenses	6,928	8,831
Payroll expenses	66,342	56,001
Professional fees	18,891	41,708
Rent expense	4,550	3,600
Travel expense	4,115	4,436
Uniforms	90	6,153
Vehicle expenses	9,776	10,364
<b>Total Operating Expenses</b>	<u>283,283</u>	<u>294,105</u>
<b>Income (Loss) from Operations</b>	10,417	(20,567)
<b>Other Income (Expense)</b>		
Interest income	3,368	2,052
Other income	10,800	15,598
Gain on forgiveness of debt	-	17,326
Interest expense	(22,127)	(19,256)
<b>Total Other Income (Expense)</b>	<u>(7,959)</u>	<u>15,720</u>
<b>Net Income (Loss)</b>	<u>\$ 2,458</u>	<u>\$ (4,847)</u>

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Statements of Cash Flows**  
**As of December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash Flows From Operating Activities:</b>		
Net Income (Loss)	\$ 2,458	\$ (4,847)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Amortization - goodwill	23,000	23,000
Amortization - franchise contracts	5,000	5,000
Depreciation expense	6,406	6,156
Gain on forgiveness of debt	-	(17,326)
(Increase) Decrease in assets		
Contracts receivable	(1,198)	(1,716)
Contracts receivable - related party	(2,003)	(1,033)
Inventory	773	4,625
Interest receivable	(3,368)	(2,050)
Refundable payment on PPP loan	-	1,007
Increase (Decrease) in Liabilities		
Accounts payable	3,804	6,887
Accrued interest	4,272	5,742
Accrued payroll	(1,000)	200
Credit card payable	13,365	3,212
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>51,509</b>	<b>28,857</b>
<b>Cash Flows From Investing Activities:</b>		
Disbursements on note receivable - related party	(15,600)	(70,500)
Purchase of property and equipment	-	(2,998)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(15,600)</b>	<b>(73,498)</b>
<b>Cash Flows From Financing Activities</b>		
Payments on note payable - bank	-	(1,826)
Proceeds from PPP loan	-	17,326
Proceeds from note payable - stockholders	-	95,377
Payments on note payable - stockholders	(22,478)	(21,202)
Payments on due to related parties	-	(504)
Stockholder distributions	(21,333)	(145,659)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(43,811)</b>	<b>(56,488)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(7,902)</b>	<b>(101,129)</b>
<b>Cash - Beginning of Year</b>	<b>9,240</b>	<b>110,369</b>
<b>Cash - End of Year</b>	<b>\$ 1,338</b>	<b>\$ 9,240</b>
<b>Supplemental Cash Flow Information:</b>		
Cash payments made for interest	<b>\$ 17,855</b>	<b>\$ 13,514</b>

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note A – Summary of Significant Accounting Policies**

Nature of Activities

Financial Achievements Corporation (the Company) is a Wisconsin corporation formed in December 2013. The Company commenced operations on January 1, 2017, as a franchisor of health and fitness centers under the “Orange Shoe” and “Orange Shoe Personal Fitness” names that offer personal fitness training, classes, small group and corporate wellness programs, in home training and individualized nutrition, and weight loss counseling. The Company has franchises in the states of Wisconsin and Illinois.

Basis of Accounting

The financial statements of Financial Achievements Corporation are prepared on the accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

Change of Entity Classification

Financial Achievements Corporation was formerly taxed as a C-Corporation. On January 1, 2018 the Company, with the consent of the shareholders, made the election to be taxed as a subchapter S Corporation with the Internal Revenue Service.

Along with the election to be taxed as an S-corporation, the company now has a net unrealized built-in gain. This is determined by the fair market value of the assets of the S-Corporation as of the beginning of its 1<sup>st</sup> taxable year from which an election under 1362(a) is in effect, that exceeds the aggregate adjusted bases of such assets at such time. Management believes that the net unrealized built-in gain is estimated to be \$45,193, as of December 31, 2022.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Financial Achievements Corporation considers cash and cash equivalents to include cash on hand, demand deposits, non-negotiable certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

Contracts Receivable

Contracts receivable represent amounts due for franchise and marketing fees. Contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contracts receivable. Changes in the valuation allowance have not been material to the financial statements.

Contracts receivable due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The Company charges interest on overdue customer account balances at the lesser of 18% or the maximum rate of interest allowed by law. Contracts receivable are stated at the amount billed to the customer. Payments of contracts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. For the years ended December 31, 2022 and 2021, management considered all accounts fully collectible.

Inventory

Inventory is stated at the lower of cost or net realizable value, with cost being determined by the first-in, first-out method. Inventory at December 31, 2022 and 2021 has been estimated based on purchases and sales for the period.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note A – Summary of Significant Accounting Policies (Continued)**

Property and Equipment

Property and equipment are carried at cost. The Company capitalizes all expenditures for property and equipment of \$2,500 or more. Depreciation is computed using the straight line method based on the estimated useful lives of the related assets of five years. Depreciation expense totaled \$6,406 and \$6,156 for the years ended December 31, 2022 and 2021, respectively.

Ordinary maintenance and repairs of property and equipment are charged to operations when incurred. Upon retirement, sale, or other disposition of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in operations.

Intangible Assets

Intangible assets consist of goodwill and franchise contracts. Goodwill is amortized over 10 years and the franchise contracts are amortized over the life of the contract, which is between 3 and 10 years. Amortization is computed using the straight-line method. Amortization expense totaled \$28,000 for each year ended December 31, 2022 and 2021.

Scheduled amortization expense of goodwill and franchise contracts for the following periods ending December 31 is presented below:

	<u>Goodwill</u>	<u>Franchise Contracts</u>
Amortization expense 2023	\$ 23,000	\$ 5,000
Amortization expense 2024	\$ 23,000	\$ 5,000
Amortization expense 2025	\$ 23,000	\$ 5,000
Amortization expense 2026	\$ 23,000	\$ 5,000
Amortization expense 2027	\$ -	\$ -

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ended December 31, 2022 and 2021, there were no impairment losses recognized.

Notes Receivable

Notes Receivable are presented at their principal amount and are unsecured. See Note F.

Advertising and Marketing

The Company expenses advertising and marketing costs as they are incurred. For the years ended December 31, 2022 and 2021, marketing expense was \$131,104 and \$119,790, respectively.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note A – Summary of Significant Accounting Policies (Continued)**

Revenue Recognition

Revenue is recognized when control of the promised products or services are transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to for those products and services. In general, the Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligation(s) in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

**Initial Franchise Fees**

The Company's initial franchise fees are used to offset the expenses incurred to research, approve, and provide assistance to franchisees in the opening of their locations. In addition, the fees are used for providing training prior to opening the location. The Company has elected the practical expedient under ASC 606 to account for certain pre-opening services as distinct from the franchise license. The Company's policy is to recognize the pre-opening services as a single performance obligation. As such, these franchise fees are recognized at a point in time when the obligations have been met.

**Royalties**

The Company receives a continuing fee and a marketing fee based on a percentage of sales each month from the franchised locations as royalties. Revenue from royalties is recognized each month based on reported franchisee sales.

**Other Revenue**

The Company earns additional franchise revenues related to vendor rebates, franchise transfers, reservations, development agreements, and other miscellaneous items. Revenue is recognized as each individual performance obligation is satisfied.

Contract revenue includes franchise fees income and initial franchise fee income. Revenue recognized from goods and services under contracts that transfer to the customer at a point in time was \$293,700 and \$274,106, for the years ended December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, beginning accounts receivable related to contract revenue were \$23,718 and \$20,969, respectively. Ending accounts receivable related to contract revenue were \$26,919 and \$23,718, respectively.

Date of Management's Review

Management has evaluated subsequent events through July 31, 2024, the date on which the financial statements were available to be issued.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note A – Summary of Significant Accounting Policies (Continued)**

Leases

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

The Company elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Company does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022. The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease or January 1, 2022, for existing leases upon the adoption of Topic 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date or remaining term for leases existing upon the adoption of Topic 842.

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

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred. Adoption of Topic 842 did not result in the recording of any additional ROU assets or lease liabilities related to the Company's operating leases, at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

**Note B – Uninsured Cash**

The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. There may be times during the year that the Company's balances are in excess of the FDIC limits. As of December 31, 2022 and 2021, there were no deposits in excess of the FDIC limit.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note C – Accounting for Uncertainty in Income Taxes**

The Company has evaluated for uncertain tax positions. Management has determined that there are no uncertain tax positions as of December 31, 2022 and 2021. Both Federal and State tax returns remain open to examination through their respective statutes of limitations.

**Note D – Risk Management**

The Company is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. As of December 31, 2022 and 2021, the Company did not have commercial insurance coverage to mitigate any risks.

**Note E – Employee Benefit Plans**

The Company has a solo 401(k) plan that became effective January 1, 2019. Employer contributions are discretionary. There were no employer contributions for 2022 and 2021.

**Note F – Related Party Transactions**

On December 31, 2020, a stockholder note receivable was created in the amount of \$119,328. The note is an interest only note and matures on December 31, 2026. The annual interest rate was 1.69%. As of December 31, 2022 and 2021, the balance of the note receivable is \$119,328.

The stockholders of the Company own 100% of 212 Fitness, LLC. As of December 31, 2022 and 2021, the Company had outstanding payables due to 212 Fitness, LLC of \$1,192. In addition, the Company pays \$1,500 per month to 212 Fitness, LLC for lead generation and marketing consulting. In 2022 and 2021, the Company paid additional fees to 212 Fitness LLC for market research and additional supervision for a new franchisee totaling \$14,850 and \$14,500, respectively. Total payments made to 212 Fitness, LLC in 2022 and 2021 were \$32,850 and \$32,500, respectively.

As of November 1, 2018, Master Your DNA, Inc. is a franchisee of Financial Achievements Corporation. The stockholders of the Company owned 100% of Master Your DNA, Inc. until the sale of this entity to a third-party in 2021. Financial Achievements Corporation collected \$23,430 and \$18,157 of franchise continuation fees, marketing fees, and merchandise revenue from Master Your DNA, Inc. for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, receivables due from Master Your DNA, Inc. were \$2,094 and \$1,704, respectively.

As of June 1, 2019, Fitventures – Pewaukee, Inc. is a franchisee of Financial Achievements Corporation. The stockholders of the Company own 99% of Fitventures – Pewaukee, Inc. Financial Achievements Corporation collected \$20,521 and \$13,425 of franchise continuation fees, marketing fees, merchandise revenue, and lead generation fees for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, receivables due from Fitventures – Pewaukee, Inc. were \$2,978 and \$1,365, respectively. In addition, as of December 31, 2022, there was a \$101,100 interest only receivable from Fitventures – Pewaukee, Inc. Interest accrues at the rate of 1.5% per annum with a maturity date of December 31, 2026.

According to the Federal Trade Commission's amended Franchise Rule in section 436.5(t), Master Your DNA, Inc. was considered a "company-owned outlet" at the beginning of 2021 until its sale in January 2021. However, Financial Achievements Corporation does not directly or indirectly own any portion of Master Your DNA, Inc. Therefore, the relevant accounting standards state that Master Your DNA, Inc. is not considered a "company-owned outlet" for financial reporting purposes.

As of December 31, 2022 and 2021, the Company had a note payable to its stockholders of \$341,300 and \$363,778, respectively. See Note H for further information.

The Company has a lease agreement with the shareholders. Payments made under the lease in 2022 and 2021 were \$4,550 and \$3,600, respectively. In addition, \$3,900 and \$3,550 was reimbursed to the shareholders for storage fees for the years ended December 31, 2022 and 2021, respectively. See Note I for further information on the lease.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note G – Franchise Fees**

Initial franchise fees are fully earned when paid and are not refundable. Financial Achievements Corporation also offers area development agreements. The initial fee for area development is \$5,000 for each studio to be developed, plus an initial franchise fee for each studio as follows:

Number of Studios being Developed	Initial Franchise Fee (each studio)
1	\$39,000
2	\$30,000
3	\$25,000
4 and up	\$20,000

The continuing fee is between 5% and 6% of the franchisee’s monthly gross revenues and is earned at the end of each month. Franchisees are also required to make a contribution of 2% of monthly gross revenues to a marketing fund based on their franchise agreement (some may be negotiated down on an individual basis). Those fees are also earned at the end of each month. The marketing fund is used for research, development and supporting costs, and to develop and promote the brand name. The franchise agreement term is 10 years and can be renewed for three additional consecutive terms of 5 years. The renewal fee is 100% of the current initial franchise fee.

As of December 31, 2022, there were eleven franchised outlets in operation.

**Note H – Long-Term Debt**

As of December 31, 2022 and 2021, the Company had a note payable with the stockholders of \$341,300 and \$363,778, respectively. As of December 31, 2022 and 2021, \$12,085 and \$10,029 of the balance is considered current, respectively. The note has an interest rate of 3.675% and a maturity date of September 1, 2049.

On October 29, 2020, the Company received a \$150,000 loan from the SBA under its Economic Injury Disaster Loan (“EIDL”) assistance program in light of the impact of the COVID-19 pandemic on the Company’s business. Interest accrues at the rate of 3.75% per annum. Installment payments, including principal and interest, became due monthly beginning November 1, 2022 (twenty four months from the date of the SBA Note) in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the SBA Note. As of December 31, 2022 and 2021, the outstanding balance of the loan was \$150,000. In connection therewith, the Company received a \$1,000 advance, which does not have to be repaid.

Scheduled principal payments of notes payable for the following years ending December 31:

2023	\$ 12,085
2024	12,521
2025	13,009
2026	13,497
2027	14,004
Thereafter	<u>426,184</u>
	<u>\$ 491,300</u>

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2022 and 2021**

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**Note I – Operating Leases**

On January 1, 2019 the Company signed a lease agreement with its shareholders for office rent. Lease payments are \$350 per month. Total payments under the lease for 2022 and 2021 were \$4,550 and \$3,600, respectively. The lease was for one year and it expired on December 31, 2019. Upon expiration, the lease became a month-to-month agreement with the same terms. In addition, \$3,900 and \$3,550 was reimbursed to shareholders for storage fees for the years ended December 31, 2022 and 2021, respectively.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31:

Lease expense	2022	2021
Operating lease expense	\$ -	\$ -
Short-term lease expense	8,450	7,150
Variable lease expense	-	-
	\$ 8,450	\$ 7,150

**Note J – Small Business Administration Paycheck Protection Program**

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Company obtained a PPP loan for \$9,400. The loan was fully forgiven in 2020. In February of 2021, the Company received a loan in the amount of \$17,326. The loan was received from the Small Business Administration's Paycheck Protection Program. The loan was fully forgiven in 2021. As of December 31, 2021, the Company has recognized a gain on forgiveness of debt of \$17,326.

**Note K – New Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; and ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Company elected to adopt these ASUs effective January 1, 2022, and utilized all of the available practical expedients. The adoption did not have a material impact on the Company's balance sheet or statement of operations.

**Note L – Reclassifications**

A reclassification has been made to the 2021 financial statement presentation to correspond to the current year's format. Total assets and net loss are unchanged due to the reclassification.

**Financial Achievements Corporation**

**Financial Statements**

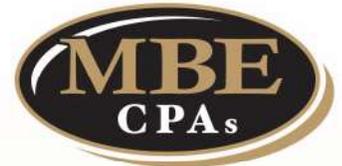
**Years Ended December 31, 2021 and 2020**

**Financial Achievements Corporation**

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## **Independent Auditor's Report**

To the Shareholders of:  
Financial Achievements Corporation (an S-Corporation)  
Deerfield, WI

### **Opinion**

We have audited the accompanying financial statements of Financial Achievements Corporation, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of changes in stockholders' equity, operations, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Financial Achievements Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

***MBE CPAs, LLP***

Reedsburg, WI

June 6, 2024

**Financial Achievements Corporation**  
**Balance Sheets**  
**As of December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 9,240	\$ 110,369
Contracts receivable	20,649	18,933
Contracts receivable - related party	3,069	2,036
Due from related parties	-	15,000
Inventory	773	5,398
Interest receivable	4,067	2,017
Refundable payment on PPP loan	-	1,007
<b>Total Current Assets</b>	37,798	154,760
<b>Property and Equipment</b>		
Furniture and equipment	12,090	9,092
Vehicles	19,938	19,938
Less accumulated depreciation	(9,813)	(3,657)
<b>Net Property and Equipment</b>	22,215	25,373
<b>Intangible Assets</b>		
Goodwill	230,000	230,000
Less accumulated amortization - goodwill	(115,000)	(92,000)
Franchise contracts	50,000	50,000
Less accumulated amortization - franchise contracts	(25,000)	(20,000)
<b>Net Intangible Assets</b>	140,000	168,000
<b>Other Assets</b>		
Notes receivable - related party	85,500	-
Note receivable - stockholder	119,328	119,328
<b>Total Other Assets</b>	204,828	119,328
<b>Total Assets</b>	\$ 404,841	\$ 467,461

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Balance Sheets**  
**As of December 31, 2021 and 2020**

	2021	2020
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,887	\$ -
Accrued interest	7,138	1,396
Accrued payroll	5,200	5,000
Credit card payable	4,796	1,584
Due to related parties	1,192	1,696
Current portion of long-term debt - bank	-	1,826
Current portion of long-term debt - stockholders	10,029	5,842
<b>Total Current Liabilities</b>	35,242	17,344
<b>Long-Term Debt</b>		
Notes payable, net of current portion - stockholders	353,749	283,761
Economic injury disaster loan	150,000	150,000
<b>Total Long-Term Debt</b>	503,749	433,761
<b>Total Liabilities</b>	538,991	451,105
<b>Stockholders' Equity</b>		
Common stock, no par value, 5,000 shares authorized, 5,000 shares issued and outstanding	1,000	1,000
Retained earnings	(135,150)	15,356
<b>Total Stockholders' Equity</b>	(134,150)	16,356
<b>Total Liabilities and Stockholders' Equity</b>	\$ 404,841	\$ 467,461

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Statements of Changes in Stockholders' Equity**  
**As of December 31, 2021 and 2020**

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	<b>Common Stock</b>	<b>Retained Earnings</b>	<b>Total Stockholders' Equity</b>
<b>Balances, January 1, 2020</b>	\$ 1,000	\$ 18,618	\$ 19,618
Net Income (Loss)	-	(3,262)	(3,262)
<b>Balances, December 31, 2020</b>	<b>\$ 1,000</b>	<b>\$ 15,356</b>	<b>\$ 16,356</b>
Stockholder Distributions	-	(145,659)	(145,659)
Net Income (Loss)	-	(4,847)	(4,847)
<b>Balances, December 31, 2021</b>	<b>\$ 1,000</b>	<b>\$ (135,150)</b>	<b>\$ (134,150)</b>

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Statements of Operations**  
**As of December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Contract Revenues</b>		
Franchise fees income	\$ 255,106	\$ 229,495
Initial franchise fee income	19,000	-
Merchandise sales	4,684	1,291
<b>Total Contract Revenues</b>	<u>278,790</u>	<u>230,786</u>
<b>Cost of Goods Sold</b>	<u>5,252</u>	<u>291</u>
<b>Gross Profit</b>	273,538	230,495
<b>Operating Expenses</b>		
Amortization expense - goodwill	23,000	23,000
Amortization expense - franchise contracts	5,000	5,000
Continuing education	99	-
Depreciation expense	6,156	10,983
Dues and subscriptions	3,174	7,599
Marketing expense	119,790	98,819
Storage	3,550	3,000
Meals and entertainment	1,345	1,311
Miscellaneous expense	898	316
Office supplies and expenses	8,831	6,758
Payroll expenses	56,001	53,489
Professional fees	41,708	22,006
Rent expense	3,600	4,200
Travel expense	4,436	7,265
Uniforms	6,153	385
Vehicle expenses	10,364	4,246
<b>Total Operating Expenses</b>	<u>294,105</u>	<u>248,377</u>
<b>Income (Loss) from Operations</b>	(20,567)	(17,882)
<b>Other Income (Expense)</b>		
Interest income	2,052	1,107
Gain (Loss) on disposition of assets	-	(1,780)
Other income	15,598	17,537
EIDL Advance	-	1,000
Gain on forgiveness of debt	17,326	9,400
Interest expense	(19,256)	(12,644)
<b>Total Other Income (Expense)</b>	<u>15,720</u>	<u>14,620</u>
<b>Net Income (Loss)</b>	<u>\$ (4,847)</u>	<u>\$ (3,262)</u>

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Statements of Cash Flows**  
**As of December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities:</b>		
Net Income (Loss)	\$ (4,847)	\$ (3,262)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Amortization - goodwill	23,000	23,000
Amortization - franchise contracts	5,000	5,000
Depreciation expense	6,156	10,983
(Gain) Loss on disposition of assets	-	1,780
Gain on forgiveness of debt	(17,326)	(9,400)
(Increase) Decrease in assets		
Contracts receivable	(1,716)	449
Contracts receivable - related party	(1,033)	9,899
Inventory	4,625	(1,938)
Interest receivable	(2,050)	(1,104)
Refundable Payment on PPP Loan	1,007	(1,007)
Increase (Decrease) in Liabilities		
Accounts payable	6,887	(3,250)
Accrued interest	5,742	703
Accrued payroll	200	1,000
Payroll taxes payable	-	(1,155)
Credit card payable	3,212	(9,048)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>28,857</b>	<b>22,650</b>
<b>Cash Flows From Investing Activities:</b>		
Disbursements on note receivable - stockholder	-	(65,328)
Disbursements on due from related parties	-	(9,000)
Disbursements on note receivable - related party	(70,500)	-
Proceeds from sale of assets	-	20,000
Purchase of property and equipment	(2,998)	(19,938)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(73,498)</b>	<b>(74,266)</b>
<b>Cash Flows From Financing Activities</b>		
Payments on note payable - bank	(1,826)	(3,130)
Proceeds from PPP Loan	17,326	9,400
Proceeds from note payable - stockholder	95,377	-
Payments on note payable - stockholders	(21,202)	(5,632)
Proceeds (payments) on due to related parties	(504)	596
Proceeds from Economic injury disaster loan	-	150,000
Stockholderr distributions	(145,659)	-
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(56,488)</b>	<b>151,234</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(101,129)</b>	<b>99,618</b>
<b>Cash - Beginning of Year</b>	<b>110,369</b>	<b>10,751</b>
<b>Cash - End of Year</b>	<b>\$ 9,240</b>	<b>\$ 110,369</b>
<b>Supplemental Cash Flow Information:</b>		
Cash payments made for interest	<b>\$ 13,514</b>	<b>\$ 11,941</b>

The notes to the financial statements are an integral part of this statement

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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**Note A – Summary of Significant Accounting Policies**

Nature of Activities

Financial Achievements Corporation (the Company) is a Wisconsin corporation formed in December 2013. The Company commenced operations on January 1, 2017, as a franchisor of health and fitness centers under the “Orange Shoe” and “Orange Shoe Personal Fitness” names that offer personal fitness training, classes, small group and corporate wellness programs, in home training and individualized nutrition, and weight loss counseling. The Company has franchises in the states of Wisconsin and Illinois.

Basis of Accounting

The financial statements of Financial Achievements Corporation are prepared on the accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

Change of Entity Classification

Financial Achievements Corporation was formerly taxed as a C-Corporation. On January 1, 2018 the Company, with the consent of the shareholders, made the election to be taxed as a subchapter S Corporation with the Internal Revenue Service.

Along with the election to be taxed as an S-corporation, the company now has a net unrealized built-in gain. This is determined by the fair market value of the assets of the S-Corporation as of the beginning of its 1<sup>st</sup> taxable year from which an election under 1362(a) is in effect, that exceeds the aggregate adjusted bases of such assets at such time. Management believes that the net unrealized built-in gain is estimated to be \$45,193, as of December 31, 2021.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Financial Achievements Corporation considers cash and cash equivalents to include cash on hand, demand deposits, non-negotiable certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

Contracts Receivable

Contracts receivable represent amounts due for franchise and marketing fees. Contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contracts receivable. Changes in the valuation allowance have not been material to the financial statements.

Contracts receivable due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The Company charges interest on overdue customer account balances at the lesser of 18% or the maximum rate of interest allowed by law. Contracts receivable are stated at the amount billed to the customer. Payments of contracts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. For the years ended December 31, 2021 and 2020, management considered all accounts fully collectible.

Inventory

Inventory is stated at the lower of cost or net realizable value, with cost being determined by the first-in, first-out method. Inventory at December 31, 2021 and 2020 has been estimated based on purchases and sales for the period.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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**Note A – Summary of Significant Accounting Policies (Continued)**

Property and Equipment

Property and equipment are carried at cost. The Company capitalizes all expenditures for property and equipment of \$2,500 or more. Depreciation is computed using the straight line method based on the estimated useful lives of the related assets of five years. Depreciation expense totaled \$6,156 and \$10,983 for the years ended December 31, 2021 and 2020, respectively.

Ordinary maintenance and repairs of property and equipment are charged to operations when incurred. Upon retirement, sale, or other disposition of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in operations.

Intangible Assets

Intangible assets consist of goodwill and franchise contracts. Goodwill is amortized over 10 years and the franchise contracts are amortized over the life of the contract, which is between 3 and 10 years. Amortization is computed using the straight-line method. Amortization expense totaled \$28,000 for each year ended December 31, 2021 and 2020.

Scheduled amortization expense of goodwill and franchise contracts for the following periods ending December 31 is presented below:

	<u>Goodwill</u>	<u>Franchise Contracts</u>
Amortization expense 2022	\$ 23,000	\$ 5,000
Amortization expense 2023	\$ 23,000	\$ 5,000
Amortization expense 2024	\$ 23,000	\$ 5,000
Amortization expense 2025	\$ 23,000	\$ 5,000
Amortization expense 2026	\$ 23,000	\$ 5,000

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the years ended December 31, 2021 and 2020, there were no impairment losses recognized.

Notes Receivable

Notes Receivable are presented at their principal amount and are unsecured. See Note F.

Advertising and Marketing

The Company expenses advertising and marketing costs as they are incurred. For the years ended December 31, 2021 and 2020, marketing expense was \$ \$119,790 and \$98,819, respectively.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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**Note A – Summary of Significant Accounting Policies (Continued)**

Revenue Recognition

Effective January 1, 2020, the Company adopted the provision and expanded requirements described in ASU No. 2014-09. The Company also implemented the practical expedient in ASU No. 2021-02.

Revenue is recognized when control of the promised products or services are transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to for those products and services. In general, the Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligation(s) in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The following policies apply to the Company's major categories of revenue transactions. There were no significant changes in the revenue recognition policy as a result of the adoption of ASU 2014-09.

**Initial Franchise Fees**

The Company's initial franchise fees are used to offset the expenses incurred to research, approve, and provide assistance to franchisees in the opening of their locations. In addition, the fees are used for providing training prior to opening the location. The Company's policy is to recognize the pre-opening services as a single performance obligation. As such, these franchise fees are recognized at a point in time when the obligations have been met.

**Royalties**

The Company receives a continuing fee and a marketing fee based on a percentage of sales each month from the franchised locations as royalties. Revenue from royalties is recognized each month based on reported franchisee sales.

**Other Revenue**

The Company earns additional franchise revenues related to vendor rebates, franchise transfers, reservations, development agreements, and other miscellaneous items. Revenue is recognized as each individual performance obligation is satisfied.

Contract revenue includes franchise fees income and initial franchise fee income. Revenue recognized from goods and services under contracts that transfer to the customer at a point in time was \$274,106 and \$229,495, for the years ended December 31, 2021 and 2020, respectively.

For the years ended December 31, 2021 and 2020, beginning contracts receivable were \$20,969 and \$31,317, respectively. Ending contracts receivable were \$23,718 and \$20,969, respectively.

Date of Management's Review

Management has evaluated subsequent events through June 6, 2024, the date on which the financial statements were available to be issued.

**Note B – Uninsured Cash**

The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. There may be times during the year that the Company's balances are in excess of the FDIC limits. As of December 31, 2021 and 2020, there were no deposits in excess of the FDIC limit.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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**Note C – Accounting for Uncertainty in Income Taxes**

The Company has evaluated for uncertain tax positions. Management has determined that there are no uncertain tax positions as of December 31, 2021 and 2020. Both Federal and State tax returns remain open to examination through their respective statutes of limitations.

**Note D – Risk Management**

The Company is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. As of December 31, 2021 and 2020, the Company did not have commercial insurance coverage to mitigate any risks.

**Note E – Employee Benefit Plans**

The Company has a solo 401(k) plan that became effective January 1, 2019. Employer contributions are discretionary. There were no employer contributions for 2021 and 2020.

**Note F – Related Party Transactions**

As of December 31, 2020, a stockholder note receivable was created in the amount of \$119,328. The note is an interest only note and matures on December 31, 2026. The annual interest rate was 1.69%. As of December 31, 2021, the balance of the note receivable is \$119,328 .

The stockholders of the Company own 100% of 212 Fitness, LLC. As of December 31, 2021 and 2020, the Company had outstanding payables due to 212 Fitness, LLC of \$1,192 and \$1,696, respectively. In addition, the Company pays \$1,500 per month to 212 Fitness, LLC for lead generation and marketing consulting. In 2021, the company paid additional \$14,500 to 212 Fitness LLC for market research and additional supervision for a new franchisee. Total payments made to 212 Fitness, LLC in 2021 and 2020 were \$32,500 and \$18,000, respectively.

As of November 1, 2018, Master Your DNA, Inc. is a franchisee of Financial Achievements Corporation. The stockholders of the Company own 100% of Master Your DNA, Inc. Financial Achievements Corporation collected \$18,157 and \$14,235 of franchise continuation fees, marketing fees, and merchandise revenue from Master Your DNA, Inc. for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, receivables due from Master Your DNA, Inc. were \$1,704 and \$1,248, respectively.

As of June 1, 2019, Fitventures – Pewaukee, Inc. is a franchisee of Financial Achievements Corporation. The stockholders of the Company own 99% of Fitventures – Pewaukee, Inc. Financial Achievements Corporation collected \$13,425 and \$10,538 of franchise continuation fees, marketing fees, merchandise revenue, and lead generation fees for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, receivables due from Fitventures – Pewaukee, Inc. were \$1,365 and \$788, respectively. As of December 31, 2021, there was an \$85,500 interest only note receivable from Fitventures – Pewaukee, Inc. Interest accrues at the rate of 1.5% per annum with a maturity date of December 31, 2026. As of December 31, 2020, the Company had a short-term receivable from Fitventures – Pewaukee, Inc. for \$15,000.

According to the Federal Trade Commission's amended Franchise Rule in section 436.5(t), Master Your DNA, Inc. is considered a "company-owned outlet". However, Financial Achievements Corporation does not directly or indirectly own any portion of Master Your DNA, Inc. Therefore, the relevant accounting standards state that Master Your DNA, Inc. is not considered a "company-owned outlet" for financial reporting purposes.

As of December 31, 2021 and 2020, the Company had a note payable to its stockholders of \$363,778 and \$289,603, respectively. See Note H for further information.

The Company has a lease agreement with the shareholders. Payments made under the lease in 2021 and 2020 were \$3,600 and \$4,200, respectively. In addition, \$3,550 and \$3,000 was reimbursed to the shareholders for storage fees for the years ended December 31, 2021 and 2020, respectively. See Note I for further information on the lease.

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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**Note G – Franchise Fees**

Initial franchise fees are fully earned when paid and are not refundable. Financial Achievements Corporation also offers area development agreements. The initial fee for area development is \$5,000 for each studio to be developed, plus an initial franchise fee for each studio as follows:

Number of Studios being Developed	Initial Franchise Fee (each studio)
1	\$39,000
2	\$30,000
3	\$25,000
4 and up	\$20,000

The continuing fee is between 5% and 6% of the franchisee’s monthly gross revenues and is earned at the end of each month. Franchisees are also required to make a contribution of 2% of monthly gross revenues to a marketing fund based on their franchise agreement (some may be negotiated down on an individual basis). Those fees are also earned at the end of each month. The marketing fund is used for research, development and supporting costs, and to develop and promote the brand name. The franchise agreement term is 10 years and can be renewed for three additional consecutive terms of 5 years. The renewal fee is 100% of the current initial franchise fee.

As of December 31, 2021, there were eleven franchised outlets in operation.

**Note H – Long-Term Debt**

As of December 31, 2021 and 2020, the Company had a note payable with the stockholders of \$363,778 and \$289,603, respectively. As of December 31, 2021 and 2020, \$10,029 and \$5,842 of the balance is considered current, respectively. The note has an interest rate of 3.675% and a maturity date of September 1, 2049.

In August 2019, the Company obtained a note payable for the purchase of equipment. As of December 31, 2021 and 2020, the outstanding balance of the note was \$0 and \$1,826, respectively. The note had no interest rate and was paid in full in 2021. The note was secured by the equipment purchased.

On October 29, 2020, the Company received a \$150,000 loan from the SBA under its Economic Injury Disaster Loan (“EIDL”) assistance program in light of the impact of the COVID-19 pandemic on the Company’s business. Interest accrues at the rate of 3.75% per annum. Installment payments, including principal and interest, are due monthly beginning November 1, 2022 (twenty four months from the date of the SBA Note) in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the SBA Note. As of December 31, 2021 and 2020, the outstanding balance of the loan was \$150,000. In connection therewith, the Company received a \$1,000 advance, which does not have to be repaid.

Scheduled principal payments of notes payable for the following years ending December 31:

2022	\$ 10,029
2023	18,091
2024	18,420
2025	18,761
2026	19,114
Thereafter	<u>429,363</u>
	<u>\$ 513,778</u>

**Financial Achievements Corporation**  
**Notes to the Financial Statements**  
**December 31, 2021 and 2020**

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**Note I – Leases**

The Company has a lease agreement with its shareholders for office rent. Lease payments are \$350 per month. Total payments under the lease for 2021 and 2020 were \$3,600 and \$4,200, respectively. The lease is a month-to-month agreement with the same terms.

**Note J – Small Business Administration Paycheck Protection Program**

In response to the coronavirus (COVID-10) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Company obtained a PPP loan for \$9,400. The loan was fully forgiven in 2020. In February of 2021, the Company received a loan in the amount of \$17,326. The loan was received from the Small Business Administration's Payroll Protection Program. The loan was fully forgiven in 2021. As of December 31, 2021 and 2020, the Company has recognized gain on forgiveness of debt of \$17,326 and \$9,400, respectively.

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

# Financial Achievements Corporation

## Balance Sheet

As of September 30, 2024

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
10000 FINANCIAL ACHIEVEMENTS CHECKING - 3	1,238.88
10001 FINANCIAL ACHIEVEMENTS SAVINGS - 2	0.97
<b>Total Bank Accounts</b>	<b>\$1,239.85</b>
Accounts Receivable	
12000 Accounts receivable (A/R)	29,365.17
<b>Total Accounts Receivable</b>	<b>\$29,365.17</b>
Other Current Assets	
13000 Inventory	0.00
14210 Due (to)/from Fit Venture LLC (Pewaukee)	122,900.00
17000 Notes Receivable - Stockholder	119,327.52
19905 Accrued Interest Receivable	9,789.85
Due (to)/from 212 Fitness LLC	0.00
Payments to deposit	0.00
<b>Total Other Current Assets</b>	<b>\$252,017.37</b>
<b>Total Current Assets</b>	<b>\$282,622.39</b>
Fixed Assets	
15000 Vehicles	19,938.33
15020 Furniture & fixtures	9,091.91
15040 Computer and Office Equipment	2,998.00
16000 Accumulated depreciation Vehicle	-10,299.43
16010 Accum Depr Furnature & Fixtures	-6,297.26
16020 Accumulated Depreciation - Furniture	-2,660.50
16040 Accum Depr Computer & Office Equip	-3,367.35
19000 Goodwill - FAC Franchise	230,000.00
19100 Accum Amort - Franchise Contracts	-35,000.00
19160 Franchise Contracts	50,000.00
19200 Accum Amort - Goodwill	-161,000.00
<b>Total Fixed Assets</b>	<b>\$93,403.70</b>
<b>TOTAL ASSETS</b>	<b>\$376,026.09</b>

# Financial Achievements Corporation

## Balance Sheet

As of September 30, 2024

	TOTAL
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 Accounts Payable (A/P)	19,818.82
<b>Total Accounts Payable</b>	<b>\$19,818.82</b>
Credit Cards	
10200 Hilton Honors Business Card (1009) - 1	41,403.40
20110 Wells Fargo Credit Card	2,909.68
<b>Total Credit Cards</b>	<b>\$44,313.08</b>
Other Current Liabilities	
14220 Due to/from 212 Fitness	1,191.95
20080 Accrued Payroll - Salaries and wages	4,200.00
20100 Accrued Interest	9,349.20
21000 Current portion of LTD	12,521.64
Accrued Expenses	0.00
Due to Franchisees	0.00
Income Tax Payable	0.00
Payroll liabilities	0.00
Rounding	0.00
<b>Total Other Current Liabilities</b>	<b>\$27,262.79</b>
<b>Total Current Liabilities</b>	<b>\$91,394.69</b>
Long-Term Liabilities	
27100 Less - current portion of LTD	-12,521.65
27200 Park Bank Mortgage	269,632.53
27500 Economic Injury Disaster Loan	143,421.00
<b>Total Long-Term Liabilities</b>	<b>\$400,531.88</b>
<b>Total Liabilities</b>	<b>\$491,926.57</b>
Equity	
30100 Member Contribution	2,000.00
30300 Shareholder Distributions	-14,400.00
30400 Common stock	1,000.00
30500 Master Your DNA Business Buyout	-0.03
32000 Retained Earnings	-135,334.23
Member Draw	0.00
Opening balance equity	0.00
Net Income	30,833.78
<b>Total Equity</b>	<b>\$ -115,900.48</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$376,026.09</b>

# Financial Achievements Corporation

## Profit and Loss

January - September, 2024

	TOTAL
Income	
40000 Licensing Fee Revenue	166,283.54
40020 Marketing Fee Revenue	33,687.35
40040 MBO Subscription Revenue	49,797.00
40060 Marketing Reimbursable Revenue	315.00
40080 Apparel Reimbursable Revenue	-2,358.92
<b>Total Income</b>	<b>\$247,723.97</b>
GROSS PROFIT	<b>\$247,723.97</b>
Expenses	
60010 Advertising & marketing	6,551.59
60000 Advertising & promotion	1,460.00
60740 Marketing	23,000.00
<b>Total 60010 Advertising &amp; marketing</b>	<b>31,011.59</b>
Administrative	
60160 Bank fees & service charges	0.00
60180 Business licenses & permits	26.00
60240 Computer Software/SAAS	51,849.54
60300 Education and Seminars	823.24
60600 Interest paid	
60602 Credit card interest	9,684.43
60603 Mortgage interest	7,579.08
<b>Total 60600 Interest paid</b>	<b>17,263.51</b>
60680 Legal Fees	5,726.61
60760 Meals	
60762 Travel meals	696.84
<b>Total 60760 Meals</b>	<b>696.84</b>
60800 Dues & Subscriptions	224.53
60880 Postage & delivery	304.59
61130 Professional fees	15,144.56
61140 Accounting fees	6,161.55
61220 Security	189.84
61240 Storage	2,700.00
61680 Telephone	2,208.58
Consulting Fees	6,000.00
<b>Total Administrative</b>	<b>109,319.39</b>
Contract labor	18,000.00
Occupancy	
60340 Rent	3,150.00
<b>Total Occupancy</b>	<b>3,150.00</b>
Payroll clearing	0.00

# Financial Achievements Corporation

## Profit and Loss

January - September, 2024

	TOTAL
Personnel	
61020 Officers' salaries	37,800.00
61060 Payroll taxes	3,024.70
<b>Total Personnel</b>	<b>40,824.70</b>
Travel	
60040 Auto - fuel	172.87
60080 Auto - Maintenance	3,377.49
61480 Hotels	224.15
61580 Parking & tolls	10.00
Mileage Reimbursement	10,800.00
<b>Total Travel</b>	<b>14,584.51</b>
<b>Total Expenses</b>	<b>\$216,890.19</b>
NET OPERATING INCOME	<b>\$30,833.78</b>
NET INCOME	<b>\$30,833.78</b>

**EXHIBIT H TO FRANCHISE DISCLOSURE DOCUMENT**  
**SYSTEM STANDARDS MANUAL**

**TABLE OF CONTENTS OF ONLINE MODULES**

- About Orange Shoe® (3 pages)
- Specifications for Studio, Equipment, Furniture and Fixtures (3 pages)
- Site Selection (4 page)
- Technology Systems (4 page)
- Trainer Recruiting (4 pages)
- Marketing, Social Media and Promotional Activities (20 pages)
- Pre-Opening Obligations (12 pages)
- Grand Opening Requirements (8 pages)
- Forms (7 pages)
- Scheduling of Staff and Trainers (2 page)
- Operational Policies and Procedures (25 pages)
- Training your Trainers (10 pages)
- Management of your Studio (10 pages)
- Sales Training 15 pages)
- Approved Suppliers (3 page)

Total number of online screens - 130

**REVIEW OF THE CONFIDENTIAL ELECTRONIC MANUALS**

**Complete and sign this form and you will be granted access to our Confidential Electronic Manuals.**

For the Franchisee and myself, I observed the Franchisor’s Confidential System Standards Manual, located within the company's Electronic Manuals, on the below date:

Prospective Franchise Candidate:

Print your name	Signature	Date
Print your name	Signature	Date
Print your name	Signature	Date
Print your name	Signature	Date

**EXHIBIT I TO FRANCHISE DISCLOSURE DOCUMENT  
STATE ADDENDA TO DISCLOSURE DOCUMENT AND  
FRANCHISE AGREEMENT**

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

Preliminary Comment: Each provision of this Appendix to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000 - 31516, and the California Franchise Relations Act, Cal Bus. & Prof. Code §§2000 - 20043, are met independently without reference to this Addendum to the Franchise Disclosure Document.

1. Item 3 is amended to reflect that:

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

2. Item 17 is amended by the addition of the following statements:

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

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

The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Corporations, before we solicit a proposed material modification of an existing franchise.

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

The Franchise Agreement requires the application of the laws and forum of Wisconsin. This provision may be unenforceable under California Law.

The Franchise Agreement requires you to sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). California Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

3. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.
4. OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT

OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [www.dba.ca.gov](http://www.dba.ca.gov).

5. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with this franchise.

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et. seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et. seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

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

c. The Agreement requires application of the laws of Wisconsin. This provision may not be enforceable under California law.

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

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the California Business and Professions Code, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*<Signatures on Following Page>*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

By:

\_\_\_\_\_  
Name: Katie Michel  
Title: President

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

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

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

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

The following information applies to franchises and franchisees subject to the Illinois Disclosure Act of 1987. Item numbers correspond to those in the main body:

a. Item 17 - Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois. Illinois law governs the Franchise Agreement and the Area Development Agreement.

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

c. Item 17 - Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.

d. Item 5 - Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business. Payment of the development fee, if applicable, shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business at its first franchised location. The Illinois Attorney general's office imposed this deferral requirement due to Franchisor's financial condition.

e. 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 in connection with this franchise.

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 515 ILCS 705/1 et. seq. To the extent that this Agreement contains provisions that are inconsistent with the following, such provision are hereby amended:

a. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois. Illinois law governs the Franchise Agreement and the Area Development Agreement.

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

c. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.

d. Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney general’s office imposed this deferral requirement due to Franchisor’s financial condition.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*[Signatures on Following Page]*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
AREA DEVELOPMENT AGREEMENT  
FOR THE STATE OF ILLINOIS**

The Financial Achievements Corporation Area Development Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 515 ILCS 705/1 et. seq. To the extent that this Agreement contains provisions that are inconsistent with the following, such provision are hereby amended:

a. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois. Illinois law governs the Franchise Agreement and the Area Development Agreement.

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

c. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise disclosure act.

d. Payment of the development fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business at its first franchised location. The Illinois Attorney general’s office imposed this deferral requirement due to Franchisor’s financial condition.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

***[Signatures on Following Page]***

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

Item 17 of the Franchise Disclosure Document is amended to include the following paragraph:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended to include the following sentence:

A provision in the Franchise Agreement that provides for termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 17 of the Franchise Disclosure Document is modified to include the words:

“arising franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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 in connection with this franchise.

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

MARYLAND LAW MODIFICATION

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2010 Repl. Vol. and Supp. 2010) (the “Law”). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.
- b. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
- c. Franchisee may bring a lawsuit in Maryland for claims arising under the Law.
- d. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*<Signatures on Following Page>*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

Item 13 of the Franchise Disclosure Document is amended to state that we will protect your right to use the trademarks, service marks, trade names, logotypes of other commercial symbols (“Marks”) or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

The following is added to Item 17 of the Franchise Disclosure Document:

Under Minnesota law and except in certain specified cases, Financial Achievements Corporation must give you 90 days’ notice of termination with 60 days to cure. Financial Achievements Corporation also must give you at least 180 days’ notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

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

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J. prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minn. Rule 2860.4400J. prohibits us from requiring you to consent to liquidated damages and prohibits waiver of a jury trial. If the Franchise Agreement contains a provision that is inconsistent with the Minn. Rule, the provisions of the Franchise Agreement will be superseded by the Minn. Rule’s requirements and will have no force or effect.

Minn. Rule 2860.4400J. prohibits us from requiring you to assent to a general release. To the extent that the Franchise Agreement requires you to sign a general release as a condition of renewal or transfer, the Franchise Agreement will be considered amended to the extent necessary to comply with Minnesota law.

Minn. Rule 2860.4400J. prohibits us from requiring you to pay a termination fee. To the extent that the Franchise Agreement requires you to pay a termination fee, the provisions of the Franchise Agreement will be superseded by the Minn. Rule’s requirements and will have no force or effect.

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 in connection with this franchise.

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

MINNESOTA LAW MODIFICATION

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act. Minn. Stat. Section 80C.01 et. seq., and the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement and/or Franchise Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee’s use of the franchisor’s proprietary marks infringes trademark rights of the third party.

b. Minn. Stat. Sec. 80C.14. Subds. 3, 4, and 5 requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.

d. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

e. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat. 80C.1, Subd. 5, may not be enforceable under Minnesota law.

2. Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Ch. 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. The Agreement and/or Franchise Disclosure Document is hereby amended to delete all referenced to Liquidated Damages (as defined) in violation of Minnesota law; provided, that no such deletion shall excuse Franchisee from liability for actual or other damages and the formula for Liquidated

Damages in the Agreement and/or Franchise Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Agreement and/or Franchise Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement and/or Franchise Disclosure Document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain such relief.

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

7. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Minnesota Law applicable to the provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

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

Name: Katie Michel

Title: President

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

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

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

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or

is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

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

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

9. 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 in connection with this franchise.

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

NEW YORK LAW MODIFICATION

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 to 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Release. If Franchisee is required to execute a release of claims, as provided in Article 2(B) of the Franchise Agreement, or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. Governing Law. Article 21(A) of the Franchise Agreement is amended by adding the following sentence at the end of such Article: “The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.”

c. Termination by Franchisee. Article 9 of the Franchise Agreement is hereby amended to add the following sentence at the end of the Article: “Notwithstanding anything contained in this Article 9 to the contrary, Franchisee may terminate the Franchise Agreement on any grounds available by law.”

d. Renewal, Extension, Approval of Transfer. Article 2 and Article 17 are amended by adding the following: “However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the general Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of the General business Law sections 687.4 and 687.5 be satisfied.”

e. Assignment. Article 17 is amended by adding the following sentence at the end of the Article: “However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor’s obligations under the Franchise Agreement.”

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of New York General Business Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

- A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.
- I. 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 in connection with this franchise.

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

NORTH DAKOTA LAW MODIFICATION

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 to 51-19-17 (1995). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by the law of a state other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

h. Any provision that provides that Franchisee consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota law.

i. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota law may not be enforceable under North Dakota law.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of North Dakota Franchise Investment Law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

**RHODE ISLAND LAW MODIFICATIONS**

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law Tit. 19 Ch. 28.1 Sections 19-28.1-1 to 19-28.1-34. To the extent that this Agreement contains provisions that re inconsistent with the following, such provisions are hereby amended:

a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-21.1-14.

b. If this Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.

c. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Rhode Island Franchise Investment Act, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*<Signatures on Following Page>*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION      FRANCHISEE:  
a Wisconsin corporation

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for Financial Achievements Corporation is supplemented by the following:

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

**“Any securities offered or sold by the Investor Franchisee as part of the Financial Achievements Corporation Franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.”**

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WASHINGTON**

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

The State of Washington has imposed a financial condition that the initial franchise fees will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchise is open for business.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code Section 19.100.010 to 19.100.940 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Washington Franchise Investment Protection Act provides rights to Franchisee concerning non-renewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.

c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

d. If the Agreement requires that it be governed by the law of a state other than the State of Washington and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act will control.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable 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 this franchise.

3. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Washington law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**ADDENDUM TO  
FINANCIAL ACHIEVEMENTS CORPORATION  
FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

The Financial Achievements Corporation Franchise Agreement between Financial Achievements Corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “State Addendum”):

WISCONSIN LAW MODIFICATIONS

1. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is hereby amended to add the following provision:

For all franchises sold in the State of Wisconsin, the Company will provide Franchisee at least 90 days’ prior written notice of termination, cancellation, nonrenewal or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, nonrenewal or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. These notice requirements shall not apply if the reason for termination, cancellation or nonrenewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation, nonrenewal or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between the Company and Franchisee inconsistent with the Law.

3. 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 in connection with this franchise.

4. Each provision of this State Addendum shall be effective only to the extent that the jurisdictional requirements of Washington law, with respect to each such provision are met independent of this State Addendum. This State Addendum shall have no force or effect if such jurisdictional requirements are not met.

*<Signatures on Following Page>*

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners, acknowledges that it has read and understands the contents of this State Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this State Addendum and be bound thereby. The parties have duly executed and delivered this State Addendum to the Agreement on the date first set forth above.

FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**EXHIBIT J TO FRANCHISE DISCLOSURE DOCUMENT**  
**NON-DISCLOSURE AGREEMENT**

## NON-DISCLOSURE AGREEMENT

This Non-Disclosure Agreement (“Agreement”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “Effective Date”) by and between Financial Achievements Corporation, with an address of 1450 Capitol Dr Unit C, Pewaukee, WI 53072 (“Disclosing Party”), and \_\_\_\_\_, with an address of \_\_\_\_\_ (“Receiving Party”).

### RECITALS

- A. WHEREAS, Disclosing Party is the franchisor of the ORANGE SHOE® franchise system;
- B. WHEREAS, Receiving Party is a prospective franchisee of Disclosing Party and wishes to learn more information about the ORANGE SHOE® franchise system;
- C. WHEREAS, as part of considering whether to purchase an ORANGE SHOE® franchise, the Receiving Party may receive access to and review certain trade secrets and confidential information of the Disclosing Party. As a condition to receiving such information, the Receiving Party agrees to treat confidentially such information and any other information which Disclosing Party furnishes to Receiving Party or to which Receiving Party is afforded access.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed that:

### TERMS AND CONDITIONS

- 1. Recitals. The recitals contained herein are true and correct and are incorporated herein by reference.
- 2. Confidential Information. As used in this Agreement, “Confidential Information” means and includes any and all information, data, documents or materials provided or made available by the Disclosing Party to the Receiving Party, in whatever form (*e.g.*, printed, written, oral, recorded, electronic, etc.) and by whatever mode (*e.g.*, company presentation, slide show, video, film, facility tour, meeting, interview, telephone conference or call, e-mail, provision of documents, etc.) in which it is communicated, recorded or maintained, that contains or otherwise reflects information concerning the Disclosing Party, its affiliates or its business, including but not limited to, its and its affiliates’ operations, plans, designs, layouts, specifications, procedures, formulas, programs, technology, markets, services, products, prospects, employees, owners, customers, suppliers, partners, or financial condition. The term “Confidential Information” also includes all manuals of the Disclosing Party, reports, analyses, memos, notes or other information prepared or otherwise obtained by the Receiving Party which are based on or derived from, or which contain or reflect, any Confidential Information, regardless of the form in which such information is communicated, recorded or maintained.

Confidential Information shall not include information otherwise described above that the Receiving Party can establish: (a) is or becomes generally available to or known by the public (other than as a result of a disclosure directly or indirectly by the Receiving Party or any of its employees, agents or advisors); (b) is or becomes available to the Receiving Party or any of its employees, agents or advisors on a non-confidential basis from a source other than the Disclosing Party, provided that such source is not and was not bound by a confidentiality and/or nondisclosure agreement with, or have other similar obligations to, the Disclosing Party; or (c) has been independently acquired or developed by the

Receiving Party or any of its employees, agents or advisors without violating any of its obligations under this Agreement.

3. Confidentiality. The Confidential Information shall be held and treated by the Receiving Party in utmost and strictest confidence. The Confidential Information shall not, without the prior written consent of the Disclosing Party, be disclosed by the Receiving Party in any manner whatsoever, in whole or in part. The Confidential Information shall not be used by the Receiving Party other than for the specific purpose of considering whether to purchase an ORANGE SHOE® franchise. The Receiving Party agrees to restrict circulation of Confidential Information within its own organization to those partners and advisors who need to receive such Confidential Information in order for the Receiving Party to decide whether he or she will purchase an ORANGE SHOE® franchise. Each partner or advisor of the Receiving Party to whom Confidential Information is disclosed shall be obligated to hold said information in confidence and otherwise to comply with the terms of this Agreement. The Receiving Party shall diligently monitor all access to Confidential Information, and upon request by the Disclosing Party, the Receiving Party shall promptly furnish a list of individuals with access to the Confidential Information.

In the event that the Receiving Party becomes legally compelled or required to disclose any of the Confidential Information to a third party by order of a court or other authority of competent jurisdiction, the Receiving Party shall provide the Disclosing Party with notice as far in advance as practicable so that the Disclosing Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement, in the sole discretion of the Disclosing Party. In any event, the Receiving Party will furnish only that portion of the Confidential Information which it is legally required to furnish. The Receiving Party shall immediately advise the Disclosing Party in writing if it learns of any unauthorized use or disclosure of Confidential Information by the Receiving Party, its employees, agents or advisors.

4. Ownership and Return of Information. The parties acknowledge and agree that all Confidential Information disclosed is confidential and proprietary to the Disclosing Party and shall remain the exclusive property of the Disclosing Party. At the request of the Disclosing Party, the Receiving Party shall promptly return or destroy any and all Confidential Information including all copies thereof, on any storage medium whatsoever, in its possession or in the possession of any of its employees, agents or advisors and will not retain any copies or other reproductions in whole or in part of such material.

5. Remedies. The parties acknowledge that unauthorized disclosure or use of the Confidential Information may cause the Disclosing Party irreparable harm and significant injury that may be difficult to ascertain. Accordingly, the parties understand and agree that, in addition to any other rights including the right to damages, the Disclosing Party shall be entitled to equitable relief, including injunction, in the event of any breach of this Agreement. The Receiving Party shall be responsible and held liable for any breach of this Agreement by its employees, agents, contractors or other representatives.

6. Representations. The Receiving Party understands and agrees that the Disclosing Party, nor its affiliates, agents, advisors or representatives: (i) have made or make any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information (or any portion thereof); or (ii) shall have any liability whatsoever to the Receiving Party (or any of its employees, partners, agents, representatives or affiliates) relating to or resulting from any errors in, or omissions from, the Confidential Information, unless otherwise set forth in a separate written agreement between the parties.

7. Survival. The confidentiality provisions of this Agreement shall survive and apply whether or not the Receiving Party purchases an ORANGE SHOE® franchise and enters into a franchise agreement.

8. Miscellaneous

a. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Notwithstanding the foregoing, the Receiving Party shall not assign its rights or obligations under this Agreement.

b. Non-waiver. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein. No waiver of any provisions of this Agreement shall be effective unless it is in writing, signed by the party against whom it is asserted and any such written waiver shall only be applicable to the specific instance to which it relates and shall not be deemed to be a continuing or future waiver.

c. Attorney's Fees, Costs and Expenses. In any action or proceeding to enforce this Agreement, including any appeals or post judgment proceedings, the prevailing party shall be entitled to recover from the other party the reasonable attorneys' fees, court costs, filing fees, publication costs and other expenses incurred by the prevailing party in connection therewith.

d. Venue, Jurisdiction and Governing Law. The Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Wisconsin. Venue for any litigation involving or relating to this Agreement shall be Dane County, Wisconsin. The parties agree to submit to the exclusive jurisdiction of the courts of Dane County, Wisconsin for any such litigation.

e. Rule of Construction. The terms and conditions set forth in this Agreement are the product of mutual draftsmanship and/or review by the parties hereto, each having the opportunity to be represented by counsel. Any ambiguities in this Agreement or any agreement prepared or to be prepared pursuant to or in connection with this Agreement shall not be construed against any one party because of the draftsmanship. The Agreement shall be interpreted in a neutral fashion consistent with the intent of the parties as stated herein.

f. Notices. Any notice, request, demand, instruction, or other communication to be given to any party to this Agreement, shall be in writing and shall be sent either by: registered or certified mail; hand delivery; by Federal Express or other reputable courier service, and shall be deemed delivered upon receipt of said notice. Unless and until written notice of a change of address is given in writing and received, the addresses as provided in the first paragraph hereof shall be deemed to continue in effect for all purposes. The addresses for the purposes of this section may be changed by giving written notice hereunder.

g. Modification of Agreement and Merger. This Agreement, including any exhibits attached hereto and made part hereof, constitutes the entire agreement of the parties with respect to the subject matter hereof. This Agreement may not be supplemented, modified or revised in any manner except by a single writing signed by all parties hereto, no additional consideration required. There are no prior or contemporaneous oral promises, representations or agreements not set forth herein inducing entry into this Agreement and all prior negotiations, discussions, statements and representations

are merged into this Agreement. The provisions of this paragraph cannot be modified by conduct, oral agreement or written agreement, unless signed by all parties hereto.

h. Authority to Sign. By signing this Agreement, each party represents and warrants to all other parties that its execution of this Agreement is duly authorized in accordance with applicable laws relating to such parties, that this Agreement is fully enforceable according to its terms against such executing party and that the individual executing on any corporation's behalf has the requisite power and authority to do so.

i. Severability. If at any time any provision of this Agreement is deemed to contravene any provision of Local, State or Federal law, said provision shall be deemed amended to conform to such law or be considered null and void. All other provisions of this Agreement shall continue in full force and effect. If any provision of this Agreement is at any time rendered invalid, the enforceability of the remaining portions of this Agreement shall continue in full force and effect.

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

DISCLOSING PARTY:  
FINANCIAL ACHIEVEMENTS CORPORATION  
a Wisconsin corporation

RECEIVING PARTY:  
\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: Katie Michel  
Title: President

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

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

**EXHIBIT K TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
Illinois	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT L TO FRANCHISE DISCLOSURE DOCUMENT**  
**RECEIPTS**

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Financial Achievements Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Financial Achievements Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise:

Katie Michel	- 1450 Capitol Dr Unit C	Pewaukee, WI 53072 -	608-698-8823
Scott Michel	- 1450 Capitol Dr Unit C	Pewaukee, WI 53072 -	608-698-8823

Issuance date:   October 14, 2024

Financial Achievements Corporation authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated October 14, 2024, that included the following Exhibits:

A.	State Agencies/Agents for Service of Process	G.	Financial Statements
B.	Franchise Agreement	H.	System Standards Manual Table
C.	Area Development Agreement	I.	State Addenda to Disclosure Document
D.	List of Current Franchisees and Area Developers	J.	Non-Disclosure Agreement
E.	List of Former Franchisees and Area Developers	K.	State Effective Dates
F.	Sample General Release	L.	Receipts

Date: \_\_\_\_\_  
(Do not leave blank)

Signature of Prospective Franchisee

Proposed Location: \_\_\_\_\_  
(city/state)

\_\_\_\_\_

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

<Retain this Copy For Your Records>

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Financial Achievements Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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E.	List of Former Franchisees and Area Developers	K.	State Effective Dates
F.	Sample General Release	L.	Receipts

Date: \_\_\_\_\_  
(Do not leave blank)

Signature of Prospective Franchisee

Proposed Location: \_\_\_\_\_  
(city/state)

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

You may return the signed receipt either by signing, dating, and mailing it to Financial Achievements Corporation at 1450 Capitol Dr Unit C, Pewaukee, WI 53072, or by emailing a copy of the signed and dated receipt to Financial Achievements Corporation at [kmichel@orangeshoe.com](mailto:kmichel@orangeshoe.com).