

(b) by you or your personnel to attend training programs or conferences.

3. **CPI Adjustments:** All fees (and minimum fees) expressed as a fixed dollar amount are subject to adjustment based on changes to the U.S. Consumer Price Index (CPI). We may periodically review and increase these fees up to the increase in the CPI, but only if the increase to CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustment); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before it goes into effect. We may implement no more than 1 fee adjustment during any 5-year period.
4. **Liquidated Damages:** You must pay us liquidated damages if: (a) we terminate the Franchise Agreement due to your default; or (b) you terminate the Franchise Agreement prior to its expiration date (except in accordance with the provisions governing your right to terminate following our uncured breach). Liquidated damages are calculated as the sum of average monthly royalty fees and brand fund fees imposed during the 12-month period preceding termination (or your entire period of operation if less than 12-months) multiplied by the lesser of: (a) 24 (representing 2 years of fees); or (b) the total number of months remaining under the term. If you pay us liquidated damages in a timely manner, we may not pursue a claim against you for lost profits (but we may still seek other damages we incur due to your breach).

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$50,000	Lump sum	At time you sign Franchise Agreement	Us
Initial Training Expenses ²	\$5,200 to \$7,200	As incurred	During training	Hotels, restaurants and airlines
Lease Deposit & Rent ³ (3 Months)	\$20,000 to \$70,000	Lump sum	Monthly (with security deposit paid before opening)	Landlord
Construction ⁴	\$75,000 to \$150,000	As incurred	Before opening	Contractor & suppliers
Project Management Fee ⁵	\$9,000 to \$10,800	As incurred	Before opening	Project Manager
Signage Package ⁶	\$16,500 to \$22,500	Lump sum	Before opening	Suppliers
Flooring & Tiling ⁷	\$16,000 to \$18,500	As incurred	Before opening	Suppliers
Lighting & Fan ⁸	\$14,000 to \$18,000	As incurred	Before opening	Suppliers
Fitness Equipment Package ⁹ (includes taxes, shipping and installation)	<i>[Financed or Leased]</i> \$22,100 to \$35,600	Financed or leased	Down payment plus monthly payments	Lender or leasing company
	<i>[Purchased]</i> \$111,420 to \$134,800	Lump sum	90 days before opening	Us
Furniture/Fixtures Package (includes taxes & shipping)	\$11,900 to \$16,900	Lump sum	90 days before opening	Us
Technology Systems ¹⁰	\$6,500 to \$9,400	Lump sum	Before opening	Suppliers
First Aid Equipment & Supplies ¹¹	\$1,500 to \$2,000	Lump sum	Before opening	Suppliers
Inventory & Operating Supplies ¹²	\$7,200 to \$8,500	As incurred	Before opening	Suppliers
Grand Opening Marketing ¹³	\$24 22,100 to \$25 23,000	Lump sum	At time you sign lease	Us & suppliers
Utility Deposits	\$1,250 to \$2,000	As incurred	Before opening	Utility companies
Business Licenses	\$1,000 to \$2,000	Lump sum	Before opening	Government agencies

THE FRANCHISE RELATIONSHIP

PROVISION	SECTIONS IN AGREEMENT	SUMMARY
l. Our approval of transfer by you	1 (definition of “Permitted Transfer”), 19.2 & 19.3	You may engage in a Permitted Transfer (defined in Note 2 in Item 6) without approval. We must approve other Transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	19.2	<p>Transferee must: meet our qualifications; successfully complete training (or arrange to do so); obtain required licenses and permits; assume your obligations under agreements relating to the Business; sign then-current form of franchise agreement for remainder of term or, at our option, assume your Franchise Agreement; and remodel Facility and upgrade furniture, fixtures and equipment to current standards within 12 months after Transfer or such shorter period of time we specify.</p> <p>You must: be in compliance with Franchise Agreement; assign lease (if applicable); pay transfer fee; subordinate transferee’s ongoing payments owed to you (if any) to transferee’s financial obligations owed to us; and sign general release (subject to state law).</p> <p>We must notify you that we will not exercise our right of first refusal.</p>
n. Our right of first refusal to acquire your business	19.5	We can match any offer for your business.
o. Our option to purchase your business	21.2	We have the option to purchase your Business at the expiration or termination of the Franchise Agreement.
p. Your death or disability	19.4	Within 180 days, interest must be assigned by estate to an assignee in compliance with conditions for other Transfers. We may designate manager to operate your Business prior to Transfer.
q. Non-competition covenants during the term of the franchise	14.3	No involvement in competing business conducted from any location.
r. Non-competition covenants after the franchise is terminated or expires (subject to applicable state law)	14.3 & 21.1	No involvement for 2 years in competing business conducted from your Facility or anywhere within 25 miles of your Facility or any other Madabolic facility that is operating or under construction as of the date the franchise is terminated or expires— (subject to applicable state law) .
s. Modification of the agreement	24.3 & 24.8	Requires writing signed by both parties (except we may unilaterally change Manual or reduce scope of restrictive covenants). Other modifications to comply with state laws.
t. Integration/ merger clause	24.8	Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
2. THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.
- ~~1-3.~~ Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.
- ~~2-4.~~ We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
- ~~3-5.~~ Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J) which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond is required.
- ~~4-6.~~ We will comply with Minnesota Statute Section 80C.12, Subd. 1(g) which requires that we protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- ~~5-7.~~ We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.
- ~~6-8.~~ No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

NEW YORK

~~In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:~~

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR ~~SOURCES OF~~ RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ~~THAT~~ ANYTHING IN ~~THE~~ THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND ~~NEW YORK~~ THE APPROPRIATE STATE ~~DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005~~ OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS ~~WHICH~~ THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

~~DOCUMENT.~~

~~2.~~

- The following is to be added at the end of Item 3:

Except as provided above, ~~with regard~~ the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. ~~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.

~~civil or misdemeanor allegations.~~

~~B.~~

B. No such party has pending actions, other than routine litigation incidental to the business, ~~which are~~ that is 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. ~~C.~~ No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ~~10-year period~~ ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

~~D.~~

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. ~~4.~~The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

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

- ~~5.~~The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”:

4. “You may terminate the agreement on any grounds available by law.”

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

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or ~~upon~~ the franchisee by Article 33 of the General Business Law of the State of New York.

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

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