

FRANCHISE DISCLOSURE DOCUMENT



305 Fitness Franchising Co. LLC
A New York Limited Liability Company
447 Broadway, 2nd floor
Mailbox 327
New York NY 10013
Phone: 305-505-8145
E-mail: franchising@305fitness.com
www.305fitness.com

305 Fitness Franchising Co. LLC offers franchises for the operation of dance cardio workout studio that includes a live DJ under the brand 305 Fitness (“**305 Studios**” or “**Studios**”).

The total investment necessary to begin operation of a single Studio is between \$295,500 and \$788,000. This includes between \$125,500 and \$159,500 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sadie Kurzban at 447 Broadway, 2nd Floor, Mailbox 327 New York, NY 10013. 305-505-8145, franchising@305fitness.com.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read your entire 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, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: October 13, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G .
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only 305 Studio in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a 305 Studio franchisee?	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement require you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in New York, New York. 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 New York than in your own state.
2. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likelier to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Involuntary Buy-Back.** The Franchisor has the right to buy back the Franchised Business at any time after it has opened for an amount that varies upon how long it has been open (see Franchise Agreement). This amount may not reimburse you for your initial investment.

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

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Exhibit F	List of Current and Former Franchisees
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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS, IF ANY, APPEAR IN THE STATE ADDENDA AT **EXHIBIT D**.

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “**Franchisor**,” and “**we**,” “**us**,” or “**our**” means 305 Fitness Franchising Co. LLC, the franchisor. “**You**,” “**your**,” and “**Franchisee**” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from 305 Fitness Franchising Co. LLC.

The Franchisor, its Parents and Affiliates

305 Fitness Franchising Co. LLC, is a New York limited liability company formed on August 2, 2023. Franchisor does not do business under any other name. Our principal business address is 447 Broadway, 2nd floor New York NY 10013. Franchisor does not operate any franchises like those described in this Franchise Disclosure Document and Franchisor does not offer franchises in any other line of business. Franchisor does not conduct any other business other than franchising 305 Studios. Franchisor began offering franchises for 305 Studios as of August, 2023. Franchisor does not have any predecessors.

Franchisor has three affiliate companies under common ownership:

305 Owned & At Home LLC (“**At Home**”), a New York limited liability company formed on August 7, 2023. At Home offers fitness classes that are livestreamed and available virtually. At Home also offers teacher training programs to others outside of the Franchisor’s system.

305 Fitness Studio One, LLC (“**Studio One**”), a New York limited liability company formed on February 14, 2014. Studio One owned and operated a 305 Studio like those described in this Franchise Disclosure Document located at 18 W 8th Street, New York, NY 10011. The Studio One studio in October 2023.

305 Fitness IP LLC (“**IP Company**”), a New York limited liability company formed on August 3, 2023. IP Company owns Marks and licenses the trademarks, trade names, service marks and logos, as well as Franchisor’s copyright materials and other intellectual property (collectively, (“**Intellectual Property**”) to Franchisor and authorizes the Franchisor to license the Intellectual Property to its franchisees.

Our parent company is 305 Fitness Inc. (“**305 Parent**”), a Delaware corporation originally formed in New York on July 13, 2012, and merged into a Delaware corporation on November 8, 2019.

At Home, Studio One, IP Company and 305 Parent do not offer or operate any franchises like those described in this Franchise Disclosure Document nor do they operate franchises in any other line of business. Studio One, At Home, IP Company and 305 Parent share the Franchisor’s principal business address.

Franchisor’s agent(s) for service of process are listed in **Exhibit C** to this Franchise Disclosure Document. If a state is not listed, Franchisor has not appointed an agent for service of process in that state in connection with the requirements of franchise laws.

The Franchises

Franchisor offers one franchise in this disclosure document that operates under the Franchisor’s proprietary system (“**System**”). It is for the use of the “**305 Fitness**” trademarks, trade names, service marks, and logos (together, the “**Marks**”) for the operation of 305 Studios. The term “**Marks**” also includes any distinctive trade dress used to identify a Studio, whether now in existence or created at a later date. If Franchisee chooses to acquire a franchise for a Studio, Franchisee’s business will operate under the Marks. Studios offer a dance cardio workout that includes a live DJ in every class and offer dance-related products.

Unless otherwise stated, any reference in this Franchise Disclosure Document to “**Franchised Business**” is applicable to a 305 Studio. The Franchised Business operates from a single location that we authorize (“**Authorized Location**”) and provides dance-related services and retail sales of various dance-related products.

Franchisees are required to sign our franchise agreement for the Franchised Business. Our current form of franchise agreement is attached to this Franchise Disclosure Document as **Exhibit B** (“**Franchise Agreement**”).

You will typically lease your Authorized Location, which will normally range between 1,500 to 6,000 square feet in size, with the average size being approximately 2,500 square feet.

Under the Franchise Agreement, Franchisee will be granted certain rights to establish and operate a Franchised Business within a geographical area that Franchisor will identify in the Franchise Agreement (“**Protected Territory**”). Franchisee will not be granted exclusive territorial rights; Franchisor reserves certain rights to market and sell products and services, and to license any other third party the right to market and sell products and services, within the Protected Territory. We retain all other rights, including without limitation, those rights set forth in ITEM 12.

Market and Competition

Studios target services to the general public and the market for fitness/dance studios is well developed and competitive. Franchisee may compete with other businesses including franchised operations, national chains, and independently-owned studios offering similar services to customers.

Industry Specific Regulations

Franchisee must obtain all necessary permits, licenses, and approvals to operate Franchisee’s Franchised Business. Franchisee’s instructors may be required to obtain certifications. It is the Franchisee’s responsibility to determine whether certifications from the state or other governing entity might be required. Some state and local laws may require dance studios and similar businesses to have automatic external defibrillators and other equipment on site for health emergencies. Franchisee may also be required to obtain such fitness training certification and life safety programs (CPR) as we may require in the Manual. These regulations may establish certain standards, specifications, and requirements that must be followed by you. You should investigate whether there are any regulations and requirements that may apply in the geographic area in which you are interested in locating your Fitness Business, and you should consider both their effect and the cost of compliance. You may also be required to register your business location with a state agency. Franchisee must comply with all local, state, and federal laws and regulations that apply to any business.

Franchisee alone is responsible for investigating, understanding, and complying with all applicable laws, regulations, and requirements applicable to Franchisee and its Franchised Business, including those related to the rental of any space by the Franchised Business at the Authorized Location, and those related to the establishment and operation of a dance cardio and other fitness classes generally. Franchisee should consult with a legal advisor about whether these or other requirements apply to the Franchised Business. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

ITEM 2 BUSINESS EXPERIENCE

Sadie Kurzban, CEO

Sadie Kurzban has been the Franchisor's CEO since August, 2023. Additionally, she is the CEO of 305 Parent since November 2012.

Ben Kurzban, CFO

Ben Kurzban has been the Franchisor's CFO since August, 2023. Additionally, he is the CFO of 305 Parent since June 2016

ITEM 3 LITIGATION

There is no litigation against the Franchisee, 305 Fitness Franchising Co, LLC.

The corporate parent of 305 Fitness Franchising Co, LLC, 305 Fitness Inc. has been named as a co-defendant in a landlord-tenant dispute. 200 CPS Retail Holdings commenced an action in New York County Supreme Court (Index No. 650844/2022) to recover back rent asserted to be owed from 305 Fitness Studio 58th St LLC, the tenant of that location, and 305 Fitness, Inc., its corporate parent which had guaranteed the lease obligations. The defendants' position is that the asserted damages are significantly overstated, in that the tenant vacated the premises and the premises were subsequently leased to a Covid-19 vaccination center in December 2021, resulting in a surrender by operation of law. Discovery in the case is underway.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Single-Unit Initial Franchise Fee

Franchisee shall pay Franchisor an initial franchise fee ("**Initial Franchise Fee**") when Franchisee signs the Franchise Agreement. The Initial Franchise for a single franchise is \$50,000. The Initial Franchise Fee includes the tuition (but not travel expenses, salaries or other per diem expenses) for three individuals Franchisee designates to attend Franchisor's proprietary initial training program. The Initial Franchise Fee is due in full at the time Franchisee signs the Franchise Agreement, is non-refundable, and is deemed fully earned by Franchisor once paid. Franchisor did not sell any single-unit franchises during its last fiscal year.

Franchisee may discount the Initial Franchise Fee by \$10,000 for any instructors who were certified by Franchisor and licensed on or before June 1, 2023.

Other Initial Payments

305 Instructor Training Fee. Unless waived by Franchisor, Franchisee shall pay Franchisor \$10,000 upon signing the lease for the Authorized Location for the training of up to 12 opening-team instructors over a 6-month period of time. Training can take place between 2 months prior to and 4 months

after the opening of the Authorized Location. Franchisee will be responsible for the payment of all travel-related expenses, salaries and other per diem expenses for attendees or, if Franchisor provides 305 Instructor Training in Franchisee's market, Franchisee may be responsible for paying travel, meal and accommodation expenses for Franchisor's instructors. If the Franchisee wishes to send additional instructors for training beyond the initial 12 instructors or after 4 months of Studio opening, Franchisor charges \$1,350 per instructor, plus travel, meal and accommodation expenses. Franchisee may make such requests for additional instructor training as set forth in the Manual. Notwithstanding the foregoing, should Franchisee employ instructors that a) have already received Franchisor's required training b) are in good standing with the Franchisor and c) have actively instructed 305 Fitness within 3 months of the scheduled instructor training, then Franchisor agrees to adjust the Instructor Training Fee to \$1,350 per instructor. Training of any replacement instructors 4 (four) months after the Franchised Business has opened to the public shall be completed in accordance with Section 10.7 of the Franchise Agreement.

305 DJ Training Fee. Franchisee shall pay Franchisor \$5,000 upon signing the lease for the Authorized Location for the training of up to 8 opening-team DJs over a 6-month period of time. Training can take place between 2 months prior to and 4 months after the opening of the Authorized Location, which training will begin 2 months prior to opening and up to 4 months after the Studio opens. Franchisee will be responsible for the payment of all travel-related expenses, salaries for attendees and other per diem expenses or, if Franchisor provides 305 DJ Training in Franchisee's market, Franchisee may be responsible for paying travel, meal and accommodation expenses for Franchisor's DJs. If Franchisee wishes to send additional DJs for training, beyond the initial 8 DJs or after 4 months of Studio opening, Franchisor charges \$950 per DJ, plus travel, meal and accommodation expenses. Notwithstanding the foregoing, should Franchisee employ DJs that have a) already received Franchisor's required training b) are in good standing with the Franchisor and c) have actively DJed 305 Fitness within 3 months of the scheduled instructor training, then Franchisor agrees to adjust the DJ Training Fee to \$950 per DJ. Training of any replacement DJs 4 (four) months after the Franchised Business has opened to the public shall be completed in accordance with Section 10.7 of the Franchise Agreement.

All Staff Hospitality Training Fee. Franchisee shall host a 3-day training for all opening studio staff (front desk team members, instructors, DJs, manager and/or owner). The training will take place at the Studio, or another place within 25 miles of the Studio, covering sales techniques, front desk POS, maintenance, lighting/audio training and customer experience and journey. Franchisee shall pay Franchisor a fee of \$5,000 for this training.

These other initial payments are non-refundable.

Additional Fees Due Prior to Opening

Franchisee will be required to pay to Franchisor between \$52,500 and \$89,500 prior to the opening of the Authorized Location. These fees will cover the cost of the following: (i) \$2,500 for the Soft Opening Retail Inventory Kit, (ii) between \$50,000 and \$80,000 for the Audio, Lighting, Computer & Tech Equipment, (iii) between \$3,000 and \$5,000 for Technology Fees, (iv) \$2,000 for the Lease Negotiation and Build-Out Support.

These additional fees are payable when the lease is signed and are non-refundable for any reason.

**ITEM 6
OTHER FEES**

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee ⁽³⁾	First 18 months from opening date, \$2,500 per month until Gross Sales ⁽³⁾ reach \$60,000 per month; when monthly Gross Sales reach \$60,001, Franchisee will pay a Royalty Fee equal to 7.5% of Gross Sales and will receive a Royalty Rebate of \$5,000.	On or before the 5th of each month, following the month during which Gross Sales were generated	The Royalty Fee is non-refundable and is payable via automatic electronic transfer to Franchisor.
Brand Marketing Fee	\$500 per month until monthly Gross Sales reach \$60,000; then 2% of Gross Sales	On or before the 5th of each month, following the month during which the revenues were generated	The Brand Marketing Fee is non-refundable and is payable via automatic electronic transfer to Franchisor.
Local Marketing Spend	\$2,000 per month	As incurred	Franchisee is required to engage in local marketing and lead generation.
Alternative supplier evaluation fee	\$500 for up to 5 hours of review; \$250 per hour for any additional hour, if required, plus travel meal and accommodation expenses.	Before Franchisor begins evaluation	Non-Refundable. Payable to Franchisor.
Additional Instructor Training Fee	\$1,350 per instructor, plus travel, meal and accommodation expenses	As incurred, before the training	This fee is for training in excess of the initial instructor training for 12 instructors and/or after 4 months of opening the Authorized Location. Non-Refundable.
Additional DJ Training Fee	\$950 per DJ, plus travel, meal and accommodation expenses	As incurred, before the training	This fee is for training in excess of the initial DJ training for 8 DJs and/or after 4 months of opening the Authorized Location. Non-Refundable.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Additional Training Support Fee	\$500 per instructor or DJ per day, plus travel, meal and accommodation expenses	As incurred, before the training	The additional training support fee will be paid by Franchisee if Franchisee requests additional training. Training may take place at Franchisee's Studio, a place designated by Franchisor or virtually.
Annual Retreat – Attendance Fee	\$1,000 per attendee, plus travel, meal, and accommodation expenses	Before the Annual Retreat	Non-refundable. Payable to Franchisor and third-party vendors for travel and meals.
Relocation Fee	Reimbursement of our costs	Upon relocation	You must reimburse us for our costs if you relocate your Franchised Business to a new Authorized Location. There are various other conditions you must meet for us to authorize your request.
Audit Fees	All costs and expenses related to the audit	As invoiced	Payable only if our audit shows an understatement in amounts of at least 3%.
Transfer Fee ⁽⁴⁾	50% of the then current Initial Franchise Fee	At the time of Transfer requested	Non-Refundable. Payable to Franchisor.
Successor Franchise Fee	50% of the then current Initial Franchise Fee	After the end of the Initial Term of the Franchise Agreement and upon execution of Successor Franchise Agreement	Non-Refundable. Payable to Franchisor. Upon expiration of the Initial Term, Franchisee will have no right to any one or more Successor Terms. If Franchisor decides to provide Franchisee with a Successor Term, Franchisee will pay the Successor Franchise Fee.
Late Fees or Interest	18% per year or the highest rate allowed by law, whichever is less, plus \$100 per occurrence	On demand	Non-Refundable. Payable to Franchisor.
Technology Fee	\$1,000 to \$3,000 per month, plus an additional \$1.00 per unique client per month incurred for use of wearable technology	Payable bi-weekly on the 5 th day of each month, beginning the first month after Franchisee opens the Studio	Non-Refundable. Payable to Franchisor. May be revised with 90 days' advance notice to Franchisee

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Indemnification	All costs including attorneys' fees	As incurred by or levied against the Franchisor	Franchisee must defend suits at Franchisee's own cost and hold Franchisor harmless and indemnify Franchisor against suits involving damages resulting from Franchisee's operation of the Franchised Business.

Notes:

1. Fees. Unless otherwise stated, all fees paid to Franchisor or its affiliates are uniform across all franchisees and non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. Franchisor currently requires Franchisee to pay fees and other amounts due to Franchisor and its affiliates via electronic funds transfer ("**EFT**") or other similar means. Franchisor is required to complete the EFT / ACH authorization (in the form attached to the Franchise Agreement. Franchisor may require an alternative payment method or payment frequency for any fees or amounts owed to Franchisor or its affiliates under the Franchise Agreement. If Franchisee enters into a Multi-Unit Agreement to operate multiple Franchised Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each Franchised Business. Certain fees may increase over the term of the Franchise Agreement.
2. Royalty Fee. Franchisor administers a royalty rebate program ("**Royalty Rebate Program**") through which Franchisee may be able to receive a royalty rebate ("**Royalty Rebate**") in a given calendar year if Franchisee exceeds certain thresholds in Gross Sales in the Protected Territory and are in compliance with the Franchisor's System standards, as determined by Franchisor in its sole discretion. The current rebate is \$5,000 for each month in which Gross Sales exceed \$175,000. The aggregate amount of the Royalty Rebate is determined as of the last day of a calendar year and, if eligible, will be paid within sixty days of the beginning of the following calendar year.
3. Gross Sales. Gross Sales" means the total selling price of all services and products sold at and accrued at, from, or through the Franchised Business, whether or not sold or performed at or from the Franchised Business, and all income and revenue of every other kind and nature related to the Franchised Business operation, whether for cash or credit, and regardless of collection in the case of credit. "Gross Sales" does not include (i) the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged, and Franchisee pays such amounts as and when due to the appropriate taxing authority, or (ii) the selling price of any services not sold or performed at or from the Authorized Location. Also excluded from Gross Sales are the amount of any documented refunds, charge-backs, credits, and allowances given to customers in good faith pursuant to Franchisor's standard procedures for issuing such refunds. All barter and exchange transactions for which Franchisee furnishes services or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer will be valued at the full retail value of the goods or services provided to Franchisee. To avoid confusion, total sales generated from the provision of web-based classes offered by the Franchisor shall not be considered "Gross Sales".

4. Transfer Fee. No Transfer Fee is required if you transfer your Franchise to a corporation in which you are the majority equity holder, or if you transfer the Franchise to your child, parent, sibling, or spouse.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT
SINGLE-UNIT FRANCHISE

Type of Expenditure ^(*)	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee	\$50,000	\$50,000	ACH	Upon Signing of Franchise Agreement	Franchisor
Pre-Opening Training Travel and Lodging Expenses ⁽¹⁾	\$500	\$4,000	As required by the vendor	As incurred	Airlines, Hotels, Restaurants, etc.
Real Property – Purchased or Leased ⁽²⁾	\$20,000	\$60,000	As negotiated with the seller or landlord	As Invoiced	Seller or Landlord; Broker
Net Leasehold Improvements & Equipment ⁽³⁾	\$75,000	\$400,000	As negotiated with the vendor	As Invoiced	Approved Suppliers
Furnishings and Fixtures ⁽⁴⁾	\$2,000	\$10,000	As negotiated with the vendor	As Invoiced	Approved Suppliers
Fitness Equipment, Studio Supplies, Laundry ⁽⁵⁾	\$7,000	\$15,000	As negotiated with the vendor	As Invoiced	Approved Suppliers
Soft Opening Retail Inventory Kit ⁽⁶⁾	\$2,500	\$2,500	As required by the vendor	Two months before opening	Franchisor
Utility Deposits and Fees	\$500	\$2,500	As required by the vendor	Two months before opening.	Approved Suppliers
Business and Other Licenses	\$500	\$5,000	As required by issuers	As Invoiced	Approved Suppliers
Signage ⁽⁷⁾	\$5,000	\$15,000	As required by the vendor	As Invoiced	Approved Suppliers
Audio, Lighting, Computer & Tech Equipment ⁽⁸⁾	\$50,000	\$80,000	As required by the vendor	As Invoiced	Franchisor or Approved Suppliers
Legal and Accounting Fees	\$2,500	\$20,000	As required by the vendor	As Invoiced	Approved Suppliers

Type of Expenditure ^(*)	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Marketing Spend ⁽⁹⁾	\$15,000	\$15,000	As required by the vendor	As Invoiced	Approved Suppliers
Lease Negotiation & Build-Out Support ⁽¹⁰⁾	\$0	\$2,000	ACH	As Invoiced	Franchisor
Insurance ⁽¹¹⁾	\$2,000	\$12,000	As required by the vendor	As Invoiced	Approved Suppliers
All Staff Hospitality Training Fee ⁽¹²⁾	\$5,000	\$5,000	ACH	Upon signing lease for Authorized Location	Franchisor
Instructor Training ⁽¹³⁾	\$10,000	\$10,000	ACH	Upon signing lease for Authorized Location	Franchisor
DJ Training ⁽¹⁴⁾	\$5,000	\$5,000	ACH	Upon signing lease for Authorized Location	Franchisor
Technology Fees ⁽¹⁵⁾	\$3,000	\$5,000	As required by the vendor	As Invoices	Franchisor or Approved Suppliers
Additional Funds (initial 3 months) ⁽¹⁶⁾	\$40,000	\$70,000	Varies	As Incurred	Approved Suppliers and Employees
TOTAL ESTIMATED INITIAL INVESTMENT ⁽¹⁷⁾	\$295,500	\$788,000			

Notes:

*These estimated initial expenses reflect Franchisor's current best estimate of the costs Franchisee may incur in establishing and operating the Franchised Business. Franchisor's estimates are based on Franchisor's experience, the experience of its owners and officers, the experience of affiliates, and Franchisor's current requirements for Franchised Businesses. The factors underlying the above estimates may vary depending on the actual investment Franchisee makes in developing and opening the Franchised Business may be greater or less than the estimates given, depending upon the location of the Franchised Business, and current relevant market conditions. All expenditures paid to Franchisor or affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to vendors or third parties are non-refundable, except as you may negotiate in agreements between Franchisee and the vendor or third party.

1. Pre-opening Training Travel and Lodging Expenses. All trainings will take place in New York City or online, unless otherwise determined by Franchisor.
2. Rent or Real Estate Real Property – Purchased or Leased. Franchisee must lease or otherwise acquire a suitable facility for the operation of the Franchised Business. Franchisee will

typically lease the Authorized Location, which will normally range between 1,500 to 6,000 square feet in size, with the average size being approximately 2,500 square feet. The estimate includes the cost of Franchisee's security deposit and the first and last months' rent payment. Actual rent payments may vary depending upon location and the market's retail lease rates. If Franchisee purchases instead of leases the premises for the Franchised Business, then the purchase price, down payment, interest rates, and other financing terms will determine the monthly mortgage payments. It is extremely difficult to estimate lease (defined below) rates or acquisition costs because of the wide variations that depend upon the square footage, location, economic climate, prevailing interest rates and other financing costs, the conditions of the property and other physical characteristics of the site. Franchisee should investigate all these costs in the area where Franchisee wishes to establish the Franchised Business.

3. Leasehold Improvements. The estimate includes improvements to the premises such as demolition, HVAC updates, noise attenuation, plumbing and other utility improvements, installation of lights and audio equipment, hardwood floors, and other finishes.
4. Furnishings and Fixtures. Includes mirrors, trade dress, décor, front desk reception, seating and other required furnishings.
5. Fitness Equipment, Studio Supplies, Laundry. Includes resistance bands, weights, mats and bathroom supplies, and cleaning supplies.
6. Soft Opening Retail Inventory Kit. Includes basic branded merchandise such as t-shirts, hoodies and sports bras.
7. Signage. Includes decals, metal signs and illuminated signs, as approved by Franchisor.
8. Audio, Lighting, Computer & Tech Equipment. Includes speakers, LED lights, surveillance cameras, other AV equipment, 2 personal computers and a point-of-sale system.
9. Initial Marketing Spend. Franchisee is required to spend a minimum of \$15,000 on pre-opening marketing within 60 days of Studio opening. Can be a combination of labor to run outdoor/street marketing, paid social media ads and events/influencer fees, all as approved by Franchisor.
10. Lease negotiation and Build-Out Support. Franchisor will spend up to 8 hours supporting the Franchisee on mandatory lease terms and buildout requirements and plans. After 8 hours, Franchisee will pay Franchisor an hourly fee of \$250/hour.
11. Insurance. Franchisee must obtain and maintain, at its own expense, the insurance coverage Franchisor requires, and satisfy other insurance-related obligations, such as those required by the lease. Coverage information is set forth in the Manual.
12. All Staff Hospitality Training Fee. Franchisee is required to host a 3-day training for all opening studio staff (front desk team members, instructors, DJs, manager and/or owner). The training will be led by Franchisor's representative, will take place at the Franchisee's Authorized Location, or another place within 25 miles of the Studio, and will cover sales techniques, front desk POS, maintenance, lighting/audio training, customer journey.
13. Instructor Training Fee. Franchisee will pay Franchisor \$10,000 upon signing the lease for the Authorized Location for the training of up to 12 opening-team instructors over a 6-month period of time. This training will take place between 2 months prior to opening and up to 4

months after the Studio opens. Franchisee will be responsible for the payment of all travel-related expenses, salaries and other per diem expenses for attendees or, if Franchisor provides 305 Instructor Training in Franchisee's market, Franchisee may be responsible for paying travel, meal and accommodation expenses for Franchisor's trainers.

14. DJ Training Fee. Franchisee will pay Franchisor \$5,000 upon signing the lease for the Authorized Location for the training of up to 8 opening-team DJs over a 6-month period of time. This training will take place 2 months prior to opening and up to 4 months after the Studio opens. Franchisee will be responsible for the payment of all travel-related expenses, salaries for attendees and other per diem expenses or, if Franchisor provides 305 DJ Training in Franchisee's market, Franchisee may be responsible for paying travel, meal and accommodation expenses for Franchisor's DJs.
15. Technology Fees. Includes fee for software providers, schedule management, payroll assistance and for wearable technology.
16. Additional Funds (initial three months). These amounts represent Franchisor's estimate of the amount needed to cover Franchisee's expenses for the initial three-month start-up phase of the Franchised Business. They include payroll costs during the first three months of operation, but not any draw or salary for Franchisee. These figures do not include standard pre-opening expenses, Royalty Fees, or Brand Marketing Fee payable under the Franchise Agreement, or debt service, and assume that none of Franchisee's expenses are offset by any sales generated during the start-up phase. For purposes of this disclosure, Franchisor estimates the start-up phase to be between 6 and 18 months. Additional funds for the operation of the Franchised Business will be required after the first three months of operation if sales produced by the Franchised Business are not sufficient to produce positive cash flow.
17. Figures May Vary. This is an estimate of Franchisee's initial start-up expenses for one Franchised Business.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications

To ensure the highest degree of quality and service is maintained, Franchisee must operate the Franchised Business in strict conformity with the methods, standards, and specifications Franchisor list in its proprietary and confidential operating manual, which may exist in various parts, locations, and formats, and may include a combination of audio, video, written material, electronic media, website content, and/or software components. The operational and franchise aspects of a Studio are contained within the Franchisor's confidential operations manual ("**Manual**").

Franchisee must not: (i) deviate from these methods, standards, and specifications without Franchisor's prior written consent, or (ii) otherwise operate in any manner which reflects adversely on Franchisor's Marks or the System. The Manual states Franchisor's standards, specifications, and guidelines for all products and services Franchisor requires Franchisee to obtain in establishing and operating the Franchised Business. Franchisee must manage all customer complaints and requests for returns in a manner that will not detract from the name and goodwill of the Studio.

Franchisor will notify Franchisee of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Manual or through written communication (including

electronic communication). Franchisor will issue copies of its standards and specifications to Franchisee and required, approved and recommended suppliers.

Franchisee must purchase, install, maintain in sufficient supply, and use, only fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Manual or otherwise in writing.

Franchisee must not use, offer, or sell any products or services in connection with its Franchised Business that do not meet System standards and specifications, or that Franchisor has discontinued or otherwise notified Franchisee that Franchisee is no longer able to use or offer in connection with the Franchised Business. If Franchisee wishes to offer any product or service in the Franchised Business other than Franchisor's approved products and services, or use any item in connection with the Franchised Business that does not meet Franchisor's System standards and specifications, Franchisee must obtain Franchisor prior written approval as described more fully in this Item 8.

Franchisee must use the computer hardware and software, including the point-of-sale system that Franchisor periodically designates to operate the Franchised Business. Franchisee must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet Franchisor's specifications from the suppliers Franchisor specifies. Franchisee must obtain the insurance coverage required under the Franchise Agreement and set forth in the Manual. The insurance company must be authorized to do business in the state where the Franchised Business is located and must be approved by Franchisor. It must also be rated "A" or better by A.M. Best & Company, Inc. Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name Franchisor and any affiliates Franchisor designates as additional named insured parties.

Required Purchases and Right to Derive Revenue

Franchisor has the right to require that Franchisee purchase certain products or services necessary to operate the Franchised Business, which might include using a required software product for accounting and hire a bookkeeping and accounting service provider. The products or services Franchisor requires Franchisee to purchase from an Approved Supplier or purchase in accordance with Franchisor's standards and specifications currently consist of: Studio equipment, dance fitness equipment, lighting, DJ and audio equipment, retail package of branded merchandise, marketing materials, specific furnishings and décor, and point-of-sale software and hardware. These products or services are referred to collectively as "**Required Purchases.**" Required Purchase are set forth in the Manual and may be updated from time to time in Franchisor's sole discretion.

All Required Purchase must be purchased through Approved Suppliers. Approved Suppliers shall be set forth in the Manual, as the same may be updated from time to time.

Franchisor estimates that Franchisee's Required Purchases will account for approximately 40% to 60% of Franchisee's total costs incurred in establishing the Franchised Business, and approximately 20% to 50% of the ongoing costs to operate the Franchised Business after the initial start-up phase.

Franchisor or our affiliates may receive rebates from suppliers based on franchisee purchases of products and services, promotional allowances, volume discounts, and other payments. Certain designated suppliers may, in the future, make payments to Franchisor based on percentage of franchisee purchases. Currently, Franchisor nor its affiliates receive rebates or other benefits from suppliers from whom franchisees purchase. However, in the future, Franchisor and its affiliates may receive rebates or other benefits from suppliers derived from franchisees' transactions.

Franchisee may request approval of an alternative supplier of Required Purchases. The criteria for evaluating suppliers is as set forth in the Manual. If an alternative supplier meets Franchisor’s criteria, Franchisor will allow franchisees to contract with them directly. Franchisor’s approval may be revoked at any time or for any reason on thirty days’ written notice to franchisee.

Franchisor did not derive any revenue in its last fiscal year from Required Purchases by franchisees.

Purchases from Approved Suppliers

Franchisor has the right to require Franchisee to purchase any products or services necessary to operate the Franchised Business from a supplier that Franchisor approves or designates, which may include Franchisor, its affiliates, or other vendors (each an “**Approved Supplier**”). For example, Franchisor may require Franchisee to use our designated contractors or suppliers for the following items: architectural space plan, construction management consulting, flooring, signage, furniture and décor, lighting and branded merchandise. Franchisor may designate new or different mandatory contractors or suppliers for any build out service or product at any time. Franchisor will provide Franchisee with a list of Approved Suppliers in writing as part of the Manual or otherwise in writing, and Franchisor may update or modify this list as Franchisor deems appropriate. Franchisor may develop proprietary products for use in your Franchised Business, including private-label products that bear the Marks, and require Franchisee to purchase these items from Franchisor or its affiliate(s).

Purchasing Cooperatives and Right to Receive Compensation

Franchisor does not have purchasing and distribution co-operatives as of the Issuance Date of this Franchise Disclosure Document; however, Franchisor may negotiate alternative purchase arrangements with suppliers and distributors of approved products for the benefit of franchisees, and Franchisor reserves the right to receive rebates on volume discounts from purchase of products that Franchisor may resell to Franchisee. Franchisor will make commercially reasonable attempts to negotiate volume purchase agreements with suppliers or purchasing cooperatives for the benefit of the franchisees; at this time, no such agreements are in place.

**ITEM 9
FRANCHISEE’S OBLIGATIONS**

This table lists your principal obligations under the franchise agreement 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.

FRANCHISE AGREEMENT

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 7 and 8.1	ITEMS 7, 11 and 12
b. Pre-opening purchases/leases	Section 8.2	ITEM 11
c. Site development and other pre-opening requirements	Sections 7 and 8	ITEMS 6, 7, 8 and 11

Obligation	Section in Agreement	Disclosure Document Item
d. Initial and ongoing training	Section 10	ITEM 6, 7 and 11
e. Opening	Sections 7 and 10	ITEM 6
f. Fees	Sections 3 and 4	ITEMS 5, 6, 7 and 11
g. Compliance with standards and policies/Manual	Sections 3 and 10	ITEMS 8, 11 and 14
h. Trademarks and proprietary information	Sections 5, 12, 13, 14 and 15	ITEMS 13 and 14
i. Restrictions on products/services offered	Sections 8.2 and 13.3	ITEMS 8, 12 and 16
j. Warranty and customer service requirements	Section 13.6	ITEM 15
k. Territorial development and sales quotas	Not applicable	ITEMS 12 and 17
l. Ongoing product/service purchases	Sections 8.11 and 13.3	ITEM 9
m. Maintenance, appearance and remodeling requirements	Sections 7 and 12	ITEMS 6, 8 and 11
n. Insurance	Section 13.9	ITEMS 6, 7 and 8
o. Advertising	Sections 8.5 and 9	ITEMS 6 and 11
p. Indemnification	Sections 5, 12, 13 and 20.4	ITEM 6
q. Owners' participation/management/ staffing	Sections 10 and 12	ITEM 9 and 15
r. Records and reports	Sections 3.7 and 11	ITEMS 17 and 19
s. Inspections and audits	Sections 5, 7, 11 and 13	ITEMS 6 and 11
t. Transfer	Sections 17	ITEM 17
u. Renewal	Section 4	ITEM 17
v. Post-term obligations	Sections 14, 16 and 19	ITEMS 9 and 17
w. Noncompetition covenants	Section 14.2	ITEM 17
x. Dispute Resolution	Sections 7 and 17	ITEM 17

ITEM 10 FINANCING

Franchisor does not offer direct or indirect financing, nor does Franchisor guarantee Franchisee's note, lease or obligations to third parties. Franchisor may refer Franchisee to lenders or vendors that provide or assist Franchisee with financing that Franchisee may choose to work with at Franchisee's option.

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

Except as listed below, Franchisor is not required to provide Franchisee with any assistance.

1. Pre-Opening Obligations

Before Franchisee opens the Franchised Business, Franchisor (or Franchisor's designee) will provide the following assistance services to Franchisee:

Franchise Operation

Franchisor or its representatives will provide Franchisee with the following pre-opening assistance: (i) provide initial Owner/Management training, Instructor training and DJ training determined by Franchisor at a location that Franchisor designates, (ii) make a representative reasonably available to Franchisee via telephone or via e-mail during normal business hours to assist with building programming for the Franchised Business and for determining services to be provided at the Franchised Business, (iii) furnish general guidance through printed, filmed, or streamed material via web, video, or telephone conference meetings and (iv) assist in developing the grand opening marketing plan.

Franchisor will maintain a website for the Studios and list Franchisee's location and contact information on that website. (Section 8.9 of the Franchise Agreement.)

Franchisor will provide Franchisee with programming such as choreography and Instructor and DJ training as well as suggested programming that includes plug-and-play toning, warm-up and breakdown suggestions for instructors and DJs.

Franchise Site

Franchisor will offer up to 8 hours of guidance on locating and evaluating potential Authorized Locations for the Franchised Business and on best practices for HVAC requirements, soundproofing, and interviewing contractors. If Franchisee requires additional assistance, then Franchisee will pay a consulting fee in the amount of \$250 per hour.

Franchisee is required to have its own counsel review and negotiate the legal terms of the lease for the Authorized Location, which counsel may be included in Franchisor's preferred or required vendors as set forth in the Operations Manual.

Franchisee will assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining, and developing an Authorized Location for the Franchised Business; and (ii) constructing, equipping, remodeling, and/or building out the Authorized Location for use as a Franchised Business, all in accordance with Franchisor's System standards and specifications. Franchisor may provide Franchisee with current written site selection guidelines, to the extent such guidelines are in place, and any other site selection

counseling and assistance Franchisor determines advisable. Franchisor's guidelines for site selection may require that Franchisee conduct, at its expense, an evaluation of the demographics of the market area for the location. Franchisor may then use these factors in determining the suitability of Franchisee's proposed site for the Authorized Location of the Franchised Business. In deciding whether to approve a site, Franchisor may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar products and services within the area, and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the site; (iii) zoning restrictions and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site (Section 7.1 of the Franchise Agreement).

Franchisee must submit information and materials for one proposed sites to Franchisor for authorization within the first 90 days after Franchisee has signed the Franchise Agreement. Franchisor will have 15 business days after receipt of all required information and materials to authorize or decline the proposed site as the location for the Franchised Business. If Franchisor does not provide its specific authorization of a proposed site, the site is deemed not authorized. Franchisor's authorization only means that the site meets Franchisor's minimum requirements for a Franchised Business. If Franchisor determines that an on-site evaluation is necessary, then Franchisee must: (i) submit to Franchisor in the form Franchisor specifies a description of the site prior to Franchisor's representative conducting its on-site evaluation, including evidence that the site satisfies Franchisor's site selection guidelines, together with other information and materials that Franchisor may reasonably require, including a letter of intent or other evidence that confirms Franchisee's favorable prospects for obtaining the site; and (ii) reimburse Franchisor for the expenses incurred in connection with such visit and evaluation.

It is expected that Franchisee will locate an Authorized Location within 6 to 9 months from signing the Franchise Agreement and open their Authorized Location between 9 to 15 months from signing the Franchise agreement. If the Franchisee does not locate an Authorized Location within 9 months or open the Franchised Business within 15 months from signing the Franchise Agreement, the Franchisee will be in default of the Franchise Agreement and the Franchisor may terminate the Franchise Agreement. However, if Franchisee is diligently working to open the Studio and the opening is delayed due to causes beyond the Franchisee's control, Franchisee may request an extension to the deadline to open provided Franchisee gives prior notice to Franchisor describing the reasons for the delay and the target date for opening. If Franchisor is satisfied that the delays are not caused by Franchisee and the new opening date is reasonable, Franchisor will approve such requested extension.

Franchise Construction

Franchisor will provide its then-current System standards and specifications for the build-out, remodeling, or construction of the Franchised Business. This will include general studio brand standards as well as bespoke design recommendations, based on the square footage, layout, location, and "personality" of the Franchisee's Authorized Location.

Hiring and Training Employees

Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone must establish all requirements, consistent with Franchisor's guidelines, regarding employment, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees.

Franchisee may provide access to the Manual, or portions thereof, to its employees, independent contractors, agents, consultants or advisors who need access to perform their jobs, but only to the extent they need it. Franchisee is responsible for its personnel's use of the Manual and for compliance with Franchisor's expected level of confidentiality concerning the Manual.

As part of the Initial Franchisee Fee of \$50,000, Franchisor will provide three Owner/Management trainings. The first training is a Three-day Owner/Management training, which must be commenced within 60 days of Franchisee signing the Franchise Agreement. A Two-day Owner/Management training must be commenced while the Studio is constructed but before the Studio is opened. Franchisor will also provide One-and-A-Half Day Owner/Management training between 1 week and 6 weeks after opening of the Authorized Location. The One-and-a-Half Owner/Management Training will be customized to the needs of the Franchisee and/or their General Manager, and will cover curriculum to support the Franchisee as they ramp their Studio sales.

Franchisor will also provide Instructor, DJ, and All Staff trainings to the Franchisee. Franchisee is required to enroll its opening Instructor team in the Initial Instructor training between 2 months prior to Studio opening and 4 months after Studio is opened. Instructor and DJ training may take place hybrid virtual and in-person at a location designated by Franchisor. Unless otherwise waived by Franchisor, Franchisee will pay Franchisor \$10,000 for the Initial Instructor training for up to 12 instructors and \$5,000 for the Initial DJ training for up to 8 DJs. Circumstance for Franchisor to waive the Initial Instructor training fee is when the Franchisee is experienced in the dance cardio workout offered at the Studio. If additional Instructor or DJ training is required after 4 months of the opening of the Franchisee's Authorized Location or if the Franchisee wishes to send additional instructors or DJs for training beyond the initial designated Instructors or DJs, the Franchisee will pay Franchisor \$1,350 per instructor training and \$950 per DJ trainee. Franchisee will be responsible for travel-related expenses.

Franchisor requires that all opening Studio staff such as front desk associates, instructors and maintenance staff attend a 3-day training All Staff Hospitality and Studio Operations Training. Franchisee will pay Franchisor \$5,000 prior to the start of the training which will take place at the Studio or a location designated by Franchisor within 25 miles of the Franchised Location. The All Staff Hospitality and Studio Operations Training will take place between four weeks prior to the Studio Opening and two weeks after the Studio Opening.

Studio Equipment

Franchisor will provide a list of items and equipment needed to open the Franchised Business, along with a proprietary list of Approved Suppliers as well as any specifications. Franchisor does not assist in installation of the equipment.

2. Schedule for Opening

Franchisor estimates that it will take up to 15 months to open your Franchised Business from the time Franchisee executes the Franchise Agreement. The total timeframe may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules, and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment, and signs, and to complete preparation for operating the Franchised Business, and including purchasing inventory and supplies (Section 7.3 of the Franchise Agreement).

3. Obligations During the Franchisee's Operation

During the operation of the Franchised Business, Franchisor (or its designee) will provide the following assistance and services:

Products or Services the Franchisee Will Offer

Franchisor may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, teleconferences, or in person.

Additional Instructor and DJ training will continue to take place up to 4 months after the Studio is open. Additionally, as and when Franchisee hires instructors and DJs, the Franchisor offers additional training for \$1,350 and \$950, respectively.

Franchisor may require that Franchisee attend certain meetings via webinar or teleconference. Franchisor may host an annual in-person retreat, at a location designated by Franchisor. The cost is \$1,000 per person plus travel, meal, and accommodation expenses for Franchisee and its personnel. Franchisor will provide any training materials from the Annual Retreat to Franchisee. Franchisee may be required to attend regional franchise retreats as well at Franchisor's discretion.

Franchisor may provide additional consulting services with respect to the operation of the Franchised Business upon Franchisee's reasonable request and subject to the availability of Franchisor's personnel. Franchisor may charge a fee for such additional services. Franchisor will make available information about new developments, techniques, and improvements in the areas of advertising, management, and operations.

Franchisor may provide Franchisee with new programming, for example choreography and Instructor and DJ training as well as suggested programming that includes plug-and-play toning, warm-up and breakdown suggestions for instructors and DJs. New Choreography may be provided every 2 months. Franchisee will be required to cover costs (compensation for instructors and DJs) to learn and incorporate new choreography and music into classes. New programming such as toning, warm-up, and breakdowns may be made available to Franchisees monthly. It is the responsibility of Franchisees to distribute this programming to their teams via electronic communication and/or monthly staff meetings.

Improving and Developing the Franchised Business

Franchisor will provide continuing consultation and advice, as Franchisor deems necessary in its sole discretion, regarding the management and operation of the Franchised Business. Franchisor may provide assistance through the distribution of printed or filmed material, by telephone, intranet communication or another electronic forum. Franchisor may also provide assistance with meetings, on site visits, as it deems available and subject to the availability of its personnel. (Section 8.4 of Franchise Agreement).

Franchisor will approve or deny any advertising/marketing materials Franchisee wishes to use in connection with the Franchised Business, as described more fully below in this ITEM 11 under the heading "**Advertising**" (Section 8.5 of the Franchise Agreement).

Franchisor will make available its website, one copy of the Confidential Manual, which may include audio and video media, computer software other electronic media, and/or written materials (Section 6 of the Franchise Agreement).

Franchisor will approve or disapprove Franchisee's requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than Franchisor's then-current approved/designated suppliers (Section 8.6 of the Franchise Agreement).

Establishing Prices

Franchisor will provide suggested prices. All services offered will be competitive with similar services offered at dance fitness studios in Franchisee's area. In addition, state laws and/or regulations may place limits on the retail price of services offered at the Authorized Location. It is Franchisee's responsibility to ensure that it is in full compliance with these limitations. Franchisor will also require Franchisee to participate in new promotions, specials and other offerings.

Establishing and Using Administrative, Bookkeeping, Accounting, and Inventory Control Procedures

Franchisor will assist and attempt to provide operating assistance in these areas by offering advice and resources relative to the procedures. Franchisor may require you to use certain accounting software and retain a bookkeeping and accounting service.

Resolving Franchisee's Problems

Franchisor will assist and attempt to resolve operating problems by offering advice and resources relative to the challenge. Human Resource challenges may be exempt from this assistance depending on the matter. Additional information regarding operating problems will be set forth in the Manual.

4. Franchise Advertising Program

Franchisor's Obligation to Conduct Advertising

Franchisor will conduct and maintain a Brand Marketing Fund to which Franchisee must contribute.

Franchisor controls the creative concepts, materials and media to be used, and may determine the placement and allocation of advertisements. Franchisor does not guarantee that any franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Brand Marketing Fund. Franchisor may recommend or use print, television, radio, Internet or other media for advertisements and promotions.

The production and source of advertising will come from the Franchisor's marketing team.

Circumstances when Franchisor permits Franchisee to use Franchisee's own Advertising

Franchisee is required to spend \$2,000 on local advertising and marketing each month. This local spending obligation is in addition to the Brand Marketing Fee. This local advertising budget should generate direct leads to the Franchisee's business. When conducting this local advertising, Franchisee must obtain Franchisor's advanced approval of all marketing collateral and design. Franchisee must conduct all advertising in a dignified manner and to conform to the standards and requirements Franchisor specifies. Franchisor will have the final decision on all creative development of advertising and promotional messages. If Franchisor's written approval is not received for any advertising plan or material within 14 days from the date Franchisor received the material, the material or plan is deemed disapproved. Franchisor reserves the right to require Franchisee to discontinue the use of any advertising or marketing materials. (Section 9.5 of the Franchise Agreement).

All advertising and promotion that Franchisee uses in connection with its Franchised Business must be in such media and of such type and format that Franchisor approves and shall conform to such standards and requirements that Franchisor specifies. Franchisor may make available from time to time, at Franchisee's expense, certain promotional materials, including coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. Franchisee must also participate in certain promotions and advertising programs that Franchisor establishes as an integral part of the System, provided these activities do not contravene regulations and laws of appropriate governmental authorities (Section 9.1 of the Franchise Agreement).

Franchisee may promote or otherwise list the Franchised Business on social media, third-party application, or networking site, including Facebook, LinkedIn, "X" or YouTube, consistent with Franchisor's social media and internet usage guidelines set forth in the Manual and as set forth in this Franchise Agreement. Such promotions and listings by Franchisee shall be in good taste and avoid inappropriate content. Franchisee's social media postings shall be thoughtful and shall in no way disparage or damage the Franchisor's reputation or brand, including the reputation and character of its owners, officers, directors, employees or agents.

Advertising Council

At this time, there will be no advertising council composed of Franchisees, but Franchisor reserves the right to establish a council in the future.

Franchisee Participation in (any) Brand Marketing Fund

Franchisees and Franchisor-owned units (if any) are required to contribute to the fund ("**Brand Marketing Fund**"). Both the franchisees and the Franchisor-owned units have equal calculations for the contribution requirement. The Brand Marketing Fund is administered by the Franchisor. The Brand Marketing Fund will not be kept in a separate bank account.

Franchisor will have an accounting of the Brand Marketing Fund prepared each year and provide a copy upon Franchisee's request. Franchisor may require that the annual accounting be audited by an independent certified public accountant at the expense of the Brand Marketing Fund. Franchisor and its affiliates will receive consideration for providing goods and services to the Brand Marketing Fund that is only general and administrative expenses. Franchisor did not have any franchisees operating during its last fiscal year, and it did not collect any marketing fees.

Remaining Advertising Funds

Franchisor expects to use all contributions in the fiscal year contributions are made, but Franchisor reserves the right to carry over any unused funds into the next fiscal year. If Franchisor ends the year with a shortage, Franchisor will use funds received in the following year to balance the budget.

5. Franchisor's Requirements for Franchisee's Computer Systems

Cost of Purchase or Leasing Systems

Franchisor has the right to specify or require that certain brands, types, makes, and/or models of computer hardware and software that Franchisee must use in connection with the Franchised Business. Currently Franchisor requires: (i) a dedicated network server with appropriate backup and data safeguarding measures built into it, including a minimum of 2 personal computers and point-of-sale hardware; (ii) high-speed internet connection; and (iii) webcam system with proper cabling and server (collectively, the “**Computer System**”). Franchisor also requires Franchisee to use designated point-of-sale software in connection with the Computer System and Franchised Business (“**Required Software**”) (Section 12.6 of the Franchise Agreement). Franchisor estimates the costs of purchasing or leasing the Computer System is approximately between \$3,000 and \$7,000. The type of data to be generated or stored in these systems includes but is not limited to the following: sales, customer contact information, customer visit history and other data via the point-of-sale system.

Franchisor's Obligation to Provide Maintenance, Repairs, Upgrades or Updates

Franchisor nor its affiliates, and third parties have any obligation to provide ongoing maintenance, repairs, upgrades or updates.

Franchisee's Obligation to Upgrade or Update System

Franchisor may require Franchisee to have contractual obligations to upgrade or update any hardware or software regarding the Computer System. Franchisee must update or upgrade computer hardware and software as Franchisor considers necessary, but not more than once a year. Franchisor may, from time to time, adopt different system software or hardware. When Franchisor is ready to adopt it, Franchisor will require Franchisee to convert to that system after giving Franchisee written notice at least 60 days prior to any change taking effect.

Annual Cost of Optional or Required Maintenance or Operation

Aside from the up-front costs to purchase point-of-sale system hardware, and the monthly and costs for point-of-sale services, and payment card processing, Franchisor does not currently anticipate material additional costs to maintain or operate the systems described herein.

Franchisor's Access to Information

Franchisor reserves the right to have independent access to information on the Computer System. Franchisor requires that: (i) Franchisee complies with Franchisor's standards and specifications for Internet access and speed; and (ii) the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to Franchisor. Franchisor will also have the right to, at any time without notice, electronically and independently connect with Franchisee's Computer System to monitor or retrieve data stored on the Computer System or for any other purpose Franchisor deems necessary. There are no contractual limitations on Franchisee's right to access the information and data on any component of the Computer System (Section 12.6 of the Franchise Agreement). The data which shall be generated or stored in the Computer System is information related to the operation of the Franchised Business, including customer information and financial information.

6. Operating Manual Table of Contents

A copy of the Manual table of contents is attached as **Exhibit E** to this Franchise Disclosure Document. The Manual is approximately 194 pages.

7. Franchisor's Training

Initial Training Program

Prior to opening your Franchised Business, Franchisee and employees designated by Franchisee will complete the initial Owner/Management training program no later than 60 days prior to the opening of the Studio. Franchisee will provide the initial Owner/Management program in New York City, online, at the Franchised Business, or other location designated by Franchisor. Up to three trainees may attend Owner/Management training at no cost. Additional attendees may incur a tuition fee. However, Franchisee must pay for any associated travel and living expenses of trainees.

3-DAY OWNER/MANAGEMENT TRAINING PROGRAM

Training Topic	Hours of Classroom Training	Hours of On-The-Job Training	Location
Owner Intro & Your Why	1	1	As designated by us
Studio KPIs and Income Statements	4	10	As designated by us
Franchisee / Franchisor Relationship	2	2	As designated by us
Use of Reporting Documents	2	2	As designated by us
Studio Build-out	2	5	As designated by us
305 Brand Standards	3	5	As designated by us
Instructor & DJ Training and Ongoing Development	3	5	As designated by us
Onboarding Plan	2	5	As designated by us
Site Selection and Lease Overview	2	20	As designated by us
Software & System Basics: POS, Staff Scheduling, Payroll	3	0	As designated by us
Daily, Weekly, Monthly Checklist	2	1	As designated by us
How Could You Fail?	2	1	As designated by us

2-DAY OWNER/MANAGER TRAINING PROGRAM

Training Topic	Hours of Classroom Training	Hours of On-the-Job Training	Location
Studio KPIs and Income Statement (Deeper Dive)	2	2	As designated by us
Staff Onboarding & Measuring Performance	3	5	As designated by us
Studio Build-Out Cost Management	2	10	As designated by us
Marketing Channels & Marketing Plan	4	5	As designated by us
Software & Systems Deeper Dive	4	10	As designated by us
Studio Dress Rehearsal: Friends & Family Classes	1	3	As designated by us
Daily, Weekly, Monthly Checklist	1	5	As designated by us
Programming & Ongoing Quality Control	3	5	
Strength-Based Leadership	2	2	As designated by us

1-And-Half-DAY OWNER/MANAGER TRAINING PROGRAM

Training Topic	Hours of Classroom Training	Hours of On-The-Job Training	Location
Leadership & Communication: Franchisor & GM	3	2	Franchisee Location or within 25 miles of Authorized Location
Programming and Ongoing Instructor & DJ Development	1	3	Franchisee Location or within 25 miles of Authorized Location
Weekly & Quarterly Comms to Staff	2	5	Franchisee Location or within 25 miles of Authorized Location

Notes:

1. The initial training program duration is approximately 6-1/2 days and will take place at 18 W. 8th Street, New York, NY 10011, or another location designated by Franchisor.
2. Training will be conducted by Sadie Kurzban who has 11 years of experience in the dance and fitness and has owned a studio for 9 years, by Candace Taylor who has 7 years of experience in the dance fitness industry as an instructor and Talia Kagan who has 8 years of experience in the dance fitness industry as a DJ.

3. Franchisee may be subject to additional fees or charges for training. There is no charge for training up to three individuals in the initial training. All travel and living expenses for this training will be covered by you.
4. Franchisor's initial training program is mandatory for Franchisee. Successful completion of the initial training program is required. The initial training program must be completed before opening the Studio for business.

Ongoing Training

In addition to the initial training program, Franchisee's instructors and DJs must complete training. For instructors, training will be held for up to 12 initial instructors and will be a hybrid of virtual and in-person. This training will be paid by Franchisee at the time instructors are registered and is \$10,000 (which, in certain circumstances will be waived). The training will occur between 2 months prior Studio opening and up to 4 months after Studio opening. For DJs, training will be held for up to 8 initial DJs and will be a hybrid of virtual and in-person. This training will be paid by Franchisee at the time DJs are registered and is \$5,000. The training will occur between 2 months prior Studio opening and up to 4 months after Studio opening. If additional instructor or DJ training is required, or if Franchisee wishes to send additional instructors or DJs for initial training, Franchisee will pay Franchisor \$1,350 per instructor and \$950 per DJ.

Franchisor requires that all opening Studio staff such as front desk associates, instructors and maintenance staff attend a 3-day training on hospitality and studio operations. Franchisee will pay Franchisor \$5,000 prior to the start of the training which will take place at the Studio or a location designated by Franchisor within 25 miles of the Franchised Location.

ITEM 12 TERRITORY

Protected Territory

The license granted to Franchisee in the Franchise Agreement is limited to permitting the use of the System and Marks in the operation, consistent with the Manual, of a Franchised Business only at the Authorized Location. Franchisee must operate the Franchised Business only at this Authorized Location and may not relocate without Franchisor's prior written consent.

At present, as a matter of general policy, prior to granting a franchise for the operation of a Studio, Franchisor considers the demographics in the area, including population size and density, geography, economics, and local considerations as well as competition. The actual geographic area in which Franchisor may allow another Studio to open will differ in different areas. Franchisor reserves the right to make this determination at its sole discretion.

Franchisee's Protected Territory will vary based on the geographic location of the Authorized Location and whether it is located in a metropolitan city, in a suburban location or in a less densely populated area. For example, in New York City, a Protected Territory might be a 10-block radius from the Authorized Location's front door; in Brooklyn, Washington DC or Miami (more than 1.5 million residents) the Protected Territory may be defined as a 30-minute walking distance or approximately 1.5 miles and in markets where there are less than 500,000 resident, the Protected Territory might be a 15-minute driving distance or approximately 4 miles.

Franchisor will not authorize the operation of another franchised Studio at a traditional location within Franchisee's Protected Territory while the Franchise Agreement is in effect and Franchisee is not in material breach of the Franchise Agreement. Franchisee will not receive an exclusive territory. Franchisee may face competition from other outlets that we own, or from other channels of distribution or competitive brands that we control, such as teacher instructor training and livestreaming broadcasts of fitness dance by the Franchisor.

Relocation

If the lease for the Authorized Location expires or terminates without the fault of Franchisee, or if the Authorized Location is destroyed, condemned or otherwise rendered unusable, or if in Franchisor's reasonable judgment there is a change in character of the Authorized Location that is sufficiently detrimental to its business potential to warrant relocation of the Franchised Business, or as otherwise may be agreed upon in writing between Franchisee and Franchisor, Franchisee may have the right to allow Franchisee to relocate the Franchised Business to a new Authorized Location. Any such relocation shall be at Franchisee sole expense and must proceed in accordance with the requirements set forth in the Franchise Agreement and Manual. Franchisee will have the right to require you to pay us then-current fee(s), plus any expenses, for relocation assistance. Notwithstanding the foregoing, Franchisor has no contractual obligation to provide relocation assistance.

Restrictions On All Types Of Territories

Franchisor and its Affiliates expressly reserve all rights not expressly granted to Franchisee under the Franchise Agreement, including the right to: (i) establish and operate, and license any third party the right to establish and operate, other Studios using the Proprietary Marks and System at any location outside of the Protected Territory; (ii) market, offer and sell products and services that are similar to those products and services offered by the Studios under a different trademark(s) at any location, within or outside the Protected Territory; (iii) use the Proprietary Marks and System to distribute Franchisor's approved products and/or services (including services such as those performed by the Franchised Business) in any alternative channel of distribution within or outside the Protected Territory, including via the Internet, mail order catalog, direct mail marketing and the sale of products in retail or wholesale store locations; (iv) acquire, merge with, or otherwise affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any business of any kind, without limitation, any business that offers products or services the same as or similar to those offered by Studios under the System and Marks, within or outside the Protected Territory; and (v) use the Marks and System, and license others to use the Marks and Franchise System, to engage in any other activities not expressly prohibited in your Franchise Agreement. Franchisor also reserves the right for it or its Affiliate to offer and conduct instructor training to trainees who are not employed by a franchisee, Franchisor or not otherwise connected to the System where that trainee may work in a competitive studio within or outside the Protected Territory.

Franchisee is not granted the right: (i) to distribute such products or services as described in this Section; or (ii) to share in any of the proceeds received by any such party unless Franchisor otherwise agrees in writing. Franchisor is not required to pay any compensation for soliciting or accepting orders from inside Franchisee's Protected Territory.

Franchisee may not sell products through other channels of distribution such as wholesale, Internet, or mail order sales. Otherwise, except as provided in ITEM 12, Franchisor places no restrictions upon Franchisee's ability to serve customers provided Franchisee do so from the Approved Location of the Franchised Business accordance with Franchisor's policies.

ITEM 13 TRADEMARKS

Under the Franchise Agreement, Franchisor licenses Franchisee to operate Franchisee's Studio under the name "305 Fitness" and to use certain other current and future Marks. Franchisee may only use the Marks in the manner authorized in writing by Franchisor. Franchisee may not use any of the Marks as part of Franchisee's corporate or other entity name. Franchisee must also follow the instructions of Franchisor for identifying itself and for filing and maintaining the requisite trade name or fictitious name registrations.

IP Company owns the Marks and licenses them to Franchisor under an Intellectual Property License Agreement dated August 16, 2023 (the "**License Agreement**"). Under the License Agreement, IP Company granted Franchisor a non-exclusive right to use and license the Marks for the purpose of franchising 305 Fitness businesses. The term of the License Agreement is 10 years with automatic 10-year renewal periods, and the License Agreement cannot be modified or terminated except by the mutual agreement of the parties. Other than the License Agreement, there are no agreements currently in effect which significantly limit Franchisor's rights to use or license the use of the Marks.

The following trademark is registered on the Principal Register with the United States Patent and Trademark Office ("**USPTO**"):

Trademark	Registration Number	Registration Date	Register
	5942724	December 24, 2019	Principal
305 FITNESS	5942720	December 24, 2019	Principal
Make Sweat Sexy	4458110	December 31, 2013	Principal

All required affidavits or renewals of the Marks have been filed and accepted by the USPTO.

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court. There are currently no effective agreements that significantly limit Franchisor's rights to use or license any of the trademarks used by franchises. All required affidavits have been filed.

As of the Issuance Date of this Franchise Disclosure Document, there is no litigation pending arising out of Franchisor's Marks, and Franchisor is not aware of any superior rights in, or infringing use of, the Marks that could materially affect Franchisee's rights to use these Marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court adverse to Franchisee's rights in the

Marks, nor are there any pending infringement, opposition, cancellation proceedings, or material litigation involving the Marks. Franchisor is not a party to, or bound by, any agreement that significantly limits Franchisor's rights to use or license others to use the Marks in any manner material to the Studios.

Franchisor grants Franchisee the right to operate the Franchised Business under all of the applicable Marks and any other trade names, Marks, service Marks, and logos currently used or that may hereafter be used in the operation of a Franchised Business. Franchisee must strictly comply with Franchisor's standards, specifications, rules, requirements, and instructions regarding the use of the Marks. The goodwill associated with the Marks will remain Franchisor's exclusive property, and Franchisee will receive no tangible benefit from Franchisor's goodwill, except from the operation or possible sale of the Franchised Business during the term of the Franchise Agreement. Any increase in the goodwill associated with the Marks during the term of the Franchise Agreement will benefit Franchisor. All rights to use Franchisor's Marks will automatically revert to Franchisor without cost and without the execution or delivery of any documents, upon the expiration or termination of the Franchise Agreement.

Franchisee may not modify the Marks with words, designs, or symbols without Franchisor's prior written consent. Franchisee may not use Franchisor's Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by Franchisor. During the term of the Franchise Agreement, and continuing after the expiration or termination of the Franchise Agreement, neither Franchisee nor any of its owners or managers will, directly or indirectly, contest, challenge, or assist in the contesting or challenging of, Franchisor's right, title, ownership, or interest in the Marks, trade secrets, methods, procedures, and advertising techniques that are part of our System, or contest Franchisor's sole right to register, use, or license others to use, the Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the words "305 Fitness" or any similar phrase. Franchisee must indicate to the public in any contract, advertisement, and with a conspicuous sign in the Authorized Location that Franchisee is an independently owned and operated licensed franchisee of Franchisor.

Franchisee must notify Franchisor within two business days when Franchisee learns about an infringing or challenging use of the Marks. Franchisor has no obligation to pursue any infringing users of Franchisor's Marks. If Franchisor becomes aware of an infringing user, Franchisor will take the action it thinks appropriate, but Franchisor is not required to take any action for any reason.

Franchisor is not aware of either superior prior rights or infringing uses that could materially affect Franchisees use of the principal trade Marks in the state where the Franchised Business will be located.

Franchisor may acquire, develop, and use additional Marks not listed here, and may make those Marks available for Franchisee's use and for use by other Studios. Franchisor will not reimburse Franchisee for its expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing Franchisee's use of any Marks. Franchisor will not reimburse Franchisee for disputes where Franchisor challenges Franchisee's use of a Mark.

Franchisee must modify or discontinue using any of the Marks, and add new names, designs, logos or commercial symbols to the Marks as Franchisor instructs. Franchisor has the right to impose changes whenever Franchisor believes the change is advisable. Franchisor does not have to compensate Franchisee for any costs Franchisee incurs to make the changes Franchisor requires. Franchisee will receive written notice of any change, and will be given a reasonable time to conform to Franchisor's directions (including changing marketing displays, trade dress, and other advertising), at Franchisee's sole expense.

Franchisee is prohibited from using the Marks in any electronic mail address or in any domain name, except those Franchisor designates for use by Franchisee in connection with Franchisee's Franchised Business. Franchisee may not maintain its own website to promote the Franchised Business. Franchisee

may maintain a presence or advertise on the Internet, social media or on any other public computer network, or any other kind of public modality, using the Marks or referencing the System consistent with Franchisor's social media and internet usage guidelines set forth in the Manual and as set forth in the Franchise Agreement. Promotions and listings by Franchisee shall be in good taste and avoid inappropriate content. Franchisee's social media postings must be thoughtful and in no way disparaging or damaging to the Franchisor's reputation or brand, including the reputation and character of its owners, officers, directors, employees or agents. Franchisor may identify all operating Franchised Businesses, and require Franchisee to list its Franchised Business in conjunction with the respective Marks in any traditional and electronic directories that Franchisor may designate.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information in the Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of Franchisor's advertising materials, the content and format of Franchisor's products, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although Franchisor has not applied for copyright registration for the Manual, advertising materials, the content and format of products, or any other writings and recordings, Franchisor claims common law and federal copyrights in these items. Franchisor grants Franchisee the right to use this proprietary and copyrighted information ("**Copyrighted Materials**") for the operation of the Franchised Business, but such copyrights remain Franchisor's sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Materials of Franchisor, nor are there any proceedings pending, nor are there any effective agreements between Franchisor and third parties pertaining to the Copyrighted Materials that will or may significantly limit using Franchisor's Copyrighted Materials. Franchisor may revise its System and any of our Copyrighted Materials in Franchisor's discretion and may require that Franchisee cease using any outdated Copyrighted Materials. Franchisee will be responsible for printing any revised or new advertising, marketing, or other business materials.

Franchisor's Manual, electronic information and communications, sales and promotional materials, the development and use of Franchisor's System, standards, specifications, policies, procedures, information, concepts and on, knowledge of, and experience in the development, operation and franchising of Franchised Businesses, Franchisor's training materials and techniques, including Franchisor's class format, using counts of music and movements with specific bars of music ("**305 Phrasing**"), cuing and previewing upcoming moves and specific beats per minute and using building block, such as beats per minute, 305 Phrasing, movements, patterns and class settings, along with choreographed routines, information concerning product and service sales, operating results, financial performance and other financial data of Franchised Businesses, and other related materials are proprietary and confidential ("**Confidential Information**"), and constitute Franchisor's property to be used by Franchisee only as described in the Franchise Agreement and the Manual. Where appropriate, certain information has also been identified as trade secrets ("**Trade Secrets**"). Franchisee must maintain the confidentiality of Franchisor's Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of Franchisor's Confidential Information and Trade Secrets.

Franchisee must notify Franchisor within two business days after Franchisee learns about another's use of language, a visual image, or a recording of any kind that Franchisee perceives to be identical or substantially similar to one of Franchisor's Copyrighted Materials, or use of Franchisor's Confidential Information or Trade Secrets, or if someone challenges Franchisee's use of our Copyrighted Materials, Confidential Information, or Trade Secrets. Franchisee will not acquire any interest in Confidential Information, other than the right to use it as Franchisor specifies in operating the Franchised Business during

the Franchise Agreement's term, and that Confidential Information is proprietary and is disclosed to Franchisee only on the condition that Franchisee: (1) will not use Confidential Information in any other business or capacity; (2) will keep each item deemed to be part of Confidential Information absolutely confidential, both during Franchise Agreement's term and after the term for as long as the item is not generally known in the dance/fitness industry; (3) will not make unauthorized copies of any Confidential information disclosed via electronic medium or in written or other tangible form; and (4) will adopt and implement reasonable procedures to prevent unauthorized use of or disclosure of Confidential Information, including restricting its disclosure to Franchised Business personnel and other and using non-disclosure and non-competition agreements with those having access to Confidential Information.

Confidential Information does not include information, knowledge, or know-how which Franchisee can demonstrate lawfully came to Franchisee's attention before Franchisor provided it to Franchisee directly or indirectly; which, at the time Franchisor disclosed it to Franchisee, already had lawfully become generally known in the dance fitness industry through publication or communication by others (without violating an obligation to Franchisor); or which, after Franchisor discloses it to Franchisee, lawfully becomes generally known in the dance/fitness industry through publication or communication by others (without violating an obligation to Franchisor). However, if Franchisor includes any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

Franchisor will take whatever action Franchisor deems appropriate, in Franchisor's sole and absolute discretion, to protect Franchisor's rights in and to the Copyrighted Materials, Confidential Information, or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require Franchisor to take affirmative action in response to any apparent infringement of, or challenge to, Franchisee's use of any Copyrighted Materials, Confidential Information, or Trade Secrets, or claim by any person of any rights in any Copyrighted Materials, Confidential Information, or Trade Secrets. Franchisee must not directly or indirectly contest Franchisor's rights to its Copyrighted Materials, Confidential Information, or Trade Secrets. Franchisee may not communicate with anyone except Franchisor, its counsel, or its designees regarding any infringement, challenge, or claim. Franchisor will take action as Franchisor deems appropriate regarding any infringement, challenge, or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge, or claim under any Copyrighted Materials, Confidential Information, or Trade Secrets. Franchisee must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of Franchisor's counsel, be necessary to protect and maintain Franchisor's interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Materials, Confidential Information, or Trade Secrets.

No patents or patents pending are material to Franchisor at this time.

Franchisor has the right to inspect, copy, and use all records regarding the customers, suppliers, and other service providers of, and related in any way to, the Franchised Business. This includes, without limitation, all databases (whether in print, electronic, or other form), including all names, addresses, phone numbers, e-mail addresses, and customer purchase records. Franchisor may use or transfer the records in any way Franchisor determines, both before and after any termination, expiration, repurchase, transfer or otherwise. Franchisor may contact any or all of Franchisee's customers, suppliers, and other service providers for quality control, market research, and such other purposes as Franchisor deems appropriate, at Franchisor's sole discretion.

Franchisee must disclose to Franchisor all ideas, techniques, and products concerning the development and operation of the Franchised Business Franchisee or its employees conceive or develop during the term of the Franchise Agreement. Franchisee will grant to Franchisor and agree to obtain from Franchisee's owners or employees a perpetual, non-exclusive, and worldwide right to use these ideas,

techniques, and products concerning the development and operation of the Franchised Business Franchisee or Franchisee's employees conceive or develop during the term of the Franchise Agreement. Franchisor will have no obligation to make any lump sum or on-going payments to Franchisee regarding any idea, concept, method, technique, or product. Franchisee must agree it will not use, nor will it allow any other person or entity to use, these ideas, techniques, or products without obtaining Franchisor's prior written approval.

Franchisor may revise any of the Copyrighted Materials at Franchisor's discretion and may require that Franchisee cease using any outdated item or portion of the Manual.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchised Business must be managed by Franchisee on a daily basis as further set forth in the Manual. The Franchisee is responsible for the successful financial performance of their Franchised Business; transmitting communication to their team of instructors, DJs, and front desk staff; executing local marketing for their studio; all hiring, onboarding, and HR management of their team; and maintaining respectful and courteous communication with the Franchisor.

Franchisee may appoint a designated manager (the "**Designated Manager**"), provided that the Designated Manager successfully completes the initial 3-Day Opening Hospitality Training before the Franchised Business is opened. Additionally, within 6 weeks of opening: the Designated Manager must (i) attend the One-and-a-Half Day Owner/Management Training (ii) complete approximately 10 hours of online coursework (iii) complete all required reading and (iv) otherwise meet Franchisor's then-current standards for a Designated Manager. Franchisee or the Designated Manager must provide direct, on-site supervision of the Franchised Business. Franchisee or the Designated Manager must also directly supervise the Multi-Unit obligations, if any. If the Designated Manager is replaced, the new Designated Manager must satisfactorily complete the required training as set forth in the Manual within 30 days of being hired at Franchisee's expense. If a Designated Manager is appointed more than 6 weeks of opening, the Designated Manager must complete all Hospitality and Owner/Management Training stated above.

Franchisee's appointment of a Designated Manager shall not relieve Franchisee of any duties or obligations under the Franchise Agreement. There is no substitute for Franchisee's supervision of the Franchised Business, so if Franchisee employs a Designated Manager, Franchisee must provide general supervision and be fully aware of the affairs of the Franchised Business. Whether the Franchisee appoints a Designated Manager or acts as the daily operating of the Franchised Business, as Franchisee is required to have one designated full-time person who is required to be in the studio, ensure brand standards are being met and will have other requirements as set forth in the Manual.

Franchisee will keep Franchisor informed at all times of the identity of the Designated Manager of the Franchised Business, and any change in their employment status. Designated Managers are not required to have an equity interest in the Franchised Business. In the event that a Designated Manager resigns or is otherwise terminated, Franchisee must hire a replacement that meets Franchisor's then-current standards for a Designated Manager, and whom Franchisor approves in writing before hiring, within 30 days after the resignation or termination of the former Designated Manager. The Designated Manager(s) must have the ability to meet the day-to-day operations and management standards of the Franchised Business, which includes receiving and responding immediately to calls or incoming communications. Franchisor reserves the right to withhold approval of a Designated Manager, in Franchisor's sole discretion, that Franchisor believes does not have the ability to meet Franchisor's standards.

If Franchisee is an entity, each owner (*i.e.*, each person holding an ownership interest in Franchisee) who owns 10% or greater interest in the entity must personally guarantee the performance of all obligations under the Franchise Agreement and agree to be personally liable for Franchisee's breach of the Franchise Agreement by signing the Franchise Agreement and Guaranty Agreement attached to the Franchise Agreement. Franchisee also requires that the spouses of the owners of the entity or the spouses of individual owners sign **Attachment B** to the Franchise Agreement – Owners Agreement, the Confidentiality Agreement, and the System Protection Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Franchisee must only use the Authorized Location for the operation of the Franchised Business. Franchisee must not use or permit the use of the Authorized Location for any other purpose without Franchisor's written consent. Franchisee must offer the services and products that Franchisor will specify from time to time, in strict accordance with Franchisor's standards and specifications. Franchisor has no limit on its right to change the types of authorized goods or services. Franchisor may periodically change required or authorized products or services. If Franchisor modifies the System, Franchisee may be required to add or replace equipment, signs, and fixtures, and Franchisee may have to make improvements or modifications as necessary to maintain uniformity with Franchisor's current standards and specifications. If Franchisor changes or adds to its approved products and services, the changes or additions will remain in permanent effect, unless Franchisor specifies otherwise. The amount Franchisee must pay for the changes or additions will depend upon the nature and type of changes or additions. Franchisee must discontinue selling and offering for sale any products or services that Franchisor disapproves. Franchisor reserves the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions. Franchisor will provide new programs, new choreography and choreography songs, frequent promotions and marketing programs that Franchisee will be required to implement in its Franchised Business.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of your Franchise Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement	Summary
a. Length of Franchise term	Section 4.1	Ten years from the date Franchise Agreement is fully executed.

Provision	Section in Franchise Agreement	Summary
b. Renewal or extension of term	Sections 4.1	If Franchisee is in good standing and Franchisee meets other requirements, Franchisee may enter into two consecutive successor terms of five years (“First Successor Term” or “Second Successor Term”). Following First Successor Term or the Second Successor Term, Franchisee shall have no right to a successor franchise upon the expiration of Franchisee's franchise agreement unless Franchisor is required to grant Franchisee the right to a successor franchise by the laws of Franchisee's state. If Franchisor grants Franchisee a successor term (“Successor Term”), such successor term shall commence on the expiration of the First Successor Term or the Second Successor Term (together with the original ten year term, the “Initial Term”) or the immediately preceding successor term.
c. Requirements for Franchisee to renew or extend	Sections 4.1.1 through 4.1.11	In order to exercise Franchisee's right to a Successor Term Franchisee must: (i) provide notice of renewal no fewer than nine months and no greater than one year prior to the end of the term; (ii) demonstrate to Franchisor's satisfaction that Franchisee has the right (including licenses and permits) to operate the Franchised Business at the Authorized Location for the duration of the renewal term; (iii) have made such capital expenditures as are necessary to maintain uniformity with any System modifications such that the Franchised Business reflects the then-current System Standards; (iv) not be in breach of any provision of the Franchise Agreement or any other agreement with Franchisor, its affiliates, Approved Suppliers, and also be in substantial compliance with these agreements during their respective terms; (v) satisfy all monetary obligations Franchisee has to Franchisor, its Affiliates, and approved or designated suppliers/vendors; (vi) execute Franchisor's then-current form of franchise agreement and any ancillary documents for the successor term, and this new franchise agreement may have materially different terms and conditions (including, for example, higher Royalty Fees and Brand Marketing Fees) from the Franchise Agreement that covered Franchisee's original term; (vii) satisfy Franchisor's then-current training requirements for renewing franchisees at Franchisee's sole expense prior to the renewal date; and (viii) execute a general release in favor of Franchisor and its Affiliates in the form we prescribe. Following the Second Successor Term, Franchisee has no right to additional Successor Terms upon the expiration of the Second Successor Term unless Franchisor is required to grant Franchisee the right to a Successor Term under

Provision	Section in Franchise Agreement	Summary
		the laws of Franchisee's state. Franchisee must also pay Franchisor a successor franchise fee equal to 50% of the then current Initial Franchise Fee.
d. Termination by Franchisee	Not Applicable	Not Applicable, subject to applicable state law.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable.
f. Termination by Franchisor with cause	Sections 15.2	Franchisor may terminate Franchisee's Franchise Agreement upon Franchisee's default and, in some instances, failure to cure. Termination is effective upon delivery of written notice, except as otherwise provided in the Franchise Agreement.
g. "Cause" defined - defaults which can be cured	Sections 15.3	The following are curable defaults under the Franchise Agreement, provided Franchisee cure the default within 15 days of our notice: (i) nonpayment of any sums due to Franchisor, our Affiliates, or any of Franchisor's System suppliers/vendors; (ii) Franchisee's failure to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that are erroneously made to Franchisor; (iii) Franchisee's failure to maintain sufficient levels of inventory to adequately meet consumer demand; (iv) failure to secure a location or to commence operations in the time periods prescribed in the Franchise Agreement and to remain open on the days and hours designated; (v) if Franchisee, in Franchisor's sole discretion, fail to personally supervise day-to-day operations of the Franchised Business (unless Franchisee has appointed an approved Designated Manager) or fail to employ a sufficient number of qualified, competent personnel as we prescribe; (vi) Franchisee's failure to maintain the strict quality controls reasonably required by Franchise Agreement and the Manual; (viii) Franchisee's failure to procure or maintain any licenses, certifications, or permits necessary for the operation of the Franchised Business; and (ix) Franchisee engages in social media postings that are offensive, inappropriate, brand damaging or disparaging the brand or the Franchisor.
h. "Cause" defined - defaults which cannot be cured	Sections 15.2	Your Franchise Agreement will automatically terminate without notice or opportunity to cure upon the occurrence of certain events set forth in your Franchise Agreement.
i. Franchisee's obligations on termination or, if	Section 16	Upon termination or expiration of the Franchise Agreement, Franchisee's obligations include: (i) immediately cease all operations of the Franchised

Provision	Section in Franchise Agreement	Summary
applicable, non-renewal		Business; (ii) immediately pay all amounts owed Franchisor, its Affiliates, and its major suppliers; (iii) cease all use of the Marks, deidentify the Authorized Location, and otherwise cease holding yourself or the Franchised Business out as part of Franchisor's System; (iv) within ten (10) days, return all proprietary materials, including the Manual(s) and all client information, leasing schedules, and data, Confidential Information, and any other materials displaying Franchisor's Marks, to Franchisor and permanently cease all use of these materials; (v) immediately cease use of all telephone numbers and related listings, as well as any permitted domain names, that were used in connection with the Franchised Business (collectively, the "Assigned Property"), and take all necessary steps to assign the Assigned Property to Franchisor or to Franchisor's designee; (vi) immediately vacate the premises of the Franchised Business and, if Franchisor exercises its rights under a Collateral Assignment of Lease, take all necessary steps to assign the lease to Franchisor within 15 days of notice; (vii) take all actions necessary to amend or cancel any assumed name, business name, or equivalent registration that contains any trade name or Mark, and furnish evidence to Franchisor that Franchisee has complied with this obligation within 15 days; (viii) permit Franchisor to make a final inspection of Franchisee's financial records, books, and other accounting records within one month of the termination/expiration of the Franchise Agreement; and (ix) comply with the post-term restrictive covenants set forth in Section 15.
j. Assignment of contract by Franchisor	Section 17.7	There are no restrictions on Franchisor's right to assign the Franchise Agreement.
k. "Transfer" by Franchisee – definition	Section 17.1 through 17.6	Includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, exchange, grant of a security interest, or change of ownership in the Franchise Agreement, the Franchised Business, or interest in Franchisee's Franchised Business. Any assignment, sale, transfer, or encumbrance made without Franchisor's written consent shall be voidable at their option and shall subject the Franchise Agreement to termination as specified.

Provision	Section in Franchise Agreement	Summary
l. Franchisor approval of transfer by Franchisee	Sections 17.1 and 17.5	Except for Permitted Transfers in Section 17.3, any transfer requires Franchisor's prior written consent. A Permitted Transfer is a transfer among current owners, members, shareholders or partners, transfers to trusts wherein the original owner, member, shareholder or partner is the trustee or a transfer of a non-controlling interest (more than 50%) of Franchisee's voting stock, partnership ownership or member ownership.
m. Conditions for Franchisor approval of transfer	Section 17.6	
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 17.5	We have the right to match any bona fide third-party offer to buy your Franchise rights, assets, or controlling interest that is the subject of a proposed transfer (other than a transfer from an individual franchisee to a business entity as described in Section 17.7 of your Franchise Agreement). We may exercise this right of first refusal within 30 days of the date you provide us with a copy of the third-party offer and any other information that we request. If we do not exercise this option, you must complete the transfer to the third party within 90 days, subject to the conditions set forth in Section 17.6. Otherwise, we will once again have our right of first refusal.
o. Franchisor's option to purchase Franchisee's business	Sections 15.2 and 18.	Anytime after 30 months from the Effective Date of the Franchise Agreement, Franchisor will have the right to purchase the Franchised Business by providing Franchisee with a 120-day notice at the purchase price stated in Section 18.1. Upon your termination, we may purchase personal property used in connection with the operation of your Franchised Business by: (i) providing you with notice of our election to do so within 60 calendar days of the expiration/termination of your Franchise Agreement; and (ii) paying you the book value for such personal property within 60 days of providing you with this notice (as "book value" is defined in your Franchise Agreement).
p. Death or disability of Franchisee	Sections 17.2	Upon the death, physical, or mental incapacity of any person with an interest in your Franchise Agreement, the Franchisee, or in all or substantially all of the assets of your Franchised Business, the personal representative of such person shall have the right to continue operation of your Franchised Business if: (i) within 90 days from the death / disability / incapacity, the representative has obtained our prior written approval and has executed our then-current form of franchise agreement for the unexpired terms of the Franchise, or has otherwise

Provision	Section in Franchise Agreement	Summary
		furnished a personal guaranty of any business entity of franchisee's obligations to us and our affiliates; and (ii) this person successfully completes our then-current Initial Training Program, which will be provided at our then-current rates.
q. Non-competition covenants during the term of the Franchise	Section 14.2	Neither Franchisee, its principal owners, nor any immediate family members of Franchisee or its principal owners may participate in a diverting business, have an owning interest in or perform services for a competitive business anywhere; Franchisee may not interfere with Franchisor or its other franchisees' Franchised Business(es), subject to applicable state law.
r. Non-competition covenants after the Franchise is terminated or expires	Section 14.2	For a period of two (2) years, Franchisee may not own, operate, engage in, or otherwise become involved with any competing business that offers or grants licenses or franchises to operate businesses that offer products and services similar to those provided by the Franchised Business, subject to applicable state law. For a period of two (2) years, Franchisee not own, operate, engage in, or otherwise become involved with any Competing Business (as defined in the Franchise Agreement): (i) at the premises of the Franchised Business; (ii) within the Protected Territory; or (iii) within a 20-mile radius surrounding the perimeter of: (a) the Protected Territory; or (b) any other Protected Territory licensed by Franchisor, or other Studios in operation as of the expiration/termination/transfer of the Franchise Agreement through the date of Franchisee's involvement in the Competing Business, subject to applicable state law.
s. Modification of the agreement	Sections 20.5	The Franchise Agreement may not be modified except by a written agreement that both of parties sign; however, Franchisor can unilaterally modify or change its Manual and System, as we deem advisable in Franchisor's sole discretion.
t. Integration/merger clause	Section 20.5	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 19	Except for certain claims, all disputes must be mediated and arbitrated in New York, New York, subject to applicable state law.

Provision	Section in Franchise Agreement	Summary
v. Choice of forum	Section 19	New York, New York, subject to applicable state law.
w. Choice of law	Section 19	New York law, without reference to its conflict of laws principles, and subject to any contrary provision contained in a State-Specific Addendum and subject to applicable state law.

ITEM 18 PUBLIC FIGURES

We do not currently use any public figure 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 any reasonable basis for the information, and if the information is included in the Disclosure Document. Financial information that differs from that included in ITEM 19 may only be given if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this ITEM 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Franchisor does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. Franchisor also does not authorize its employees or representatives to make any such representations either orally or in writing. If Franchisee is purchasing an existing outlet, however, Franchisor may provide Franchisee with the actual records of that outlet. If Franchisee receives any other financial performance information or projections of Franchisee's future income, Franchisee should report it to the Franchisor's management by contacting Sadie Kurzban at 447 Broadway, 2nd Floor. Mailbox #327. New York NY 10013. (tel: 305-505-81453545), the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION
305 STUDIOS

Table No. 1
Franchise System-Wide Outlet Summary
For 305 Studios Locations - Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchises	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned*	2021	7	3	-4
	2022	3	1	-2
	2023	1	1	0
Total Outlets	2021	7	3	-4
	2022	3	1	-2
	2023	1	1	0

*The company owned outlet closed as of October 2023.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For 305 Studio locations - Years 2021 to 2023

State	Year	Number of Transfers
Total Outlets*	2021	0
	2022	0
	2023	0

Table 3
Status of Franchised Outlets
For 305 Studio Locations - Years 2021 to 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total Outlets*	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
For 305 Studio locations - Years 2021 to 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Massachusetts	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
New York	2021	5	0	0	2	0	3
	2022	3	0	0	2	0	1
	2023	1	0	0	0	0	1
Washington, DC	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
Total Outlets*	2021	7	0	0	2	0	5
	2022	5	0	0	4	0	1
	2023	1	0	0	0	0	1

*The company owned outlet closed as of October 2023.

Table No. 5
Projected Openings for 305 Studio locations
As of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
New York	0	2	0
TOTAL	0	2	0

As of the Issuance Date of this FDD, Franchisor did not have any franchisees. The names, addresses, and telephone numbers of franchisees will be added to the list attached to this Franchise Disclosure Document as **Exhibit F**. The name and last known address and telephone number of every franchisee and every franchisee who has had a Studio terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under Franchisor's franchise agreement, or who has not communicated with Franchisor within ten (10) weeks of the Issuance Date of this Franchise Disclosure Document, will be listed in **Exhibit F**. If Franchisee buys a Studio, Franchisee's contact information may be disclosed to other buyers when Franchisee's leave the franchise system.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the System. Franchisee may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with Franchisee. During the last three (3) fiscal years, Franchisor did not have any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by Franchisor and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. Franchisor does not have any trademark specific Franchise organizations.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as **Exhibit A** are our audited financial statements as of September 30, 2023. Franchisor has not been in business for three years or more and cannot include all financial statements required for Item 21.

Our fiscal year end is September 30th.

ITEM 22 CONTRACTS

Exhibit B	Franchise Agreement
Exhibit D	State Addenda and Agreement Riders

Our preferred method of executing documents is through electronic signature.

ITEM 23 RECEIPTS

The last pages of this Franchise Disclosure Document, **Exhibit H**, are a detachable document, in duplicate. Please detach, sign, date, and return one (1) copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.

EXHIBIT A

FINANCIAL STATEMENTS



Report of Independent Auditors and Financial Statements

305 Fitness Franchising Co, LLC

September 30, 2023

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Report of Independent Auditors

The Member
305 Fitness Franchising Co, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 305 Fitness Franchising Co, LLC, which comprise the balance sheet as of September 30, 2023, and the related statements of operations, changes in member's equity, and cash flows for the period from August 1, 2023 (inception) through September 30, 2023, 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 305 Fitness Franchising Co, LLC as of September 30, 2023, and the results of its operations and its cash flows for the period from August 1, 2023 (inception) through September 30, 2023, 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 305 Fitness Franchising Co, LLC 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.

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 305 Fitness Franchising Co, LLC'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 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 305 Fitness Franchising Co, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 305 Fitness Franchising Co, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
October 9, 2023

Financial Statements

305 Fitness Franchising Co, LLC
Balance Sheet
September 30, 2023

ASSETS

CURRENT ASSETS

Cash	<u>\$ 191,075</u>
------	-------------------

Total assets	<u><u>\$ 191,075</u></u>
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LIABILITIES AND MEMBER'S EQUITY

MEMBER'S EQUITY	<u>191,075</u>
-----------------	----------------

Total liabilities and member's equity	<u><u>\$ 191,075</u></u>
---------------------------------------	--------------------------

See accompanying notes.

305 Fitness Franchising Co, LLC
Statement of Operations
Period from August 1, 2023 (inception) to September 30, 2023

REVENUES	<u>\$ -</u>
OPERATING EXPENSES	
General and administrative	<u>8,925</u>
NET LOSS	<u><u>\$ 8,925</u></u>

See accompanying notes.

305 Fitness Franchising Co, LLC
Statement of Changes in Member's Equity
September 30, 2023

BALANCE, August 1, 2023 (inception)	<u>\$ -</u>
Contribution	200,000
Net loss	<u>(8,925)</u>
BALANCE, September 30, 2023	<u>\$ 191,075</u>

See accompanying notes.

305 Fitness Franchising Co, LLC
Statement of Cash Flows
Period from August 1, 2023 (inception) to September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	<u>\$ (8,925)</u>
----------	-------------------

Net cash used in operating activities	(8,925)
---------------------------------------	---------

CASH FLOWS FROM FINANCING ACTIVITIES

Contribution	<u>200,000</u>
--------------	----------------

Net cash provided by financing activities	200,000
---	---------

NET CHANGE IN CASH	191,075
--------------------	---------

CASH, August 1, 2023	<u>-</u>
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CASH, September 30, 2023	<u><u>\$ 191,075</u></u>
--------------------------	--------------------------

See accompanying notes.

305 Fitness Franchising Co, LLC

Notes to Financial Statements

Note 1 – Organization and Description of Business

305 Fitness Franchising Co, LLC (the “Company”), a New York limited liability company (LLC) was formed on August 1, 2023 (inception), for the purpose of franchising fitness clubs under the concept “305 Fitness.” The Company is a wholly owned subsidiary of 305 Fitness, Inc. (the “Member”), which was founded in Dover, Delaware, in 2019. An affiliate, 305 Fitness IP, LLC, is the owner of all intellectual property rights in certain systems, trademarks, service marks, and other intellectual property used in the operation of 305 Fitness clubs (the “305 IP”) and has licensed the 305 IP and other know-how and confidential information to the Company to develop the 305 Fitness franchise system to offer, sell, and support the franchised business.

The Company will franchise 305 Fitness clubs throughout the United States through a 10-year royalty free renewable trademark license agreement with its affiliate. The license agreement grants the Company a non-exclusive right to use the 305 IP, and to license the 305 IP to franchisees under franchise agreements. There were no operations of the Company prior to August 10, 2023.

The Member contributed \$200,000 in cash at the formation of the Company to fund operations on August 10, 2023. The Company has relied on resources from its Member to support initial operations, and its Member has committed to continue to provide financial support to the Company sufficient for the Company during the start-up phase of the franchising operations. Until such time that the Company is actively selling franchises and opening up franchise locations, it is dependent on its Member to provide financial resources, administrative, management, support activities, and various other items. The accompanying financial statements may not be indicative of conditions that would have existed if the Company had been operated as an unaffiliated entity.

The Company is in the business of franchising fitness clubs, which offer a variety of dance-based workout sessions to their customers. The franchise agreements are typically for five years and will require the franchisee to pay an initial franchise fee for each location to be opened. Once the franchise begins operations, the Company will charge a royalty fee and advertising fee of up to 7.5% and up to 2%, respectively, of the franchise gross sales, as further defined in the franchise agreements. As of September 30, 2023, the Company had not sold rights to develop any franchises. The Company does not operate, and has never operated any 305 Fitness clubs, and the Company's future operations are dependent upon the success of its Member's business.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition as of September 30, 2023.

Use of estimates – The preparation of the financial statements, in accordance with GAAP, requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and the disclosure of contingent assets as of the balance sheet date. The actual results could differ significantly from those estimates.

305 Fitness Franchising Co, LLC

Notes to Financial Statements

Cash – The Company considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. As of September 30, 2023, the Company carried no cash equivalents.

Concentration of credit risk – Financial instruments, which may potentially be subject to a concentration of credit risk, consists of cash. The Company maintains substantially all of the day-to-day operating cash balances with a major financial institution. The cash balance is not in excess of Federal Depository Insurance Corporation insurance limits. The Company has experienced no loss or lack of access to cash in its operating account.

Fair value measurements – The Company's financial instruments, none of which are held for trading purposes, include only cash. Management estimates that the fair value of all financial instruments at September 30, 2023, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Income taxes – The Company is an LLC and is classified as a partnership for income tax purposes. The Company's taxable income or loss is reportable by the Member on its income tax returns. Accordingly, no taxes payable or deferred tax assets or liabilities are reflected in these financial statements.

General and administrative – General and administrative expenses consist primarily of professional services.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through October 9, 2023, which is the date the financial statements were available to be issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Member's Equity

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Member in accordance with the operating agreement. The liability of the Company's Member is limited to its specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Member in accordance with the operating agreement.

EXHIBIT B

FRANCHISE AGREEMENT



305 FITNESS FRANCHISING CO. LLC

FRANCHISE AGREEMENT

Territory: _____

Franchisee: _____

Date: _____

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ATTACHMENTS

ATTACHMENT A – DATA SHEET AND STATEMENT OF OWNERSHIP

ATTACHMENT B – OWNERS AGREEMENT

ATTACHMENT C – LEASE ADDENDUM AND COLLATERAL ASSIGNMENT OF LEASE

ATTACHMENT D – ACH AUTHORIZATION FORM

ATTACHMENT E – SAMPLE GENERAL RELEASE AGREEMENT

305 FITNESS FRANCHISING CO. LLC
FRANCHISE AGREEMENT

This Franchise Agreement (“**Franchise Agreement**”) is made and entered into by and between 305 Fitness Franchising Co. LLC, a New York limited liability company (“**Franchisor**”) and that certain Franchise Owner identified on **Attachment A** to this Franchise Agreement (“**Franchisee**”), as of the “**Effective Date**” identified on **Attachment A** to this Franchise Agreement.

BACKGROUND

A. As the result of the expenditure of time, skill, effort, and money, Franchisor and its Affiliates have developed and own the rights to franchise a unique and distinctive system (“**System**”) relating to the establishment and operation of dance cardio workout studios that include a live DJ under certain trademarks, including the “**305 Fitness**” registered mark (“**Studios**”).

B. The distinguishing characteristics of the System include, without limitation: (i) distinctive exterior and interior design, décor, color scheme, and furnishings of a Studio; (ii) proprietary services and products that are offered to clientele of a Studio including Franchisor’s class format, use of movements with specific bars of music, technique for cueing and previewing upcoming moves, specific beats per minute during sections of class, the 305 movement vocabulary, proprietary choreographed routines; (iii) uniform standards, specifications, and procedures for operations; (iv) quality and uniformity of products and services offered; and (v) procedures for management and financial control; marketing and promotional programs; branded merchandise; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the “**305 Fitness**” registered trademark and such other trade names, service marks, and trademarks as are now or may in the future be designated for use in connection with the System, whether owned by or licensed to Franchisor (hereinafter referred to as “**Proprietary Marks**”).

D. Franchisor and its Affiliates will continue to develop, use, and control the use of such Proprietary Marks in order to identify for the public the source of marketed services and products marketed under the System, and to represent the System’s high standards of quality, appearance and service.

E. Franchisee understands and acknowledges the importance of Franchisor’s high standards of quality, cleanliness, appearance, and service (“**System Standards**”), and the necessity of operating all Studios in accordance with such System Standards. Franchisee must comply with this Franchise Agreement and the System Standards and other requirements that Franchisor or its Affiliates may periodically prescribe for operating a Studio.

F. Franchisee has applied for a franchise to own and operate a single Studio (“**Franchised Business**”).

G. Franchisor hereby grants Franchisee the right to own and operate the Franchised Business using Franchisor’s Proprietary Marks and System, in reliance upon all the representations made in Franchisee’s application and in this Franchise Agreement, and subject to the terms and conditions herein.

AGREEMENT

NOW, THEREFORE, the parties agree as follows:

1. DEFINITIONS

Whenever used in this Franchise Agreement, the following words and terms have the following meanings:

1.1 “Affiliate” means any entity that controls, is controlled by, or is under common control with Franchisor;

1.2 “Approved Suppliers” has the meaning set forth in Section 8.2 of the Franchise Agreement;

1.3 “Authorized Location” means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

1.4 “Business Judgment” has the meaning set forth in Section 20.1 of this Franchise Agreement;

1.5 “Confidential Information” has the meaning set forth in Section 6.3 of this Franchise Agreement;

1.6 “Data Sheet” means **Attachment A** to this Franchise Agreement;

1.7 “Designated Manager” means the person designated by Franchisee that Franchisor approves and who has primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager may be Franchisee;

1.8 “Franchise” means the right granted to Franchisee by Franchisor to use the System and Proprietary Marks;

1.9 “Gross Sales” means the total selling price of all services and products sold at and accrued at, from, or through the Franchised Business, , and all income and revenue of every other kind and nature related to the Franchised Business operation, whether for cash or credit, and regardless of collection in the case of credit. “**Gross Sales**” does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged, and Franchisee pays such amounts as and when due to the appropriate taxing authority. Also excluded from Gross Sales are the amount of any documented refunds, charge-backs, credits, and allowances given to customers in good faith pursuant to Franchisor’s standard procedures for issuing such refunds. All barter and exchange transactions for which Franchisee furnishes services or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer will be valued at the full retail value of the goods or services provided to Franchisee;

1.10 “Incapacity” means the inability of Franchisee to operate or oversee the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

1.11 “Internet” means any one or more local or global interactive communications media that is now available, or that may become available, and includes websites and domain names on the World Wide Web and any kind of social media account, post, or profile;

1.12 “Manual” means the Franchisor’s proprietary franchise guides, and any other items as may be provided, added to changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration, and manager’s manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda, and other publications prepared by, or on behalf of, Franchisor;

1.13 “Proprietary Marks” means the trademark “305 Fitness” in word mark form, and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings, and other commercial symbols related to the “305 Fitness” trademark, and any derivatives thereof, as Franchisor may designate to be used in connection with Studios and/or the System;

1.14 “System” means the uniform standards, methods, procedures, and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of a Studio;

1.15 “System Standards” means all mandatory and suggested specifications, policies, standards, safety requirements, operating procedures, and rules periodically prescribed by Franchisor concerning the operation of a Studio, and any information on Franchisee’s other obligations under the Franchise Agreement to maintain the high and consistent quality critical to attracting and keeping clients of Studios and preserving the goodwill of the Proprietary Marks, including without limitation the Manual; and

1.16 “Trade Secrets” means information, without regard to form including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential clients or suppliers which are not commonly known by or available to the public and which information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. GRANT OF FRANCHISE; AUTHORIZED LOCATION

2.1 Grant and Acceptance. Franchisor hereby grants to Franchisee, upon the express terms and conditions contained in this Franchise Agreement, and Franchisee hereby accepts, a non-exclusive license to establish and operate one Franchised Business utilizing the System and the Proprietary Marks. Franchisor has the right to periodically supplement, improve or otherwise modify the System and System Standard. Franchisee shall comply with all changes that may include, without limitation, the offer and sale of new or different products or services through the Franchised Business as Franchisor may specify.

2.2 Authorized Location. Franchisee shall operate the Franchised Business only at the Authorized Location identified in the Data Sheet. Franchisee may not relocate the Franchised Business without Franchisor’s prior written consent, which Franchisor has the right to grant or deny for any reason or no reason, and Franchisee must reimburse Franchisor for Franchisor’s cost in reviewing, evaluating, approving or assisting in any relocation following the Site Selection procedures set forth in Section 7 of this Franchise Agreement. If Franchisee has not secured an Authorized Location authorized by Franchisor as of the Effective Date, Franchisee must secure an Authorized Location, authorized in writing by

Franchisor, within 6 months after execution of this Franchise Agreement, subject to Section 7 of this Franchise Agreement.

2.3 Protected Territory. Except as otherwise provided in this Franchise Agreement and for so long as Franchisee is not in default of this Franchise Agreement, Franchisor will not establish and operate, nor license to any other third party the right to establish and operate, a Studio within the geographical area set forth in the Data Sheet (“**Protected Territory**”) during the term of this Franchise Agreement; provided, however, that if the Authorized Location has not been selected as of the Effective Date, the Protected Territory shall be determined by Franchisor, in its Business Judgement, at the time the Authorized Location is selected. Franchisee’s Protected Territory will vary based on the geographic location of the Authorized Location and whether it is located in a metropolitan city, in a suburban location or in a less densely populated area. By way of example only, in New York City, a Protected Territory might be a 10-block radius from the Authorized Location’s front door; in Brooklyn, Washington DC or Miami (more than 1.5 million residents) the Protected Territory may be defined as a 30-minute walking distance or approximately 1.5 miles and in markets where there are less than 500,000 resident, the Protected Territory might be a 15-minute driving distance or approximately 4 miles.

2.4 Rights Within and Outside Protected Territory. Except as provided in the Franchisor's social media and internet usage guidelines as set forth in the Manual, and as set forth in this Franchise Agreement, Franchisee may not market and promote the Franchised Business and the authorized products and services through the Franchised Business outside of the Protected Territory.

2.5 Reserved Rights. Franchisor expressly reserves, on behalf of Franchisor and its Affiliates, all rights not expressly granted to Franchisee under this Franchise Agreement, including the right to: (i) establish and operate, and license any third party the right to establish and operate, other Studios using the Proprietary Marks and System at any location outside of the Protected Territory; (ii) market, offer, and sell products and services that are similar to those products and services offered by the Franchised Business under a different trademark(s) at any location, within or outside the Protected Territory; (iii) use the Proprietary Marks and System to distribute Franchisor’s approved products and/or services (including services such as those performed by the Franchised Business) in any alternative channel of distribution within or outside the Protected Territory, including via the Internet, mail order catalog, direct mail marketing, and the sale of products in retail or wholesale store locations; (iv) acquire, merge with, or otherwise affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to those offered by Franchisee under the System and Proprietary Marks, within or outside the Protected Territory; and (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in this Franchise Agreement. Franchisee understands that this Franchise Agreement grants Franchisee no rights to: (i) distribute such products or services as described in this Section; or (ii) share in any of the proceeds received by any such party unless Franchisor otherwise agrees in writing. Franchisor also reserves the right for it or its Affiliates to offer and conduct instructor training to trainees who are not employed by a franchisee, Franchisor or not otherwise connected to the System where that trainee may work in a competitive studio within or outside the Protected Territory.

2.6 Membership Services. Franchisor and Franchisee acknowledge and agree that the Franchised Business is primarily membership based, whereupon customers subscribe to services on a monthly basis. In such instances, the franchised business location that sold the membership shall be considered the customers “Home Studio”. If such customer receives services from a studio other than its Home Studio (a “Travel Studio” for this paragraph), then the Home Studio shall be responsible for reimbursement to the Travel Studio of such costs incurred by the Travel Studio, at a rate reasonably

determined by the Travel Studio, when taking into consideration the costs of providing services but excluding the fees paid to Franchisor for the sale of such membership.

3. **FEES**

3.1 Franchise Fee. Upon the execution of this Franchise Agreement, Franchisee shall pay to Franchisor the initial franchise fee set forth on the Data Sheet (“**Initial Franchise Fee**”). The entire Initial Franchise Fee is deemed fully earned upon Franchisee’s signing of this Agreement and is not refundable under any circumstances, in consideration of: (i) administrative, legal, and other expenses incurred by Franchisor in granting this franchise; and (ii) Franchisor’s lost or deferred opportunity to enter into this Franchise Agreement with others.

3.2 Royalty Fee. Franchisee shall, on or before the 5th day of each month, pay to Franchisor a monthly royalty fee (“**Royalty Fee**”) of \$2,500 for the earlier of 18 months from the date the Studio opens or upon Gross Sales reaching \$60,000. Once monthly Gross Sales exceed \$60,000, Franchisee will pay a Royalty Fee equal to 7.5% of Gross Sales. When monthly Gross Sales exceed \$175,000, the Franchisee will receive Royalty Rebate described below. The Royalty Fee is not refundable for any reason once paid.

3.2.1 Royalty Rebate Program. Franchisor administers a royalty rebate program (“**Royalty Rebate Program**”) through which Franchisee may be eligible to receive a royalty rebate (“**Royalty Rebate**”) in a given calendar year if Franchisee exceeds certain thresholds in Gross Sales in the Protected Territory and are in compliance with the Franchisor’s System standards, as determined by Franchisor in its sole discretion. The current Royalty Rebate is \$5,000 for each month in which Gross Sales exceed \$175,000. The aggregate amount of the Royalty Rebate is determined as of the last day of a calendar year and, if eligible, will be paid within sixty days of the beginning of the following calendar year.

3.3 Brand Marketing Fee. Franchisor has established a System-wide marketing and brand development fund (“**Brand Marketing Fund**”) as set forth more fully in Section 9 of this Franchise Agreement. Franchisee shall pay Franchisor \$500 per month until monthly Gross Sales exceed \$60,000; then the Brand Marketing Fee will be 2% of monthly Gross Sales (“**Brand Marketing Fee**”), which will be due and payable on a monthly basis at the same time and in the same manner as the Royalty Fee. Franchisor reserves the right to increase the required contribution, per instance, up to five one hundredths of a percent (.05%) of Gross Sales by giving the Franchisee 90 days’ notice. Notwithstanding the foregoing, at no time during the Term shall the Brand Marketing Fee shall exceed 3% of Gross Sales. The Brand Marketing Fee is not refundable for any reason once paid.

3.4 Technology Fee. Franchisee is required to utilize certain software and systems identified by Franchisor for the operation of the Franchised Business, as set forth more fully in Section 13.6 of this Franchise Agreement and the Manual. Franchisee will be required to pay to Franchisor or Approved Vendor a monthly technology fee in the minimum amount of \$1,000 (“**Technology Fee**”) for maintenance of Franchisor’s systems, website, and e-mail. This fee includes class management software (“**Mariana Tek**”) which is currently priced at \$590 per month per studio and a staff scheduling software (“**Humanity**”) which is priced per employee per studio. , the Franchisee will pay an Approved Vendor \$1.00 per unique client per month for the use of wearable technology to track heart rate of class participants. The Franchisee, at their discretion, may elect to purchase additional software for operations including cloud storage and payroll management. Franchisor reserves the right to increase the Technology Fee by giving the Franchisee ninety (90) days’ notice. The Technology Fee is non-refundable for any reason once paid.

3.5 All Staff Hospitality Training Fee. Franchisee is required to host a 3-day training for all opening Studio staff (front desk team members, instructors, DJs, manager and/or owner). The training will take place at the Studio, or another place within 25 miles of the Studio, covering sales techniques, front desk POS, maintenance, lighting/audio training, customer journey. The fee for this training is \$5,000 and is due upon signing of the lease of the Authorized Location. The All Staff Hospitality and Studio operations training will take place between four weeks prior to the Studio opening and two weeks after the Studio opening.

3.6 Instructor Training Fee. Unless otherwise agreed upon in writing, Franchisee will pay Franchisor \$10,000 upon signing the lease for the Authorized Location for the training of up to 12 opening-team instructors over a 6-month period of time. Training will take place between 2 months prior to opening and up to 4 months after the Studio opens. Franchisee will be responsible for the payment of all travel-related expenses, salaries and other per diem expenses for attendees or, if Franchisor provides 305 Instructor Training in Franchisee's market, Franchisee may be responsible for paying travel, meal and accommodation expenses for Franchisor's trainers. If Franchisee wishes to send additional instructors for training beyond the initial 12 instructors or after 4 months of Studio opening, Franchisor charges \$1,350 per instructor, plus travel, meal and accommodation expenses to be paid by Franchisee. Franchisee may make such requests for additional instructor training as set forth in the Manual. Notwithstanding the foregoing, should Franchisee employ instructors that a) have received Franchisor's required training b) are in good standing with Franchisor and c) have instructed 305 Fitness at least 3 months prior to the scheduled instructor training, then Franchisor agrees to adjust the Instructor Training Fee such that it shall be \$1,350 per instructor or \$10,000, whichever is less. Training of any replacement instructors after the Franchised Business has opened to the public shall be completed in accordance with Section 10.7 herein

3.7 DJ Training Fee. Franchisee will pay Franchisor \$5,000 upon signing the lease for the Authorized Location for the training of up to 8 opening-team DJs over a 6-month period of time. DJ Training will take place between 2 months prior to opening and up to 4 months after the Studio opens. Franchisee will be responsible for the payment of all travel-related expenses, salaries for attendees and other per diem expenses or, if Franchisor provides 305 DJ Training in Franchisee's market, Franchisee may be responsible for paying travel, meal and accommodation expenses for Franchisor's DJs. If Franchisee wishes to send additional DJs for training beyond the initial 8 DJs or after 4 months of Studio opening, Franchisor charges \$950 per DJ, plus travel, meal and accommodation expenses to be paid by Franchisee. Franchisee may make such requests for additional instructor training as set forth in the Manual. Notwithstanding the foregoing, should Franchisee employ DJs that a) have received Franchisor's required training b) are in good standing with Franchisor and c) have DJed 305 Fitness at least 3 months prior to the scheduled instructor training, then Franchisor agrees to adjust the DJ Training Fee such that it shall be \$950 per DJ or \$5,000, whichever is less. Training of any replacement instructors after the Franchised Business has opened to the public shall be completed in accordance with Section 10.7 herein

3.8 Gross Sales Reports. Franchisee must keep complete and accurate records of revenues and must permit Franchisor to access Franchisee's records upon request or as otherwise set forth in the Manual. Franchisee shall cooperate with Franchisor in determining Gross Sales and other payments and fees set forth herein.

3.9 Method of Payment.

3.9.1 EFT Program. With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other sums due to Franchisor under this Franchise Agreement through an electronic funds transfer ("EFT"). At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide

Franchisor the completed EFT Authorization Form attached to this Franchise Agreement as Attachment D. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to charge a service fee of up to four percent (4%) for any payment made by the Franchisee to Franchisor or its Affiliates by credit card.

3.9.2 Right to Modify Payment Interval or Method. Franchisor reserves the right to modify its method or interval for collecting any fees Franchisee must pay under this Franchise Agreement upon notice to Franchisee, and Franchisor may provide such notice via an update to the Manual or any other manner that Franchisor deems appropriate.

3.10 Late Payments and Interest. Any amounts due to Franchisor under this Franchise Agreement, including without limitation, Royalty Fees and Brand Marketing Fees and amounts due for purchases made by Franchisee from Franchisor or its Affiliates, that are not received by Franchisor (or, if appropriate, its Affiliate) by the due date for said payment will bear interest until it is paid in full at the lesser of the rate of 18% per year or the maximum rate permitted by law, plus One Hundred Dollars (\$100) per occurrence. If any check or EFT payment is not successful due to insufficient funds, stop payment, or any similar event, Franchisee shall pay Franchisor One Hundred Dollars (\$100) per occurrence. Franchisee must also pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and outstanding amounts due to Franchisor (or its Affiliate), including without limitation, reasonable accounting and legal fees. The foregoing remedy shall be in addition to any other remedies the Franchisor may possess, as permitted by law. Franchisee acknowledges that this paragraph shall not constitute agreement by the Franchisor to accept such payments after they are due or a commitment by the Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee acknowledges that its failure to pay all amounts when due will constitute grounds for termination of this Franchise Agreement if non-payment is not timely cured as set forth in this Franchise Agreement.

3.11 Franchisor's Right to Apply Franchisee Payments. Notwithstanding any designation by Franchisee, the Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee in connection with payments due under this Franchise Agreement, amounts due in connection with purchases from the Franchisor and any of its Affiliates, interest or any other indebtedness.

3.12 No Right to Off Set. Franchisee cannot set off any payments required to be made to Franchisor under this Franchise Agreement against any monetary claim it may have against Franchisor.

3.13 Taxes. Franchisee shall be responsible for paying any and all taxes and sales taxes collected in connection with the Franchised Business to the appropriate government entity.

4. TERM AND SUCCESSOR FRANCHISE AGREEMENTS

4.1 Initial Term. This Franchise Agreement shall be effective and binding from the date of its execution by Franchisor and will, unless earlier terminated by Franchisor under this Franchise Agreement, expire on the date that is ten (10) years from the Effective Date. ("**Original Term**"). Following the Original Term, Franchisee will receive from Franchisor the option to enter into a Successor Franchise Agreement (as defined herein) for two (2) additional successor term of five (5) years ("**First Successor Term**" or "**Second Successor Term**" and together with the Original Term, the "**Initial Term**"), provided that all of the following conditions have been fulfilled

4.1.1 Franchisee has, during the entire Original Term of this Franchise Agreement, complied with all material provisions herein;

4.1.2 Franchisee has access to and, for the duration of the First Successor Term and the Second Successor Term, the right to remain in possession of the Authorized Location, or a suitable substitute location authorized by Franchisor, which must be in full compliance with Franchisor's System Standards;

4.1.3 Franchisee has, at its sole expense, made such capital expenditures as were necessary to maintain uniformity with any System modifications such that the Franchised Business reflects the System Standards prior to the expiration of the Original Term or the First Successor Term;

4.1.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate) and has timely met these obligations throughout the Original Term or the First Successor Term of this Franchise Agreement;

4.1.5 Franchisee is not in default of any provision of this Franchise Agreement or any other agreement between Franchisee and Franchisor, its Affiliates or any of Franchisor's Approved Suppliers;

4.1.6 Franchisee has given written notice of its intent to seek the First Successor Term, no less than nine (9) calendar months, and no more than twelve (12) calendar months, prior to the expiration of the Original Term;

4.1.7 Franchisee has executed Franchisor's then-current form of the Franchise Agreement ("**Successor Franchise Agreement**"), the terms of which: (i) will supersede this Franchise Agreement in all respects, and (ii) may materially differ from the terms of this Franchise Agreement by requiring, among other things, a different percentage Royalty Fee or Brand Marketing Fee (provided, however, that Franchisee shall not be required to pay Franchisor's then-current Initial Franchise Fee under such a Successor Franchise Agreement);

4.1.8 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with Franchisor's then-current training requirements for successor franchisees; and

4.1.9 Franchisee has executed a general release of any and all claims against Franchisor, its Affiliate(s) and against their respective officers, directors, shareholders and employees, in substantially the form as attached to this Franchise Agreement as **Attachment E**; and

4.1.10 Franchisee has obtained and maintained all licenses, permits and approvals required by federal and state law applicable to providing the Franchisor's authorized products and services at the Authorized Location and operated in the Franchise Business at the Authorized Location; and

4.1.11 Franchisee has paid a successor franchise fee equal to fifty percent (50%) of the then Initial Franchise Fee ("**Successor Franchise Fee**") at least thirty (30) days prior to the expiration of the then effective Franchise Agreement.

5. **MARKS.**

5.1 Franchisee's right to use the Proprietary Marks is derived solely from this Franchise Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Franchise Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. The parties agree and acknowledge that any unauthorized use of the Proprietary Marks by Franchisee constitutes both a breach of this Franchise Agreement and intentional infringement of Franchisor's trademark rights in and to the Proprietary Marks. Franchisee's use of the Proprietary Marks, and any goodwill created thereby, shall inure to the benefit of

Franchisor. Franchisee shall not at any time acquire an ownership interest in the Proprietary Marks by virtue of any use it may make of the Proprietary Marks. This Franchise Agreement does not confer any goodwill, title or interest in the Proprietary Marks to Franchisee. Franchisee shall not, at any time during the term of this Franchise Agreement or after its termination or expiration: (i) challenge or contest the validity or ownership of any of the Proprietary Marks; or (ii) assist any other person in challenging or contesting the validity or ownership of any of the Proprietary Marks in any manner.

5.2 Limitations on Use. Franchisee shall not use any portion of the Proprietary Mark or trade name as part of any corporate or trade name, including without limitation, any use of such name or Proprietary Mark with any prefix, suffix or other modifying words, terms, designs or symbols or in any other modified form, without the prior written consent of Franchisor. In the event a modification is approved by Franchisor, such modification will be considered the property of Franchisor and Franchisor may license such modification to third parties. Franchisee may not use any trade name or any Proprietary Mark in connection with the sale of any unauthorized products or services, or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and provide Franchisor with a copy of any fictitious or assumed name registrations that Franchisor permits Franchisee to obtain. Franchisee shall not register or seek to register as a trademark or service mark, with either the United States Patent and Trademark Office or any state or foreign country, any of the Proprietary Marks or a trademark or service mark that is confusingly similar to any Proprietary Mark licensed to Franchisee. Franchisee must display a prominent notice stating that the Franchised Business is an “Independently Owned and Operated Franchise” of Franchisor on all letterhead, forms, cards and other such identification, and Franchisee must also display such a notice at the Authorized Location.

5.3 Notification of Infringements and Claims. Franchisee must notify Franchisor within two (2) business days of obtaining notice or knowledge of any claim, demand or cause of action based upon, or arising from, any attempt by any other person or business to use the Proprietary Marks or any colorable imitation thereof notify Franchisor of such claim, demand or cause of action. Franchisee must notify Franchisor of any action, claim or demand against Franchisee relating to the Proprietary Marks within two (2) business days after Franchisee receives notice of said action, claim or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Proprietary Marks, Franchisor has the right, at its option, to control the defense of any such action. Franchisor has the exclusive right to contest or bring action against any third party regarding that third party’s use of any of the Proprietary Marks and shall exercise such right in its sole discretion. Franchisee shall not communicate with any person other than Franchisor and Franchisor’s counsel in connection with any such infringement, challenge, contest, action or claim; provided, however, Franchisee may communicate with its counsel at its own expense. In any defense or prosecution of any litigation relating to the Proprietary Marks or components of the System undertaken by Franchisor, Franchisee must use its best efforts to fully cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or necessary, in the opinion of Franchisor’s counsel, to carry out such defense or prosecution. Both parties shall make every effort consistent with the foregoing to protect, maintain, and promote the Proprietary Marks as identifying the System.

5.4 Indemnification for Use of Proprietary Marks. Franchisor has the right to choose to indemnify, defend and hold Franchisee harmless for any third party claims brought against Franchisee that solely arise out of Franchisee’s expressly authorized use of the Proprietary Marks in connection with the Franchised Business, but Franchisor shall not be obligated to do so under any circumstances. In the event Franchisor does elect to indemnify Franchisee under this Section, Franchisee must have strictly complied with all notice and other requirements under this Section 5 and must continue to do so until the matter is resolved.

5.5 Discontinuance of Use. If Franchisor determines in its sole discretion that it is advisable or necessary to discontinue, supplement or otherwise modify any of the Proprietary Marks used in connection with the Franchised Business and/or System, including using one or more substitute or additional marks, trade names or other commercial symbols, Franchisor will provide Franchisee with written notice of this determination and directives for implementing any such change in the Proprietary Marks. Franchisee agrees and acknowledges that it must comply with Franchisor's directives within ten (10) business days of receiving notice from Franchisor, unless Franchisor directs Franchisee that the change must be made immediately in order to resolve any third-party claim or dispute regarding the Proprietary Marks, in which case Franchisee agrees and acknowledges to take all reasonable measures to ensure prompt compliance with Franchisor's directives. Franchisor will not be required to reimburse Franchisee for any expenses it incurs in connection with: (i) modifying or discontinuing the use of any Proprietary Mark; (ii) any alleged loss of goodwill associated with any modified or discontinued Proprietary Mark; or (iii) any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

5.6 Right to Inspect. Franchisor and/or its designees will have the irrevocable right to enter and inspect the Franchised Business and the Authorized Location at all reasonable times in order to: (i) ensure that Franchisee is properly using and displaying the Proprietary Marks in the operation of the Franchised Business; (ii) observe the manner in which Franchisee is rendering its services and conducting its activities and operations to ensure compliance with System Standards and specifications; and (iii) inspect facilities, financials, equipment, supplies, reports, forms and documents and related data to ensure that Franchisee is otherwise operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and/or its designee also have the right, at any reasonable time, to remove sufficient quantities of any item used in the rendering of services to test whether such item meet Franchisor's then-current standards. Franchisor may conduct such inspections during any regular business hours of the Franchised Business (as prescribed herein or the Manual) without notice to the Franchisee, provided Franchisor has a good faith belief that its inspection will not substantially disrupt the operations of the Franchised Business. Otherwise, Franchisor may provide twenty-four (24) hours' notice of such inspection.

5.7 Franchisor's Sole Right to Domain Names and Social Media Accounts. Franchisee hereby acknowledges that Franchisor and its Affiliates are the owners of all rights, title, and interest in the registration of the domain name used for the System (each a "**Domain Name**") and any social media account, post, or profile used for the System (each a "**Social Media Account**"). During the term of this Franchise Agreement and thereafter, Franchisee agrees not to establish, create, or operate any social media account, Internet site, or website using an account name, domain name, or uniform resource locator containing any of the Proprietary Marks, including "305 Fitness" or any portion or variation thereof. Franchisee agrees and acknowledges that Franchisor, its Affiliates, and any licensor of Franchisor or its Affiliates retain the exclusive right to create websites using the "305 Fitness" as a Domain Name(s) or Social Media Account(s). Franchisor is the sole owner of all right, title, and interest in and to such Domain Names and Social Media Accounts. Franchisor may delegate certain of its rights and obligations under this Section 5.7 to Franchisee pursuant to, and in accordance with the terms of, the Manual.

5.8 Improvements. Any improvements or additions to the System, patents, copyrighted materials, the Domain Name, Social Media Accounts, website, or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business or any advertising and promotional ideas or inventions related to the Franchised Businesses (collectively, "**Improvements**") conceived or developed by Franchisee shall immediately become Franchisor's property. Franchisee agrees to assign and does hereby assign to Franchisor all right, title, and interest in and to the Improvements, including the right to grant sublicenses to any such Improvement. Franchisee shall fully

disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and shall obtain Franchisor's written approval prior to using such Improvements. Any Improvement may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties or other fees. Franchisor may apply for and own copyrights, patents, trade names, trademarks, and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor in securing such rights. Franchisor may also consider such Improvements as the property and trade secrets of Franchisor. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees. All Improvements created by Franchisee or any other person or entity retained or employed by Franchisee is Franchisor's property, and Franchisor shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meaning of the United States Copyright Act and, to the extent the Improvements are not works made for hire or rights in the Improvements do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Improvements, which Franchisee and the author of such Improvements warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure Franchisor's right in the Improvements as required in this Section.

5.9 Photo/Video Release. Franchisee hereby authorizes Franchisor to use Franchisee's, Franchisee's owners', and Franchisee's guarantor's, likeness in a photograph in any and all of Franchisor's publications, including printed and digital publications and on websites and social media accounts. Franchisee agrees and understands that any photograph using Franchisee's likeness will become Franchisor's property and will not be returned. Franchisee irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph of Franchisee for any lawful purpose. Franchisee irrevocably waives any rights to royalties or any other compensation related to Franchisor's use of any photograph of Franchisee. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

6. MANUAL

6.1 Loan by Franchisor. During the Initial Term of this Franchise Agreement, Franchisor shall make the Manual available to Franchisee. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Manual shall, at all times, remain the sole property of Franchisor and Franchisee shall promptly return the Manual to Franchisor, and permanently destroy or delete all copies thereof, upon expiration or termination of this Franchise Agreement.

6.2 Revisions to the Manual. Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures, and rules prescribed by Franchisor. Simultaneously with making changes or modifications to the Manual, Franchisor will provide Franchisee with notice of changes or modifications have been made to the Manual, and Franchisee must adopt such changes within a reasonable period of receiving the notice.

6.3 Confidentiality of Manual. The Manual contains certain Trade Secrets and other Confidential Information of Franchisor and shall be kept confidential by Franchisee both during the Initial Term of this Franchise Agreement and subsequent to the expiration or termination of this Franchise Agreement. Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an

unauthorized manner. Franchisee shall only grant authorized personnel, as defined in the Manual, access to the Manual. At Franchisor's option, Franchisor may post some or all of the Manual, as well as updates thereto, on a restricted website or extranet to which Franchisee and others in the System will have access. If Franchisor chooses to do so, Franchisee shall monitor and access such website or extranet as frequently as Franchisor dictates in the Manual for any updates to the Manual or System Standards. All passwords or other digital identifications necessary to access the Manual on a website or extranet are deemed "**Confidential Information**" as defined in this Franchise Agreement.

7. SITE SELECTION AND FRANCHISED BUSINESS CONSTRUCTION

7.1 Site Selection.

7.1.1 Franchisee is solely responsible for locating an Authorized Location for the Franchised Business and securing a lease for such location. Franchisor will provide Franchisee with its site selection criteria for the Franchised Business, to the extent such criteria have been developed, either as part of the Manual or otherwise in writing after this Franchise Agreement has been executed. Franchisee provides up to 8 hours of guidance on locating and evaluating potential Authorized Locations for the Franchised Business and on best practices for HVAC requirements, soundproofing and interviewing contractors. If Franchisee requires additional assistance, then Franchisee will pay a consulting fee in the amount of \$250 per hour.

7.1.2 Franchisee must provide Franchisor with all information Franchisor requests with respect to any proposed location for the Franchised Business, including a copy of the lease or the purchase agreement for such location. Franchisee must propose at least one location within 90 days after signing the Franchise Agreement.

7.1.3 Franchisor will use commercially reasonable efforts to authorize or reject any proposed location within 15 business days of receiving all the information required by Franchisor to evaluate the proposed location. Franchisor will not unreasonably withhold its approval of a proposed location provided the information provided by Franchisee for the location demonstrates that it meets Franchisor's standards. Franchisor may condition its approval of the lease for any proposed location on (i) Franchisee's and the landlord's agreement to enter into Franchisor's prescribed form of lease addendum attached to this Franchise Agreement as **Attachment C ("Lease Addendum")** and (ii) Franchisee's and landlord's agreement to enter into Franchisor's prescribed form of collateral assignment of lease for the premises attached to this Franchise Agreement as **Attachment C-1 ("Collateral Assignment of Lease")**. Franchisor may, but shall not be required to, terminate this Franchise Agreement upon notice to Franchisee if Franchisee fails to secure an Authorized Location within 15 months of the Effective Date, unless Franchisor agrees to a longer period of time.

7.1.4 Franchisee understands and acknowledges that: (i) the location of the Franchised Business is one of many considerations in the potential success of the Franchised Business; and (ii) Franchisor's authorization of any proposed location does not constitute any type of representation or guarantee by Franchisor with respect that Franchisee will succeed at the selected Authorized Location, or constitute an expression of Franchisor's opinion regarding the terms of the Lease. Franchisor encourages Franchisee to seek independent counsel from a lawyer or business adviser to assist Franchisee in selecting a location and negotiating a lease for the Franchised Business. Once Franchisee secures an Authorized Location, the Franchisee will provide Franchisor with information as required by Franchisor.

7.2 Zoning Clearances, Permits and Licenses. Franchisee shall be responsible for obtaining all zoning classifications, clearances, or any other form of permission which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the Franchised Business or the Authorized Location. Prior to beginning the construction of

the Franchised Business, Franchisee shall: (i) obtain all permits, licenses and certifications required in connection with the lawful construction or remodeling, as well as the operation of, the Franchised Business at the Authorized Location; and (ii) certify in writing to Franchisor that the insurance coverage specified in this Franchise Agreement and in the Manual is in full force and effect, and that all required approvals, clearances, permits and certifications have been obtained; and that Franchisee has complied with all insurance requirements under the terms of its lease. Upon written request, Franchisee must provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

7.3 Build-Out of Franchised Business. Franchisee shall commence and diligently pursue construction or remodeling (as applicable) of the Franchised Business. During the time of construction or remodeling, Franchisee shall provide Franchisor with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor. In addition, Franchisor may make onsite inspections as it may deem reasonably necessary to evaluate such progress. Franchisee must notify Franchisor of the scheduled date for completion of construction or remodeling no later than 60 days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor may, at its option, conduct an inspection of the completed Franchised Business. Franchisee acknowledges and agrees that it may not open the Franchised Business for business without the written authorization of Franchisor, and that Franchisor's authorization to open will be conditioned upon Franchisee's strict compliance with this Franchise Agreement.

7.4 Opening Date; Time is of the Essence. Franchisee acknowledges that time is of the essence with respect to all obligations under this Franchise Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee must open the Franchised Business and commence business no more than 15 months after the Effective Date, or Franchisor may terminate this Franchise Agreement immediately upon notice to Franchisee. However, if Franchisee is diligently working to open the Studio and the opening is delayed due to causes beyond the Franchisee's control, Franchisee may request an extension to the deadline to open provided Franchisee gives prior notice to Franchisor describing the reasons for the delay and the target date for opening. If Franchisor is satisfied that the delays are not caused by Franchisee and the new opening date is reasonable, Franchisor will approve such requested extension.

8. FRANCHISOR'S OBLIGATIONS

8.1 Site Selection and Build-Out Assistance. Franchisor may provide assistance in connection with selecting the Authorized Location or constructing or building out the Franchised Business, as described more fully in Section 7.

8.2 List of Approved Suppliers and Approved Products. Prior to the opening of the Franchised Business, Franchisor will provide Franchisee with a list of: (i) those items and services that Franchisee is required to purchase in connection with the establishment and operation of the Franchised Business, which must be made according to the System Standards and/or from Franchisor's approved/designated suppliers (collectively, the "**Required Purchases**"); and (ii) Franchisor's approved/designated suppliers for such Required Purchases ("**Approved Suppliers**"). These lists may be contained in the Manual or otherwise provided to Franchisee in writing, and Franchisor may modify or supplement these lists as it deems advisable in its sole discretion.

8.3 Training Programs. Franchisor shall provide the Initial Owner/Management Training Program, All Staff Hospitality Training, Instructor Training and DJ Training and any additional/ongoing training as set forth in Section 10 of this Franchise Agreement subject to the availability of Franchisor's training staff and at Franchisor's sole discretion.

8.4 Ongoing and On-Site Assistance. Franchisor may provide Franchisee continuing consultation and advice, as Franchisor deems necessary and appropriate in its sole discretion, regarding the management and operation of the Franchised Business. Franchisor will provide such assistance, in Franchisor's discretion, by telephone, video, electronic communication and on-site visits. If Franchisee requires and requests additional onsite assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor may provide Franchisee with such assistance at Franchisor's then-current training fee, plus reasonable expenses, including Franchisor's travel and lodging expenses, as set forth in the Manual.

8.5 Advertising Approval; Prescribed Advertising Materials. Franchisor will approve or disapprove any marketing that Franchisee wishes to use to promote and/or advertise the Franchised Business as set forth more fully in Section 9 of this Franchise Agreement. In some instances, Franchisor may provide certain advertising materials and promotional campaigns to Franchisee that Franchisee must use in connection with the Franchised Business, as Franchisor deems necessary in its sole discretion. All advertising and promotional items provided or approved by Franchisor are Franchisor's proprietary property and must be used in the manner and form prescribed by Franchisor.

8.6 Alternate Supplier Approval. In accordance with this Agreement, Franchisor will approve or disapprove Franchisee's requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers that are not one of Franchisor's then-current Approved Suppliers.

8.7 Brand Marketing Fund. Franchisor shall manage and administer the Brand Marketing Fund and shall collect Franchisee's Brand Marketing Fee via EFT as described more fully in Section 3.3.

8.8 Annual Retreat. Franchisor may, as it deems necessary in its sole discretion, hold an annual retreat at a location to be selected by Franchisor ("**Annual Retreat**"). Franchisee participation in the Annual Retreat is optional. Franchisor shall determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor's personnel regarding Franchised Business operations and programs, and recognizing franchisees for their achievements. Franchisor may charge Franchisee an attendance fee, in Franchisor's sole discretion. All expenses, including Franchisee's and Franchisee's employees' transportation to and from the Annual Retreat, and lodging, meals, and salaries during the Annual Retreat, are Franchisee's sole responsibility. Franchisor may use expenditures from the Brand Marketing Fund for purposes related to the Annual Retreat, including costs related to productions, programs, and materials.

8.9 Website. Franchisor may establish an Internet website that provides information about the System and the products and services offered by Studios, as described more fully in Section 9 of this Franchise Agreement. Franchisee may not establish, register or use any other independent website or splash page on the Internet, or any Social Media Account, in connection with the Franchised Business without Franchisor's prior written consent, and then only such content and brand standards as set forth in the Manual.

8.10 Modification of System. Franchisor has the right to revise, update, supplement or otherwise modify the Manual, System, and System Standards at any time and to require Franchisee to comply with such revisions upon written notification from Franchisor.

8.11 Purchasing Arrangements. Franchisor reserves the right to implement a centralized purchasing system for franchisees and negotiate prices and terms with suppliers and to receive rebates from such franchisee purchases. Franchisor may utilize such rebated funds in any manner it chooses.

8.12 Delegation of Performance. Franchisee agrees that Franchisor has the right to delegate any duty or obligation imposed on Franchisor by this Franchise Agreement to a designee of Franchisor, including a third-party designee, whether these designees are Franchisor's agents or independent contractors with whom Franchisor has contracted (1) the performance of any portion or all of Franchisor's obligations under this Franchise Agreement, and (2) any right that Franchisor has under this Franchise Agreement. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisee in compliance with this Franchise Agreement.

9. ADVERTISING AND MARKETING

9.1 Participation in Advertising. Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Studios operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee.

9.2 Local Marketing. During the term of this Franchise Agreement, Franchisee shall expend a minimum of \$2,000 each month on the promotion and advertisement of the Franchised Business in the Protected Territory ("**Local Marketing Spend**") to generate leads directly to the Franchisee's Studio. Franchisee may spend additional sums on local advertising. Franchisee shall use only such advertising and promotional materials that have been previously approved or prescribed by Franchisor. Upon Franchisor's request, Franchisee must submit a report of Franchisee's monthly expenditures on local advertising and marketing on or before the 10th day of each calendar month, along with any invoices or other proof of such expenditures. In addition, Franchisee shall spend at least Fifteen Thousand Dollars (\$15,000) on grand opening advertising and marketing in the Protected Territory ("**Initial Marketing Spend**") in accordance with Section 9.5.

9.3 Advertising Program. Franchisee shall contribute to the Brand Marketing Fund as described in Section 3.3 of this Franchise Agreement. Franchisee agrees that the Brand Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

9.3.1 Franchisor shall direct all advertising programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Marketing Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks and enhance the collective success of all Studios operating under the System. In administering the Brand Marketing Fund, Franchisor and its designees undertake no obligation to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or *pro rata* from the placement of advertising. Franchisor shall be entitled to reimburse itself from the Brand Marketing Fund for its reasonable expenses in managing and administering the Brand Marketing Fund.

9.3.2 Franchisee agrees that the Brand Marketing Fund may be used to satisfy any and all costs of maintaining, administering, directing, and preparing advertising the Brand Marketing Fund (including, without limitation, the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; internet marketing; in-store or point of purchase marketing materials; public relations activities; employing advertising agencies to assist therein; development and maintenance of Franchisor's website; and costs of Franchisor's personnel and other departmental costs consistent with the purposes of the Brand Marketing Fund). All sums paid by Franchisee to the Brand Marketing Fund shall be maintained in a separate account by Franchisor and may be used to defray Franchisor's expenses, if any, as Franchisor may incur in activities reasonably related to

the administration or direction of the Brand Marketing Fund and advertising programs for franchisees and the System. The Brand Marketing Fund and its earnings shall not otherwise inure to the benefit of Franchisor. The Brand Marketing Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above. Franchisor will not use the Brand Marketing Fund contributions for advertising that is principally a solicitation for the sale of franchises, but Franchisor reserves the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

9.3.3 A statement of the operations of the Brand Marketing Fund will be prepared annually by Franchisor and shall be made available to Franchisee upon Franchisee’s written request. This statement of operations may be unaudited, but Franchisor reserves the right to use the Brand Marketing Fund contributions to engage an accountant to audit the financial statements of the Brand Marketing Fund.

9.3.4 Any monies remaining in the Brand Marketing Fund at the end of any year will carry over to the next year. Although the Brand Marketing Fund is intended to be of perpetual duration, Franchisor may terminate the Brand Marketing Fund at any time at its sole discretion. The Brand Marketing Fund will not be terminated, however, until all monies in the Brand Marketing Fund have been expended for advertising or promotional purposes or returned to contributing Studios or those Studios operated by Franchisor or its affiliates, without interest, on the basis of their respective contributions.

9.3.5 If Franchisor elects to terminate the Brand Marketing Fund, Franchisor may, in its sole discretion, reinstate the Brand Marketing Fund at any time. If Franchisor so chooses to reinstate the Brand Marketing Fund, the reinstated Brand Marketing Fund shall be operated as described herein.

9.4 Conduct of Advertising; Franchisor’s Approval. All advertising and promotion by Franchisee in any medium shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise. Franchisee must obtain Franchisor’s approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor.. Franchisee shall submit such unapproved plans and materials to Franchisor at least 30 days prior to the intended date of use, and Franchisor shall have 14 days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within the 14 day period, the proposed materials are deemed not approved. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor’s property and there will be no restriction on Franchisor’s use or dissemination of such materials. Franchisee shall not advertise or use the Proprietary Marks in any fashion on the Internet, any social media account, post, or profile, or via other means of advertising through telecommunication without the express written consent of Franchisor. Franchisor may revoke its approval of any previously approved advertising or marketing materials proposed by Franchisee, and Franchisee must cease use of such materials upon receiving notice of revocation from Franchisor. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, “Franchises Available” and reference to Franchisor’s telephone number and/or website.

9.5 Initial Marketing Spend. In addition to the ongoing advertising contributions set forth herein, Franchisee must spend at least Fifteen Thousand Dollars (\$15,000) on an Initial Marketing Spend advertising campaign to advertise the opening of the Franchised Business. The Initial Marketing Spend campaign shall be conducted within 60 days of opening of the Franchised Business. All advertisements proposed to be used in the Initial Marketing Spend campaign are subject to Franchisor’s review and approval in the manner set forth in this Section 9. Notwithstanding anything to the contrary contained herein, Franchisor shall provide support and guidance as to best practices for Franchisee’s initial marketing campaign but shall in no event be responsible for the implementation of any such activities.

9.6 Websites and Social Media. As used in this Franchise Agreement, the term “**Website**” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

9.6.1 Franchisor may maintain a Website, which may, without limitation, promote the Proprietary Marks, Studios, including the Franchised Business, and any or all of the products offered at Studios, the franchising of Studios, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue operation of the Website at any time in Franchisor’s sole discretion.

9.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Business. Franchisee shall comply with Franchisor’s policies with respect to the creation, maintenance, and content of any such web pages or social media accounts, and Franchisor shall have the right to refuse to post or discontinue posting any content or remove any posted material online.

9.6.3 Franchisee shall not establish a separate Website or Social Media Account without Franchisor’s prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website or Social Media Account, Franchisee shall comply with Franchisor’s policies, standards, and specifications with respect to the creation, maintenance, and content of any such Website or Social Media Account. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed “advertising” under this Franchise Agreement and will be subject to (among other things) Franchisor’s approval under this Section 9.

9.6.4 Franchisee may promote or otherwise list the Franchised Business on social media, third-party application, or networking site, including Facebook, Instagram, Tik Tok, LinkedIn, “X” or YouTube, consistent with Franchisor’s social media and internet usage guidelines set forth in the Manual and as set forth in this Franchise Agreement. Such promotions and listings by Franchisee **shall be** consistent with Section 12.1 of this Franchise Agreement and be in good taste and avoid inappropriate content. Franchisee’s social media postings shall in no way disparage or damage the Franchisor’s reputation or brand, including the reputation and character of its owners, officers, directors, employees or agents. Franchisee agrees that, in the event a posting by Franchisee is deemed offensive, inappropriate or brand damaging, in Franchisor’s discretion, Franchisor has the right to demand removal of such posting. If Franchisee fails to remove the post, Franchisee shall be in default and subject to Section 15.3 of this Franchise Agreement. All posting made by Franchisee that relate to the Studio shall be owned by the Franchisor.

9.6.5 Franchisor shall have the right to modify the provisions of this Section 9.6 relating to Websites and Social Media, as Franchisor shall solely determine is necessary or appropriate. Franchisor has the right to update these provisions through the Manual or otherwise in writing.

10. TRAINING

10.1 Initial Owner/Management Training Program. Franchisee, as well as any Designated Manager, must complete, to Franchisor’s satisfaction, Franchisor’s initial owner/manager training program (“**Initial Owner/Management Training Program**”) at least 45 days before the opening of the Franchised Business. The Franchised Business must be operated with at least one individual who has successfully completed the Initial Owner/Management Training Program. Franchisor will provide the Initial Owner/Management Training Program to this individual and two additional individuals tuition-free. All trainees that Franchisee designates prior to opening the Franchised Business must attend the Initial

Owner/Management Training Program at the same time. The Initial Training Program will be conducted in New York City, online or at another location Franchisor designates. All training related expenses, including Franchisee's and other trainees' transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility. Attendees of the Initial Owner/Management Training Program must successfully complete the program prior to working in the Franchised Business.

10.2 305 Instructor Training. Franchisee will pay Franchisor \$10,000 upon signing the lease for the Authorized Location for the training of up to 12 opening-team instructors over a 6-month period of time. Training will begin 2 months prior to opening the Franchised Business and up to 4 months after the Franchised Business opens. Franchisee will be responsible for the payment of all travel-related expenses, salaries and other per diem expenses for attendees or, if Franchisor provides 305 Instructor Training in Franchisee's market, Franchisee may be responsible for paying travel, meal and accommodation expenses for Franchisor's trainers.

10.3 305 DJ Training. Franchisee will pay Franchisor \$5,000 upon signing the lease for the Authorized Location for the training of up to 8 opening-team DJs over a 6-month period of time. DJ training will begin 2 months prior to opening the Franchised Business and up to 4 months after the Franchised Business opens. Franchisee will be responsible for the payment of all travel-related expenses, salaries for attendees and other per diem expenses or, if Franchisor provides 305 DJ Training in Franchisee's market, Franchisee may be responsible for paying travel, meal and accommodation expenses for Franchisor's DJs.

10.4 All Staff Hospitality Training. Franchisee is required to host a 3-day training for all opening Studio staff (front desk team members, instructors, DJs, manager and/or owner). The training will take place at the Studio, or another place within 25 miles of the Studio, covering sales techniques, front desk POS, maintenance, lighting/audio training and customer experience and journey. Franchisee will pay Franchisor a fee of \$5,000 for this training upon signing the lease for the Authorized Location.

10.5 Ongoing Training. In addition to the Initial Owner/Management Training Program, Instructor Training, DJ Training and the All Staff Hospitality Training, Franchisee's employees may be required to complete ongoing training as designated by Franchisor and set forth in the Manual.

10.6 Replacement or Additional Personnel. Franchisor may charge its then-current training tuition fee for Franchisee to re-attend, to have replacement personnel attend or current employees attend additional training programs. A replacement Designated Manager must successfully complete the All Staff Hospitality Training as well as complete required reading and online coursework as well as other standards of training established by Franchisor.

10.7 Additional Instructor Training. If Franchisee wishes to send additional instructors for training, beyond the initial 12 instructors, or if 4 months after the Franchised Business opens, Franchisee must train any replacement Instructor, then Franchisor may charge \$1,350 per instructor, plus travel, meal and accommodation expenses. Franchisee will make such requests for additional instructor training as set forth in the Manual.

10.8 Additional DJ Training. If Franchisee wishes to send additional DJs for training, beyond the initial 8 instructors, or if 4 months after the Franchised Business opens, Franchisee must train any replacement DJ, then Franchisor may charge \$950 per DJ trained, plus travel, meal and accommodation expenses. Franchisee will make such requests for additional DJ training as set forth in the Manual.

10.9 Training Materials. Franchisor will provide Franchisee with training materials for Franchisee to use in training Franchisee's personnel. Updated training materials will be provided to Franchisee by Franchisor upon written request or as provided in the Manual. All training materials

provided to Franchisee by Franchisor shall at all times remain Franchisor's property and Franchisee agrees not to challenge Franchisor's or Franchisor's Affiliates' title or rights in or to the training materials. Franchisee may not make any disclosure, duplication or other unauthorized use of any portion of the training materials. Only Franchisor's provided training materials may be used by Franchisee in training Franchisee's personnel.

10.10 Failure to Complete Initial Training Program. In the event Franchisee or its Designated Manager fail to complete the Initial Owner/Management Training Program within the prescribed time period, Franchisor may terminate this Franchise Agreement immediately upon notice to Franchisee and Franchisee is not entitled to any refund of the Initial Franchise Fee or other expenses incurred with the Initial Training Program.

10.11 Staffing Requirement. Franchisor or its Designated Manager and employees will be required to manage the Franchised Business in according to the staffing requirements and hours as set forth in the Manual. Franchisee's Designated Manager shall have the skill level, training, and experience commensurate with the demands of the position. At all times during the term of this Franchise Agreement, Franchisee shall employ an adequate staff working at the Franchised Business who shall have been fully and adequately trained, in Franchisor's judgment.

10.12 Costs and Expenses. With respect to all training described in this Section 10, Franchisee is solely responsible for the expenses of Franchisee, Franchisee's management, and Franchisee's employees, including transportation to and from the training site and lodging, meals, and salaries, incurred in attending and completing such training.

11. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

11.1 Franchisor's Ownership of Business Records. Franchisee acknowledges and agrees that Franchisor is the exclusive owner of all business records, accounts, books, data, licenses, reports, and contracts ("**Business Records**") with respect to customers and other service professionals of, and related to, the Franchised Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee.

11.2 Bookkeeping. Franchisee must maintain, for at least five fiscal years from their preparation, complete financial records for the operation of the Franchised Business in accordance with generally accepted accounting principles and any other standard accounting procedures designated by Franchisor. Franchisee must reconcile their expenditures and be able to report their Studio's sales, gross margin, expenses, and net income/net losses within a 60 day look-back window.

11.3 Quarterly Scheduling. Thirty days prior to the start of every calendar quarter (Jan, 1, April 1, July 1, Oct 1), Franchisee must submit to the Franchisor a month-by-month projection on their Studio sales for the upcoming quarter; this projection should include forecasted studio Sales, forecasted rent, and forecasted payroll expenses.

11.4 Reporting. Upon Franchisor's request, Franchisee agrees to submit the following information and reports to Franchisor in a form Franchisor periodically prescribes (which may include electronic mail) and consistent with generally accepted accounting principles and the System Standards:

11.4.1 within 30 days after the end of each calendar quarter, a balance sheet, income statement and profit and loss statement for that quarter and Franchisee's fiscal year to date;

11.4.2 within 45 days after the end of Franchisee's fiscal year, a balance sheet, income statement and statement of cash flow of the Franchised Business for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles consistently applied and in the format Franchisor periodically prescribes; and

11.4.3 within 30 days at the end of each calendar month; a week-by-week report of the last 30 days of i) overall studio traffic and ii) studio traffic derived from first timer visits and iii) studio traffic derived from third party aggregators such as Classpass, Groupon, or Gympass.

11.4.4 any other data, information and supporting records that Franchisor designates, including any and all reports set forth in the Manual.

11.4.5 Any quarterly and annual financial information that Franchisee submits must be certified as correct by Franchisee or, if Franchisee is an entity, by one of Franchisee's principal officers. If Franchisee fails to submit any required report when due, Franchisor may charge Franchisee One Hundred Dollars (\$100) per occurrence and One Hundred Dollars (\$100) per week until the report or financial statement is submitted, and Franchisor may debit Franchisee's bank account for such amounts. Franchisor may require that any quarterly or annual financial reports be audited at Franchisee's expense if Franchisor previously conducts an audit that revealed Franchisee was underreporting in any manner. Franchisee's fiscal year shall be the calendar year, unless Franchisee obtains Franchisor's prior written consent to have a different fiscal year end. Franchisor shall have full access to all of Franchisee's data, system, and related information by means of direct access, whether in person, or by telephone/modem installed and maintained at Franchisee's sole expense.

11.5 Tax Returns and Fiscal Year. In addition to the information and materials set forth in Section 11.4, Franchisee agrees to maintain and furnish to Franchisor complete copies of all federal, state and local tax returns, including those detailing income, sales, value added, use and service taxes, as well as employee withholding, worker's compensation, and similar reports filed by Franchisee reflecting financial activities of the Franchised Business within 30 days of filing said tax returns

11.6 Right to Disclose Information. Franchisor has the right to disclose data such as: total studio revenue, studio gross margin, studio net income/losses derived from the reports Franchisee furnishes. However, Franchisor will not identify the Franchisee or the location of the Franchised Business when publicly disclosing such data.

11.7 Right to Inspect and Conduct Audit. Franchisor and Franchisor's designees have the right to inspect and/or audit Franchisee's business records at any time during normal business hours to determine whether Franchisee is current with suppliers and is otherwise operating in compliance with the terms of this Franchise Agreement and the Manual. If any audit reveals that Franchisee has understated Franchisee's royalty or advertising payments, or Franchisee's Local Marketing Spend, by more than 2%, or if Franchisee has failed to submit timely reports and/or remittances for any two reporting periods within any 12-month period, Franchisee must pay the reasonable cost of such audit and/or inspection, including the cost of outside attorneys and independent certified public accountant(s) (to the extent Franchisor incurs such costs), together with amounts due for royalty and other fees as a result of such underreporting and/or failure to submit reports, along with all late fees and interest which may otherwise be due under this Franchise Agreement.

12. FRANCHISEE'S OBLIGATIONS AND DUTIES

12.1 Best Efforts and Promote Integrity of the System. Franchisee must use best efforts to promote and increase the demand for the authorized products and services offered by the Franchised Business within the Protected Territory, and otherwise devote its best efforts to the operation of the

Franchised Business as set forth in the Manual. Franchisee covenants to deal fairly and honestly with all customers and Franchisor, and that all of Franchisee's advertising and promotion shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice that may be injurious to the Franchised Business, the Franchisor or the goodwill associated with the Proprietary Marks and System.

12.2 Participation in Franchise Communication

12.2.1 Attendance at Town Halls. Franchisee agrees to attend a quarterly Town Hall, which will be hosted as a video webinar by the Franchisor. If Franchisee is unable to attend, Franchisee will notify the Franchisor, in writing, within 5 days prior to the Town Hall, and make reasonable efforts to watch a video recording of the Town Hall within 3 days after of the Town Hall.

12.2.2 Monthly Participation in Community. Franchisee agrees to participate in a monthly video or phone call with any of the following: i) a call with a direct representative of Franchisor; ii) a call with a peer in the Franchise network (e.g. another 305 Franchise Studio Owner) or iii) participation in a group call, hosted by the Franchisor, with other franchisee owners in attendance. The Franchisee agrees to have prepared the following updated business performance metrics in advance of such calls: i) studio traffic over last 8 weeks; ii) new client traffic over last 8 weeks; iii) new client repurchase rate over the last 12 weeks and iv) forecasted revenue and payroll expenses for upcoming 3 months. In addition, the Franchisee will come prepared to such calls with at least 1 operational challenge they are currently facing.

12.3 Operations.

12.3.1 Hours of Operation. Franchisee must operate the Franchised Business for at least those days and number of hours Franchisor specifies in the Manual or otherwise in writing.

12.3.2 Maintenance of Premises. Franchisee must maintain the Franchised Business in a clean, safe, and attractive manner, and in accordance with all applicable requirements of law, including all federal, state, and local health laws, as well as this Franchise Agreement and the Manual. Franchisee and Franchisee's employees must give prompt, courteous and efficient service to the public and otherwise operate the Franchised Business in order to preserve, maintain, and enhance the reputation and goodwill of the System.

12.3.3 Staffing. Franchisee must hire and supervise efficient, competent, and courteous persons as Franchisee's employees for the operation of the Franchised Business and set and pay their wages and incentives with no liability on Franchisor. Franchisee must require its employees to work and abide by the Manual. Franchisee understands and acknowledges it is Franchisee's responsibility to hire and supervise a satisfactory number of employees in order to efficiently operate the Franchised Business and meet Franchisee's obligations under this Franchise Agreement and to comply with all federal, state, and local employment, employment-related and labor laws. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employers or subject to Franchisor's control. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee alone is responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisor will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and Franchisee agrees to indemnify and hold harmless Franchisor for any such liabilities Franchisor incurs.

12.3.4 *Compliance with Manual and Training of Employees.* Franchisee agrees to conduct the Franchised Business in accordance with the Manual and to comply with all conditions and procedures in the Manual. Within seven (7) business days following the first day of scheduled work for each new employee Franchisee shall train and instruct Franchisee's employees in accordance with this Franchise Agreement and the Manual. Franchisee shall continue such employee training and instruction as long as each employee is employed. Any required standards exist to protect Franchisor's interests in the System and the Proprietary Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Franchisee. The required standards generally will be set forth in the Manual or other written materials. The Manual may also include guidelines or recommendations in addition to required standards. In some instances, the required standards may include recommendations or guidelines to meet the required standards. Franchisee may follow the recommendations or guidelines or some other suitable alternative, provided Franchisee meets and complies with the required standards. In other instances, no suitable alternative may exist. In order to protect Franchisor's interests in the System and Proprietary Marks, Franchisor reserves the right to determine if Franchisee is meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

12.3.5 *Management Participation and Designated Manager.* Franchisee (or at least one of Franchisee's principals if Franchisee is an entity) must personally supervise the day-to-day operations of the Franchised Business until certain sales volume thresholds are met, as set forth in the Manual. Franchisee (or at least one of Franchisee's principals if Franchisee is an entity) must devote Franchisee's best efforts to the management and operation of the Franchised Business and ensure that customers have access to the Franchised Business at all days and times set forth in the Manual. The Franchised Business must, at all times, be staffed with at least one individual who has successfully completed the required training.

12.3.6 *Working Capital.* Franchisee must at all times maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations, and responsibilities hereunder and to operate the Franchised Business in a businesslike, proper, and efficient manner. Franchisee should consult with its business, tax, accounting and legal advisors to determine the appropriate level of working capital needed to sustain the Franchised Business.

12.3.7 *Inventory.* Franchisee must at all times maintain sufficient equipment and levels of inventory and supplies as required by Franchisor to adequately meet consumer demand and operate the Franchised Business at maximum capacity and efficiency. Franchisee shall purchase the minimum quantity of initial inventory as directed by Franchisor in the Manual or elsewhere.

12.3.8 *Mystery Shopper.* To ensure uniformity and compliance with the System, Franchisor may send a mystery shopper or similar third party to the Franchised Business. Franchisor will share the results of the mystery shopper with Franchisee.

12.3.9 *Privacy Laws.* In the operation of the Franchised Business, Franchisee will receive "Customer Data." "Customer Data" is information, records, lists or data that may contain "Personal Information." "Personal Information" includes information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular consumer, potential consumer, individual or household, as such term may be further defined or amended by applicable federal, state and local statutes, regulations, ordinances and requirements. Personal Information is collected, maintained or generated in the operation of the Franchised Business, including through the use of a point of sale system. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for any breach or noncompliance relating to the unauthorized use of Customer Data and for any Security Incident (defined below). Franchisee agrees, at its sole cost and expense, to at all times:

12.3.9.1 comply with the data protection, collection, maintenance and use requirements for Customer Data set out in the Manual and this Franchise Agreement, including all policies, procedures and controls that Franchisor implements now or in the future;

12.3.9.2 comply with all applicable federal, state and local statutes, regulations, ordinances and requirements relating to the data protection, collection, maintenance and use of Customer Data (collectively, “**Privacy Laws**”);

12.3.9.3 assist and otherwise cooperate with Franchisor to ensure Franchisor’s and Franchisee’s compliance with applicable Privacy Laws;

12.3.9.4 promptly notify Franchisor in writing of any Security Incident (defined below) that Franchisee becomes aware of or discovers. Franchisee will assist and otherwise cooperate with Franchisor to investigate any such Security Incident and will take all required steps, as determined by Franchisor, to remedy Franchisee’s noncompliance with applicable Privacy Laws, this Agreement or the Operating Manual. For purposes of this Section, “Security Incident” means any actual or suspected accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to Customer Data in violation of applicable Privacy Laws, this Agreement or the Operating Manual;

12.3.9.5 promptly provide Franchisor with the ability to delete, access or copy Customer Data in Franchisee’s possession or control;

12.3.9.6 promptly notify Franchisor of any request regarding Customer Data received by the Franchisee from a “consumer” as defined by applicable Privacy Laws;

12.3.9.7 adopt policies, procedures, and controls, including those set out in the Operating Manual, if any, that enable Franchisee to respond, and to cause its agents and employees to respond, promptly to any rights request made pursuant to applicable Privacy Laws, including any disclosure request, deletion request, or opt-out request;

12.3.9.8 adopt policies, procedures, and controls, including those set out in the Operating Manual, if any, that limit access to Customer Data to only those employees that have a need-to-know basis based on specific job function or role. Franchisee will provide data privacy and security training to employees who have access to Customer Data or who operate or have access to system controls and will require employees to adhere to data confidentiality terms providing for the protection of Customer Data in accordance with this Agreement and the Operating Manual; and

12.3.9.9 maintain Customer Data in confidence in accordance with this Franchise Agreement.

12.4 Implementation of Updates to the Services and System: Franchisee recognizes that keeping classes fresh and unique is critical to the ongoing success of the Studio. The Franchisor will, on a regular basis distribute materials to Franchisee ; marketing new programming to Franchisee’s clients with in-studio signage and electronic communications; and organizing materials and files for Franchisee’s Studio in easily accessible format (e.g. storing the music and bookmarking templates on available personal computers) that Franchisee will be required to timely implement. By way of example only:

12.4.1 *Monthly Workout Programs.* Approximately 15 days prior to an upcoming calendar month, Franchisor will provide Franchisee with workout templates. These templates will include movement patterns for Instructors and music for DJs for sections of the 305 Fitness-branded workout classes such as toning, breakdown, and warm-up moves.

12.4.2 *8-Week Choreography*. Approximately every 8 weeks, Franchisor will provide new dance choreography routines for distribution by the Franchisee to its employees, Instructors and DJs. The Franchisee is responsible for compensating employees (Instructors and DJs) for the additional time spent learning routines and/or managing music files.

13. Requirements to Implement Quarterly Promotions and Creative Campaigns.

13.1 Franchisee will participate in and implement quarterly campaigns issued by Franchisor by updating in-Studio signage, electronic communication and front desk sales guides. Franchisee is responsible for costs of any print materials or compensation expenses related to the implementation of the quarterly promotion and/or creative campaign.

13.2 Any promotions or campaigns outside of the quarterly promotion offered by Franchisor must receive the prior approval of the Franchisor.

13.3 Purchasing Requirements and Sources of Supply.

13.3.1 *Compliance with Standards.* Franchisee acknowledges and agrees that Franchisee's obligations set forth in this Franchise Agreement and the Manual are reasonable and necessary for the operation of the Franchised Business and to maintain uniformity throughout the System. Franchisee shall adhere to the standards and specifications set forth in this Franchise Agreement and the Manual and any revisions or amendments to same. Franchisee shall use signs, furnishings, supplies, fixtures, equipment, inventory, and printing services that comply with Franchisor's then-current standards and specifications, which Franchisor establishes from time to time. Franchisor has the right to change Franchisor's standards and specifications in Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense.

13.3.2 *Designated and Approved Suppliers.* Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase certain inventory and services, as well as certain signs, furnishings, supplies, fixtures, computer hardware and software, and other equipment from Franchisor or such Approved Supplier that Franchisor designates in the Manual or otherwise in writing. Franchisee hereby acknowledges that Franchisor, Franchisor's Affiliate and/or any other third party may be one of several, or the only, Approved Supplier of any item. Franchisee further acknowledges and agrees that Franchisor and/or Franchisor's Affiliates have the right to realize a profit on any products or services that Franchisor, Franchisor's Affiliates or Franchisor's Approved Suppliers supply and/or provide to Franchisee.

13.3.3 *Unapproved Item and/or Alternate Supplier Approval.* In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier; provided that Franchisor shall not unreasonably withhold approval of a particular supplier proposed by Franchisee if the supplies or items sold by said supplier conform to the quality standards and specifications prescribed by the Franchisor. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments or other forms of consideration from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Nothing herein shall require Franchisor to approve any number of

suppliers for a given item, which approval might, in Franchisor's Business Judgement, result in higher costs or prevent the effective or economical supervision of Approved Suppliers. Franchisor may charge Franchisee a fee of Five Hundred Dollars (\$500.00) ("**Alternative Supplier Evaluation Fee**") for up to 5 hours of review if Franchisee requests Franchisor to evaluate an unapproved item or supplier. If additional time is required, Franchisor may charge an hourly fee of \$250 for each additional hour needed to evaluate the alternative supplier. Franchisee will also be responsible to pay for any travel expenses, if incurred. Franchisee must pay Franchisor the Alternative Supplier Evaluation Fee regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within 30 days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves of must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier.

13.4 Authorized Products and Services. Franchisee shall offer for sale all products and services which Franchisor prescribes and only those products and services which Franchisor prescribes. Franchisee may not offer any other products for sale without having received Franchisor's prior written authorization. Franchisee shall at all times maintain sufficient levels of inventory as specified in the Manual, to adequately satisfy consumer demand.

13.5 Premises Inspection. Franchisee agrees that in order to maintain the high quality and uniform standards associated with the System and to protect its goodwill and reputation, Franchisee will permit Franchisor during business hours, to inspect the Franchised Business, confer with Franchisee and Franchisee's employees and customers, check inventories and methods, and perform any other inspection which Franchisor deems necessary to protect the standards of quality and uniformity of the Franchise system and Franchisee's performance under this Franchise Agreement. Franchisee is obligated to make changes to Franchisee's operations based upon any inspections by Franchisor. Except as otherwise provided in this Franchise Agreement, Franchisor is not required to provide Franchisee with any notice prior to conducting such an inspection.

13.6 Equipment, Computer Software and Hardware.

13.6.1 Equipment Computer System and Required Software. Franchisor has the right to specify or require that certain brands, types, makes, or models of equipment, computer hardware, software, computer-based services, and online accounts that Franchisee must use in connection with the Franchised Business, including without limitation (i) 2 laptops or other computer that meets Franchisor's then-current specifications; (ii) a customized point of sale system ("**POS System**"); (iii) printers and other peripheral hardware/devices such as webcams; (iv) speakers, LED lights and other AV equipment; and (v) equipment necessary to maintain a physical, electronic or other security and surveillance systems for the Authorized Location and Franchised Business that Franchisor may designate (collectively, the "**Computer System**"). Franchisor may also require Franchisee to use designated software, computer-based services, or online accounts in connection with the Computer System and Franchised Business (collectively, the "**Required**

Software”), as well as the type of tangible media and/or database structure to use as part of the Computer System. Franchisor reserves the right to charge Franchisee a monthly fee for any custom or proprietary software for use in the Franchised Business, and to require Franchisee to subscribe to third-party services and purchase products from third parties.

13.6.2 *Compliance with Requirements.* At Franchisor’s request, Franchisee will purchase or lease, and thereafter maintain, the Computer System and, if applicable, any Required Software at Franchisee’s sole expense. Franchisee expressly agrees to comply with the System Standards for all items associated with the Computer System and any Required Software. Franchisee agrees, at its own expense, to keep its Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to Franchisee’s Computer System or Required Software as Franchisor directs from time to time in writing.

13.6.3 *Internet and Franchisor’s Access.* Franchisee must take whatever steps necessary to ensure that the Franchised Business has an accessible Wi-Fi internet access that can be used by Franchisee’s clientele and must do so at Franchisee’s sole expense. Franchisor may require: (i) Franchisee to comply with its standards and specifications for Internet access and speed; and (ii) that Franchisee’s Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to Franchisor. Franchisor will also have the right to, at any time without notice, electronically and independently connect with the Computer System to monitor or retrieve data stored on the Computer System or for any other purpose Franchisor deems necessary. There are no contractual limitations on Franchisor’s right to access the information and data on any component of the Computer System. At Franchisor’s request, Franchisee shall deliver to Franchisor all access codes, static internet protocol (“IP”) addresses and other information to facilitate Franchisor’s access to the data described in this Section within 30 days of opening the Franchised Business.

13.6.4 *Proprietary Software.* Franchisor has a proprietary interest in all databases, lists, templates, programs, and any other software components that have been created and/or customized by Franchisor using the Computer System and/or Required Software (“**Proprietary Software**”). Any Proprietary Software, if developed, will be Franchisor’s proprietary product and the information collected will be deemed Franchisor’s Confidential Information.

13.6.5 *Area Computer Network.* Upon Franchisor’s request, Franchisee will be required to participate in any System-wide area computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such area computer network, intranet system, or extranet system to, among other things: (i) submit Franchisee’s reports due under this Franchise Agreement to Franchisor on-line; (ii) view and print portions of the Manual, including any updates or modifications thereto; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (iv) to complete any initial or ongoing training, in the event Franchisor makes such training accessible through this medium. Franchisee agrees to use the facilities of any such area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor included in the Manual, including those related to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements. Franchisee understands and agrees that it is solely responsible for any licensing and/or maintenance fee(s) associated with any intranet or extranet described in this Section.

13.6.6 *E-mail Address.* Franchisee agrees that it will only use the e-mail address provided by Franchisor in connection with the Franchised Business, and that Franchisee will not use such email address for any other purpose.

13.7 Personal Conduct. Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring the Proprietary Marks into disrepute, including disparagement and

disrespect toward the brand, the Franchisor and its owners, officers, employees and agents. Franchisee will engage in conduct that meets the high standards of the System and that represents good business practices, this extends to conduct not only within the Authorized Location, but also in the community, with other franchisees in the System and competitors.

13.8 Telephone Number. Franchisee must obtain its own local telephone number for use in connection with the Franchised Business, which must be listed under the Proprietary Mark “305 Studios” as applicable or other listing designated by Franchisor when displayed in any traditional or electronic directory. This telephone number must be used exclusively in connection with Franchisee’s operation of the Franchised Business. Any telephone listing Franchisee has in any directory must be approved by Franchisor prior to publication. Upon the expiration, transfer or termination of this Franchise Agreement for any reason, Franchisee must cease all such use of such telephone number(s) and listings, at Franchisor’s option, listing(s) and assign same to Franchisor or Franchisor’s designee.

13.9 Payment of Debts. Franchisee is solely responsible for selecting, retaining and paying Franchisee’s employees, the payment of all invoices for the purchase of goods and services used in connection with operating the Franchised Business, and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct of the Franchised Business. Franchisee agrees to pay all current obligations and liabilities to suppliers, lessors, and creditors on a timely basis. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for debts owed by Franchisee if Franchisor elects to pay any of Franchisee’s obligations in order to preserve the relationship between suppliers and franchisees. Franchisee agrees to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property and real estate taxes arising from Franchisee’s operation of the Franchised Business. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for these taxes.

13.10 Compliance with Applicable Laws. Franchisee must comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Franchised Business, including, without limitation, all government regulations relating to commercial leasing, operations and the products and services provided by the Franchised Business, occupational hazards and health, trademark and copyright infringement, consumer protection, trade regulation, worker’s compensation, unemployment insurance, withholding and payment of Federal and State income taxes and social security taxes and sales, use and property taxes, labor and employment laws, and the applicable provisions of the Americans with Disabilities Act regarding the construction, design and operation of the Franchised Business. Franchisee must also obtain and maintain all permits, licenses, and registrations required for the lawful operation of the Franchised Business and comply with all health and safety codes.

13.11 Trade Secrets and Confidential Information. Franchisee must maintain the confidentiality of all Franchisor’s proprietary and Confidential Information as set forth in this Franchise Agreement.

13.12 Image. Franchisee agrees to offer all Franchisor’s authorized products and services and to conduct the Franchised Business in such a manner which will serve to emulate and enhance the image Franchisor intended for the System. Franchisee further acknowledges and agrees that each aspect of the System is important not only to Franchisee, but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by System franchisees. Franchisee agrees to comply with the standards, specifications and requirements Franchisor set forth in order to uniformly convey the distinctive image of a Studio. Franchisee shall, in the operation of the Franchised Business, use only

displays, bags, labels, forms, stationary, and other products bearing the Proprietary Marks that Franchisor designates or approves.

13.13 Pending Actions. Franchisee shall notify Franchisor, in writing, within five days of Franchisee's receipt of notice of the commencement of any action, suit or proceeding and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

13.14 Remodeling/Updating Franchised Business Premises. To assure the continued success of the Franchised Location, Franchisee must, upon the request of Franchisor, remodel and/or redecorate the premises of the Franchised Business, which may include equipment, signs, interior and exterior décor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Franchised Business, to the System Standards.

13.15 Health and Safety Standards. Franchisee shall meet and maintain the highest health and safety standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor within two days of its receipt thereof, a copy of all health inspection reports and any violation or citation which indicates Franchisee's failure to maintain federal, state, or local health or safety standards in the operation of the Franchised Business. Franchisee's failure to cure such violations within 48 hours shall constitute grounds for immediate termination under the Franchise Agreement.

13.16 Customer Service and Warranty. Franchisee and its employees shall be prompt, courteous, honest, and respectful to all customers and prospective customers, and must adhere to Franchisor's customer service procedures as set forth in the Manual or otherwise in writing. In the event there is a consumer complaint, Franchisee must answer and schedule a response to the complaint within 48 hours of its receipt of the complaint. If a complaint is filed with the Better Business Bureau, Franchisee must respond appropriately within 24 hours. Franchisee must provide Franchisor with a copy of the complaint and Franchisee's response to either type of complaint, which must be sent to Franchisor within 24 hours of sending such response. Franchisee acknowledges and agrees that it will honor, and provide the services dictated by, the warranty programs established by Franchisor as part of the System. Franchisor may in Franchisor's discretion provide a refund or other value to customers of the Franchised Business, in which event Franchisee must reimburse Franchisor for Franchisor's reasonable cost incurred in responding to the customer complaint. The Franchisee shall ensure that all customers who wish to take classes shall be honored even in circumstances where a customer prepaid for classes at another 305 Studio. The Franchisor shall coordinate and account for debits and credits amongst the franchisees attributable to customers taking classes at a Studio that is different from the Studio where the classes were purchased and Franchisor will adjust Royalty Fees accordingly as set forth in the Manual.

13.17 Compliance with Lease and Other Agreements. Franchisee shall comply with all the terms of its lease or sublease and all other agreements affecting the operation of the Franchised Business, and shall promptly furnish Franchisor a copy of its lease upon request. Franchisee shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor and shall refrain from any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Authorized Location.

13.18 Changes to the System. Franchisee shall not implement any change, amendment or improvement to the System without the express prior written consent of Franchisor. Franchisee shall notify Franchisor in writing of any change, amendment or improvement in the System which Franchisee proposes to make, and shall provide to Franchisor such information as Franchisor requests regarding the proposed change, amendment or improvement. Franchisee acknowledges and agrees that Franchisor shall have the right to incorporate the proposed change, amendment or improvement into the System and shall

thereupon obtain all right, title, and interest therein without compensation to Franchisee, including any intellectual property rights thereto.

13.19 Insurance. Franchisee must procure and maintain, at its sole expense, such insurance covering the operation and location of the Franchised Business as Franchisor may designate from time to time from Franchisor's designated supplier for such insurance. Franchisee must procure the insurance Franchisor then requires for the establishment and operation of a Studio as designated in the Manual or otherwise in writing by Franchisor at least 20 days prior to opening the Franchised Business or upon signing a lease agreement for the premises of the Franchised Business, whichever comes first. All insurance carriers must be approved by Franchisor in advance and in writing. All insurance policies must be issued by insurance companies with a rating of A or better as reported in the most recent edition of A.M. Best's Insurance Reports. Franchisor's approval of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Franchisee agrees to carry such insurance as may be required by the lease of the Authorized Location or by any of Franchisee's lenders or equipment lessors and such workers compensation insurance as may be required by applicable law. **Franchisee, at its sole expense, shall add Franchisor and any other parties Franchisor may designate to all insurance contracts as additional insureds under the insurance policies (except Worker's Compensation Insurance).** All insurance policies will contain a waiver of subrogation in favor of Franchisor and any parties Franchisor designates. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within 24 hours. Franchisee will have 3 days to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 calendar days prior written notice from the insurance carrier to Franchisor. Franchisee must submit a certification of insurance that demonstrates compliance with this Section. If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep the same in force and effect and Franchisee shall pay Franchisor, on demand, the premium cost thereof and an administrative fee equal to 20% of the premium cost incurred in connection with Franchisor obtaining the insurance. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon 30 days prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice.

14. CONFIDENTIALITY AND COVENANTS AGAINST COMPETITION

14.1 Confidentiality.

14.1.1 *Nondisclosure.* During the term of this Franchise Agreement, Franchisee will receive information which Franchisor considers a Trade Secret and Confidential Information, including but not limited to: the Manual, Franchisor's proprietary training, marketing and other instructional materials, Trade Secrets, information related to any proprietary methodology or aspects of the System or the establishments and continued operation of the Franchised Business, financial information, supplier and vendor prices and matrices, and any and all clientele lists and data obtained through the operation of the Franchised Business (collectively, the "**Confidential Information**"). Franchisee shall not, during the term of this Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or Entity, any Confidential Information including, without limitation, Trade Secrets, copyrighted materials, as well as any methods and other techniques and know-how concerning the operation of the Franchised Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Franchised Business. Franchisee may divulge such Confidential Information only to such of Franchisee's employees, independent contractors, agents, consultants, or advisors, as must have access to it in order to operate, or as applicable, provide advice and counsel concerning the Franchised Business,. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed Confidential Information for purposes of this Franchise

Agreement, but Franchisor is not required to expressly designate certain material as confidential in order for it to be considered Confidential Information if the material is, by its very nature, proprietary and confidential. Upon termination or expiration of this Franchise Agreement, regardless of reason, Franchisee shall return all copies of such Confidential Information to Franchisor immediately, and Franchisee may not use the Confidential Information for any purpose other than operating the Franchised Business in accordance with the System Standards.

14.1.2 *Employees.* Franchisee must require all of Franchisee's officers, directors, managers and other employees to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business premises. Such covenants shall be in a form satisfactory to Franchisor. These agreements must include, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with independent rights to enforce them.

14.2 Non-Competition

14.2.1 *In-Term.* Franchisee specifically acknowledges that, pursuant to this Franchise Agreement, Franchisee and its owners and personnel will receive valuable training, Trade Secrets and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System which are beyond the present skills and experience of Franchisee, its principals and Franchisee's managers and employees. Franchisee acknowledges that such specialized training, Trade Secrets, and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, Trade Secrets and confidential information is, therefore, a primary reason why they are entering into this Franchise Agreement. In consideration for receiving such specialized training, Trade Secrets and Confidential Information and being granted the right to operate the Franchised Business utilizing the System and Proprietary Marks, Franchisee covenants that, during the term of this Franchise Agreement, neither Franchisee nor any of its owners, principals, shareholders, members or partners (as applicable) shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person(s), or entity:

14.2.1.1 *Diversion.* Divert, or attempt to divert, any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

14.2.1.2 *Competing Business.* Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business that: (i) engages in providing dance fitness related services or that offers or provides any of the other products/services that are offered by the Franchised Business; or (ii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that engage in providing dance fitness related services or that offer or provide any of the other products/services that are offered by the Franchised Business ("**Competing Business**"); however, this Section does not apply to Franchisee's operation of a 305 Fitness franchised studio.

14.2.2 *Post-Term.* For a continuous uninterrupted period of two years commencing upon the expiration or termination of, or transfer of all of Franchisee's interest in, this Franchise Agreement, neither Franchisee, nor any of its owners, principals, members, or partners (as applicable), may directly or indirectly, for themselves or through, on behalf of or in conjunction with any person(s) or entity:

14.2.2.1 *Franchising or Licensing Activities.* Be involved with any business competing in whole or in part with Franchisor in granting franchises or licensing, or establishing joint

ventures, for one or more Competing Businesses that engage in providing dance fitness related services or that offer or provide any of the other products/services that are offered by the Franchised Business;

14.2.2.2 *Other Competing Businesses.* Own, maintain, engage in, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business within the following areas: (i) at the location of the Franchised Business; (ii) within the Protected Territory; (iii) within a radius of 20 miles of the perimeter of the Protected Territory granted hereunder; or (iv) within a radius of 20 miles of the perimeter of any other protected territory licensed by Franchisor to any third party or any Studio that is in operation or under development, as of the date of expiration, transfer or termination of this Franchise Agreement through the date of Franchisee's involvement in the Competing Business;

14.2.2.3 *Supplier Usage.* Contact any of Franchisor's suppliers or vendors for any competitive business purpose.

14.3 Acknowledgement. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the covenants herein shall be construed as independent of any other covenant or provision of this Franchise Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and each of Franchisee's owners, principals, members, or partners expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

14.3.1 Franchisee understands and acknowledges that Franchisor has the right to reduce the scope of any covenant set forth in this Section 14, or any portion thereof, without Franchisee's consent, effective immediately upon written notice to Franchisee. Franchisee further agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding any other provision of this Section.

14.3.2 Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Franchise Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

14.3.3 Sections 14.2.1 and 14.2.2 of this Franchise Agreement shall not apply to ownership of less than a 5% beneficial interest in the outstanding equity securities of any publicly-held corporation.

14.4 Enforcement. Franchisee acknowledges that any failure to comply with the requirements of this Section shall constitute a material event of default under this Franchise Agreement. Franchisee further acknowledges that a violation of the terms of this Section 14 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee (or other restricted parties) in violation of the terms of this Section. Franchisee must pay all court costs, reasonable attorney fees and liquidated damages incurred by Franchisor in connection with the enforcement of this Section 14, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of such Section.

15. **TERMINATION**

15.1 Automatic Termination. This Franchise Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

15.1.1 *Voluntary Bankruptcy.* If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business.

15.1.2 *Involuntary Bankruptcy.* If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within 60 days.

15.1.3 *Unauthorized Transfer.* Franchisee purports to sell, transfer or otherwise dispose of Franchise or any interest in the franchise business in violation of Section 17 hereof.

15.2 With Notice and Without Opportunity to Cure. Franchisor has the right to terminate this Franchise Agreement upon notice without providing Franchisee an opportunity to cure for any of the following breaches or defaults:

15.2.1 *Criminal Acts.* If Franchisee or Franchisee's principals are convicted of or plead guilty or no contest to a felony or other offense related to the operation of the Franchised Business or that Franchisor believes, in its sole discretion, is likely to have an adverse effect on the Proprietary Marks or the goodwill associated therewith.

15.2.2 *Fraud.* If Franchisee or Franchisee's principals commit any fraud or misrepresentation in the operation of the Franchised Business, including but not limited to, any misrepresentation made in Franchisee's franchise application.

15.2.3 *Other Actions.* If Franchisee or Franchisee's principals, including any shareholder, guarantors or agents, engage in activity or conduct which materially impairs that goodwill associated with the System or the Proprietary Marks and fails to cease and correct such activities or conduct within twenty-four (24) hours of Franchisee's receipt of written notice of a breach under this Section.

15.2.4 *Misrepresentation.* If Franchisee or Franchisee's principals make any misrepresentation or omission in connection with Franchisee's franchise application, including but not limited to any financial misrepresentation.

15.2.5 *Failure to Complete Training or Attend Annual Retreat.* If Franchisee fails to complete, and cause all required employees to complete, the Initial Training Program as required under this Franchise Agreement, unless excused by prior written consent of Franchisor.

15.2.6 *Repeated Breaches.* If Franchisor sends Franchisee three or more written notices to cure pursuant to Sections 15.3 or 15.4 hereof in any 12-month period, regardless of whether the defaults set forth in the notices were subsequently cured.

15.2.7 *Breach of Other Agreements.* If Franchisee or Franchisee's principals materially breach any other agreement with Franchisor or any of Franchisor's Affiliates, or threaten any material breach

of any such agreement, or any lease for the Authorized Location, and fails to cure such breach within any permitted period for cure.

15.2.8 *Misuse of the Proprietary Marks or Confidential Information.* If Franchisee or Franchisee's principals violate any provision hereof pertaining to Proprietary Marks or Confidential Information or misuse the Proprietary Marks or Confidential Information.

15.2.9 *Violation of Law.* If Franchisee violates any law, ordinance or regulation in the operation of the Franchised Business, including the leasing of any space to a third party at the Authorized Location, or operates the Franchised Business in a manner that presents a health or safety hazard to customers, or the general public.

15.2.10 *Violation of In-term Restrictive Covenant.* If Franchisee violates the in-term restrictive covenant contained in Section 14.2.1 or any of the other restrictive covenants set forth in this Franchise Agreement.

15.2.11 *Liens.* If an unauthorized levy of writ of attachment or execution or any other unauthorized lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within 30 days.

15.2.12 *Insolvency.* If Franchisee or any of Franchisee's principals become insolvent.

15.2.13 *Abandonment.* If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue the franchisee business in accordance with the terms of this Franchise Agreement and shall apply in any event Franchisee fails to: (i) operate the Franchised Business and actively lease portions of the facility at the Authorized Location for a period of five or more consecutive days without Franchisor's prior written approval; (ii) submit the required Gross Sales Reports for three consecutive reporting periods.

15.2.14 *Unauthorized Products or Services.* If Franchisee offers any unauthorized and unapproved products or services at or from the Franchised Business.

15.2.15 *Unapproved Purchases.* Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier or which Franchisor has not approved.

15.2.16 *Proprietary Software.* Franchisee misuses or makes unauthorized use of any Proprietary Software Franchisor may develop for use in connection with the System.

15.2.17 *Insurance.* Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fail to adhere to the insurance requirements under this Franchise Agreement and the Manual.

15.2.18 *Government Regulations.* Franchisee fails, 15 calendar days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Franchised Business.

15.2.19 *Government Actions.* Any government action is taken against Franchisee that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

15.2.20 *Personal Use of Franchised Business Property.* If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including employee taxes, FICA, insurance or benefits.

15.2.21 *Insufficient Funds.* If there are insufficient funds in the bank account(s) Franchisee authorized Franchisor to make withdrawals from in connection with paying the required amounts under this Franchise Agreement three or more times within any 12 month period. Franchisor maintains the right to conduct mystery shopper inspections, whereby a mystery shopper will enter the Franchised Business to inspect the quality control and brand standards of the Franchised Business without advanced notice to the Franchisee. Franchisor agrees to disclose the results of the mystery shopper inspection within 14 days of its receipt of such results. If any violations in brand standards, studio cleanliness or quality of services are identified, the Franchisee shall have seven (7) days to cure such violation. If the results of two (2) mystery shopper inspections within a 6 month period reflect a violation of brand standards, studio cleanliness or quality of services *and* Franchisee fails to timely cure such violations, then Franchisor has the right to terminate this Franchise Agreement upon notice.

15.3 Upon 15 Days' Notice to Cure. Franchisor has the right to terminate this Franchise Agreement if any of the following defaults remains uncured after Franchisor provides Franchisee with notice of such default(s) and 15 days to cure:

15.3.1 *Nonpayment.* If Franchisee fails to pay Franchisor as and when due any sums owed to Franchisor, any of Franchisor's Affiliates, or any of Franchisor's system suppliers or vendors.

15.3.2 *Endorsement of Checks.* Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously made to Franchisee.

15.3.3 *Failure to Maintain Sufficient Inventory Level.* If Franchisee fails to maintain sufficient levels of inventory to adequately meet consumer demand.

15.3.4 *Failure to Secure Authorized Location or Open the Franchised Business.* If Franchisee fails to secure an Authorized Location or commence operations of Franchisee's Franchised Business within the time prescribed in this Franchise Agreement.

15.3.5 *Interruption of Service.* If Franchisee fails to maintain the prescribed months, days or hours of operation at the Franchised Business, unless such failure constitutes abandonment under Section 1452.13 of this Franchise Agreement.

15.3.6 *Failure to Personally Supervise Franchised Business Operations or Employ Adequate Personnel.* If Franchisee or Franchisee's Designated Manager fails, in Franchisor's sole discretion, to personally supervise day-to-day operations of the Franchised Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time.

15.3.7 *Quality Control.* If Franchisee fails to maintain the strict quality controls reasonably required by this Franchise Agreement and/or the Manual.

15.3.8 *Licenses and Permits.* Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Franchised Business.

15.3.9 *Social Media.* Franchisee engages in social media postings that are offensive, inappropriate, brand damaging or disparaging the brand or the Franchisor.

15.4 Upon 30 Days' Notice to Cure. Franchisor has the right to terminate this Franchise Agreement if Franchisee fails to perform or comply with any other term or condition of this Franchise Agreement, or any ancillary agreements between Franchisee and Franchisor or Franchisor's Affiliates, if Franchisee fails to cure such default(s) within 30 days after being provided with notice thereof.

15.5 Step In Rights. In addition to Franchisor's right to terminate this Franchise Agreement, and not in lieu of such right, or any other rights, Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter (or direct its designee to enter) upon the Franchised Business premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines, in Franchisor's sole discretion that the default has been cured, and Franchisee is otherwise in compliance with this Franchise Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with its operation of the Franchised Business including, without limitations, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging accommodations. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s), designee(s), and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's operation of the Franchised Business, provided that Franchisee's obligation to indemnify Franchisor shall not be applicable to such claims that arise from Franchisor's negligence or willful misconduct in its operation of the Franchised Business.

15.6 Non-waiver. Franchisor's delay in exercising or failing to exercise any right or remedy under this Franchise Agreement or Franchisor's acceptance of any late or partial payment due hereunder shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

15.7 Cross Default. If there are now, or hereafter shall be, other franchise agreements in effect between Franchisor and Franchisee, a default by Franchisee under the terms and conditions of this or any other of such agreements, shall at the option of Franchisor, constitute a default under all such agreements.

15.8 Termination by Franchisee. Franchisee has no contractual right to terminate this Franchise Agreement for any reason.

16. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

16.1 Franchisee's Obligations. Upon termination of this Franchise Agreement, regardless of the cause, and upon expiration (without the grant of a successor franchise term) or transfer of this Franchise Agreement, Franchisee must, at Franchisee's cost and expense:

16.1.1 Immediately cease all operations of the Franchised Business under this Franchise Agreement;

16.1.2 Pay Franchisor immediately all unpaid fees and pay Franchisor, Franchisor's Affiliates, Franchisor's Approved Suppliers and vendors, all other monies owed;

16.1.3 Discontinue immediately all uses of the Proprietary Marks;

16.1.4 Return the Manual and any other Proprietary Materials and Confidential Information, including without limitation all former and existing clientele and customer leases, agreements, future leasing arrangements that have been made (and corresponding schedules) and all other clientele/customer data and lists, within ten calendar days and immediately and permanently cease use of such information and materials;

16.1.5 Franchisee acknowledges that all telephone numbers, facsimile numbers, Social Media websites, Internet addresses and e-mail addresses (collectively “**Identifiers**”) used in the operation of the Franchised Business constitute Franchisor’s assets, and upon termination or expiration of this Franchise Agreement, Franchisee will take such action within five days to cancel or assign to Franchisor or Franchisor’s designee as determined by Franchisor, all of Franchisee’s right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies of the termination or expiration of Franchisee’s right to use any Identifiers, and any regular, classified or other telephone directory listing associated with the Identifiers and to authorize a transfer of the same to, or at Franchisor’s direction. Franchisee agrees to take all action required to cancel all assumed names or equivalent registrations related to Franchisee’s use of the Proprietary Marks and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within 15 days after the termination, expiration, or transfer of this Franchise Agreement. Franchisee acknowledges that, Franchisor has the sole rights to, and interest in, all Identifiers used by Franchisee to promote the Franchised Business and/or associated with the Proprietary Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Franchisee further appoints Franchisor to direct the telephone company, postal service, registrar, Internet service provider, listing agency, website operator, or any other third party to transfer such Identifiers to Franchisor or Franchisor’s designee. The telephone company, postal service, registrar, Internet service provider, listing agency, website operator, or any other third party may accept such direction by Franchisor pursuant to this Franchise Agreement as conclusive evidence of Franchisor’s rights to the Identifiers and Franchisor’s authority to direct their transfer.

16.1.6 Immediately vacate the Franchised Business premises and, if Franchisor exercised Franchisor’s rights pursuant to Franchisor’s prescribed form of Collateral Assignment of Lease, arrange for transfer of the lease for the Authorized Location to Franchisor within 15 calendar days of termination or expiration of this Franchise Agreement. In the event Franchisor provides proper notice that it is assuming the lease for the Authorized Location, Franchisee must make sure to pay any outstanding amounts due the landlord in connection with the leasing of the Authorized Location prior to the Franchisor assuming Franchisee’s obligations under such lease;

16.1.7 Surrender all stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks as Franchisor directs and all items which are a part of the trade dress of the System no later than 15 calendar days after the termination or expiration of this Franchise Agreement;

16.1.8 Cease to hold itself out as Franchisor’s franchisee immediately;

16.1.9 Take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark Franchisor licensed to Franchisee and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within 15 calendar days after the termination, expiration or transfer of this Franchise Agreement;

16.1.10 Permit Franchisor to make final inspection of Franchisee’s financial records, books, and other accounting records within one month of the effective date of termination, expiration, or transfer;

16.1.11 Comply with the post-termination covenants set forth in Section 13 hereof, all of which shall survive the transfer, termination or expiration of this Franchise Agreement;

16.1.12 Cease to use in advertising or in any other manner, any methods, procedures or techniques associated with Franchisor or the System; and

16.1.13 Execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 16.

In the event this Agreement is terminated by the Franchisor prior to its expiration as stated in Section 4.1 above, the Franchisee acknowledges and agrees that, in addition to all other available remedies, the Franchisor shall have the right to recover lost future Royalty Fees during any period in which the Franchisee fails to pay such Royalties through and including the remainder of the then current term of this Agreement. The loss of future Royalty Fees will be calculated based upon the prior twelve (12) months of Gross Sales.

16.2 Option to Purchase Personal Property. Upon the termination or expiration of this Franchise Agreement, Franchisor, or Franchisor's designee, shall also have the option, but not the obligation, to purchase any personal property used in connection with operation of Franchisee's Franchised Business by providing Franchisee written notice of Franchisor's election within 60 calendar days after such termination or expiration and paying Franchisee the fair value for such personal property within 60 calendar days of such notice. If Franchisee and Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by Franchisee and Franchisor and an average of the two appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Proprietary Marks and business system licensed to Franchisee. Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Franchised Business, or Franchisor may require that Franchisee close the Franchised Business during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Franchise Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Franchised Business. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations, and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

16.3 Exclusions. Franchisor may exclude any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the operation of the Franchised Business, or that Franchisor has not approved as meeting standards for the Franchised Business, from the personal property purchased under 16.2.

16.4 Damages, Costs, and Expenses. In the event of termination for any default by Franchisee, Franchisee shall promptly pay to Franchisor all damages (including without limitation consequential damages), costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Franchised Business.

17. SALE OR TRANSFER

17.1 Transfer. Franchisee's rights under this Franchise Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in the franchise business without Franchisor's prior written consent, except as set forth below. Any sale, transfer, assignment or

encumbrance made where Franchisor's prior written consent is required shall be voidable at Franchisor's option and shall subject this Franchise Agreement to termination as specified herein.

17.2 Death or Disability.

17.2.1 *Representative's Right to Continue as Franchisee.* In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of any of Franchisee's partners or personal guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, shall have the right to continue the operation of the Franchised Business as franchisee under this Franchise Agreement if: (i) within 90 days from the date of death, disability or incapacity ("**90 Day Period**"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of this Franchise Agreement, or has furnished a personal guaranty of any entity for Franchisee's obligations to Franchisor and Franchisor's Affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Franchise Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor, provided that Franchisee's obligation to indemnify Franchisor shall not be applicable to such claims that arise from Franchisor's negligence or willful misconduct in its operation of the Franchised Business.

17.2.2 *Franchised Business Operation During and After 90 Day Period.* Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously-approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate Franchisee's Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any Affiliate) in such priorities as Franchisor determines from time-to-time in Franchisor's sole and absolute discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of Franchisee's Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of Franchisee's Franchised Business.

17.3 Permitted Transfers. Franchisor will permit Franchisee or any of its owners, members, shareholders, or partners (as applicable) to engage in the following permitted transfers without obtaining Franchisor's consent, provided, however, that Franchisor receives prior written notice of such proposed transfer no later than 30 days prior to proposed transfer date:

17.3.1 *Transfers to Trusts.* Any transfer by Franchisee or any of its owners, members, shareholders, or partners (as applicable) of this Agreement or an equity interest in the Franchisee to a trust for the benefit of the Franchisee or any such owner, member, shareholder, or partner (as applicable), provided that the owner, member, shareholder or partner (as applicable) is the trustee of the trust and has sole control over the trusts assets.

17.3.2 *Transfer between Current Owners Resulting in No Change Control.* Where Franchisee is a legal entity, any transfer of an equity interest between existing owners, members, shareholders, or partners (as applicable) of the Franchisee, provided that such transfer does not result in a

change of fifty percent (50%) or more of the ownership interest, in total, immediately after the transfer as a result of the transfer.

17.3.3 *Transfers of Non-Controlling Interest.* Where Franchisee is a legal entity, any transfer of an owner's, member's, shareholder's, or partner's (as applicable) equity interest in the Franchisee if the transferee will own less than fifty percent (50%) of the ownership interest, in total, immediately after the transaction(s) as a result of the transaction(s)

17.4 Ownership Changes. A sale, transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of more than twenty-five percent (25%) of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of more than twenty five-percent (25%) partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer of more than twenty-five percent (25%) in the limited liability company. Any new partner, shareholder, or member or manager owning any portion of the Entity will be required to personally guarantee Franchisee's obligations under this Franchise Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 16.4 below.

17.5 Franchisor's Right of First Refusal. If Franchisee proposes to transfer either this Franchise Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than an entity as set forth in this Section 16.7), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("**Letter of Intent**"). If Franchisor elects not to accept the offer within a 30 day period, Franchisee shall have a period not to exceed 90 days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 17.6. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer shall be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

17.6 Conditions for Approval. Franchisor may condition Franchisor's approval of any proposed sale or transfer of the franchise business or of Franchisee's interest in this Franchise Agreement upon satisfaction of the following occurrences:

17.6.1 All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's Affiliates, and Franchisor's Approved Suppliers and vendors, are satisfied;

17.6.2 Franchisee must cure all existing defaults under this Franchise Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's Affiliates, and Franchisor's Approved Suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;

17.6.3 Franchisee, Franchisee's principals (if Franchisee is an entity), and the prospective transferee (if it has had any previous relationship with Franchisor or Franchisor's Affiliates) must execute a general release under seal, in a form satisfactory to Franchisor (such as **Attachment E** to this Franchise Agreement), of any and all claims against Franchisor and Franchisor's Affiliates and officers, directors,

shareholders, and employees, in their corporate and individual capacities; provided, however, the release shall not be inconsistent with any applicable state statute regulating franchising;

17.6.4 Franchisee, Franchisee's principals (if Franchisee is an entity), and the prospective transferee must execute an approval of requested assignment, in a form satisfactory to Franchisor;

17.6.5 Franchisee or prospective transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including the prospective transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Franchise Agreement;

17.6.6 The prospective transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Franchise Agreement; however, the prospective transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the prospective transferee may be an existing franchisee of Franchisor;

17.6.7 The prospective transferee shall execute Franchisor's then-current franchise agreement for the unexpired term of this Franchise Agreement;

17.6.8 Franchisee or the prospective transferee shall pay Franchisor a transfer fee up to Ten Thousand Dollars (\$10,000) as designated by Franchisor, plus any third party broker fees or other forms of compensation due to third parties and related to the transfer;

17.6.9 The prospective transferee shall satisfactorily complete Franchisor's training program within the time frame Franchisor sets forth and with all expenses incurred in connection with attending and completing such training to be borne solely by the transferee;

17.6.10 Franchisee (and Franchisee's principals if Franchisee is an entity), and the members of their respective families must comply with the post-termination provisions of this Franchise Agreement;

17.6.11 The prospective transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Franchised Business;

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

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

17.6.14 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;

17.6.15 Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document;

17.6.16 Franchisor's approval of the transfer shall not constitute a waiver of any claims Franchisor may have against the transferring party; and

17.6.17 Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and the Franchised Business as Franchisee has supplied Franchisor hereunder.

17.7 Transfer to a Corporation or Limited Liability Company. If Franchisee is an individual and desires to assign its rights under this Franchise Agreement to an entity, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee set forth in Section 17.6.8, and such assignment will not be subject to Franchisor's right of first refusal in Section 17.5, provided:

17.7.1 The entity is newly organized and its activities are confined to operating the Franchised Business;

17.7.2 Franchisee is, and at all times remains, the owner of fifty-one (51%) or more of the interest in the entity;

17.7.3 The entity agrees in writing to assume all of Franchisee's obligations hereunder;

17.7.4 All stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the entity all its obligations to Franchisor and Franchisor's Affiliates, under this Franchise Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's Affiliates and execute the Owners Agreement attached to this Franchise Agreement as **Attachment B**;

17.7.5 The articles of incorporation and bylaws of the corporation, or the operating agreement or other governing document of the limited liability company, shall reflect this Franchise Agreement and all other agreements Franchisor specifies, and the transferee must submit to Franchisor such documents relating to the entity as Franchisor may require;

17.7.6 No shares in the transferee entity may be issued or transferred without the written consent of Franchisor;

17.7.7 No changes to the entity's governing documents may be made without the express written consent of Franchisor;

17.7.8 No shares may be pledged as collateral for any entity obligations without the express written consent of Franchisor; and

17.7.9 Corporate or limited liability company books and records, including minutes of meetings, must be furnished to Franchisor upon request.

17.8 Franchisor's Right to Transfer. Franchisor has the unlimited right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Franchise Agreement at any time for any reason or no reason.

18. FRANCHISOR'S IN-TERM BUY-BACK OPTION

18.1 At Franchisor's election, at any time after 30 months from the Effective Date, Franchisor will have the right (but not the obligation) to purchase the Franchised Business which may include, but not be limited to, all of the furnishings, equipment (including point of sale or computer hardware and

software systems), signs, fixtures, supplies, and inventory of Franchisees related to the operation of the Franchised Business (collectively, the “Business Assets”), as well as the franchise granted under this Agreement, and assume the Authorized Location’s lease or sublease (as applicable). Franchisor’s option shall be exercisable by providing Franchisee with one hundred twenty (120) days’ written notice of Franchisor’s intention to exercise the option. Franchisee must sign all documents relating to the assignment and transfer as are reasonably necessary for purchase of the Franchised Business and its assets by Franchisor. The purchase price will be established by, and subject to, the following terms:

18.1.1 Payment of the Initial Franchise Fee paid by the Franchisee;

18.1.2 50% of the depreciated value of the leasehold improvements; calculated as the leasehold improvements invested by the Franchisee and excluding any Tenant Improvement allowance supplied by the Studio’s Landlord;

18.1.3 50% of depreciated value of the equipment defined as lighting fixtures, audio equipment, lockers, and fitness equipment;.

2.5 times Net Income of the Franchised Business (calculated as the last 12 months of the Franchised Business's Net Income). For purposes of this Section 18.1, “Net Income” shall be defined as being calculated according to Generally Accepted Accounting Principles (“GAAP”), the standard adopted by the U.S. Securities and Exchange Commission which is revenue minus cost of goods sold minus operating expenses minus tax payments and debt financing.

18.2 If Franchisor elects to exercise its option to purchase the Franchised Business, Franchisor will have the right to set off all amounts due from Franchisee under this Agreement or any other agreements between the parties, and the cost of the appraisal, if any, against any payment to you.

18.3 The time for closing of the purchase and sale of the Franchised Business as described in this Section shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date we receive and obtain all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date.

19. DISPUTE RESOLUTION

19.1 Choice of Law. This Franchise Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to its conflict of laws principals.

19.2 Informal Dispute Resolution

19.2.1 Except as specifically provided in this Franchise Agreement, and before initiating any mediation or arbitration proceeding for any dispute arising under or relating to this Franchise Agreement, the party intending to initiate the proceeding will notify the other party in writing of the existence and nature of the dispute. Within 15 business days after the other party’s receipt of the notice, one of Franchisor’s officers or managers will meet with Franchisee or one of Franchisee’s owners, officers or managers at Franchisor’s principal place of business, other mutually agreeable location, or by telephone, to negotiate in good faith in an effort to resolve the dispute amicably. Such informal attempt to negotiate a settlement will be for an aggregate period of no less than five (5) hours. If this informal attempt to resolve the dispute is unsuccessful, either party may initiate formal dispute resolution as described in Section 19.3. This provision 19.2 shall not apply to a controversy, dispute or claim concerning an allegation by Franchisor that Franchisee has violated (or threatens to violate, or poses an imminent risk of violating): (a) any of Franchisor’s federally protected intellectual property rights in the Proprietary Marks, the System, or in any of Franchisor’s Trade

Secrets or Confidential Information; (b) any claims pertaining to or arising out of any warranty issued; or (c) any of the restrictive covenants contained in this Franchise Agreement.

19.3 Formal Dispute Resolution

19.3.1 *Mediation.* Except as specifically provided in this Franchise Agreement, following completion of the Informal Dispute Resolution process set forth in Section 19.2, all claims or disputes between the parties arising out of, or in any way relating to, this Franchise Agreement, or any of the parties' respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to mediation prior to a hearing in binding arbitration or a trial court proceeding. Such mediation shall take place in New York, New York (or Franchisor's then-current headquarters) in accordance with the Mediation Rules of the American Arbitration Association ("AAA") then in effect. Franchisee may not commence any action against Franchisor with respect to any such claim or dispute in any court or arbitration hearing unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator's fees. Franchisor reserves the right to specifically enforce its right to mediation. Prior to mediation and before commencing any legal action against Franchisor with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies in detail, the precise nature and grounds of such claim or dispute.

19.3.2 *Arbitration.* Except as specifically provided in this Franchise Agreement, the parties agree that any and all disputes between them, and any claim by either party that cannot be amicably settled, shall be submitted to binding arbitration before a single arbitrator in accordance with the commercial arbitration rules of AAA. At the option of either party, the arbitrator shall be selected from a list of retired federal or state judges supplied by AAA, if available. This agreement to arbitrate shall be enforceable through a motion to compel arbitration filed with the court having jurisdiction over such matter. The arbitrator must issue a written opinion explaining the reasons for his or her decision and award and the arbitrator will have the right to award or include in the award the specific performance of this Franchise Agreement. Each party shall bear one-half of the arbitrator's and administration expenses incurred during the arbitration process; provided, however, that the prevailing party shall be entitled to recover its expenses, including reasonable attorneys' fees, accounting fees and arbitrator and administrative expenses, in addition to any other relief to which it is found entitled. All arbitration proceedings shall take place in New York, New York, or, if Franchisor's principal place of business is at another location at the time that arbitration is sought, in the city of Franchisor's then principal place of business.

19.3.3 *Claims Excluded.* Franchisor will not be required to initiate the informal dispute resolution process, arbitrate or first attempt to mediate a controversy, dispute or claim against Franchisee through arbitration or mediation as set forth in this Section 19 if such controversy, dispute or claim concerns an allegation by Franchisor that Franchisee has violated (or threatens to violate, or poses an imminent risk of violating): (a) any of Franchisor's rights in the Proprietary Marks, the System, or in any of Franchisor's trade secrets, Intellectual Property, or Confidential Information; (b) any claims pertaining to Franchisor's non-monetary post-termination obligations; or (c) any of the restrictive covenants contained in this Franchise Agreement. Nothing in this Franchise Agreement bars Franchisor or Franchisee from seeking preliminary injunctive or declaratory relief against a breach or threatened breach of this Franchise Agreement pending arbitration or mediation of the dispute, if applicable.

19.3.4 *Injunctive Relief.* Franchisee acknowledges that a breach of this Franchise Agreement by Franchisee which relates to any of the matters set out below, will cause Franchisor irreparable harm, for which monetary damages are an inadequate remedy. Therefore, in addition to any other remedies Franchisor has under this Franchise Agreement, Franchisor is entitled to seek and obtain from a court of law

the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Franchise Agreement with respect to: (i) the Proprietary Marks; (ii) the System; (iii) intellectual property; (iv) Franchisee's obligations upon termination or expiration of this Franchise Agreement; (v) transfers; (vi) Confidential Information; and (vii) any act or omission by Franchisee or Franchisee's employees that: (a) constitutes a violation of any legal requirement; (b) is dishonest or misleading to customers of the Franchised Business; (c) constitutes a danger to the employees or customers of the Franchised Business or to the public; or (d) may impair the goodwill associated with the Proprietary Marks or the System. Neither party is required to post a bond or other security with respect to obtaining injunctive relief. If Franchisor secures any such injunction, Franchisee agrees to pay Franchisor an amount equal to the aggregate of its costs and expenses, including without limitation reasonable attorney fees, costs, and expenses, Franchisor incurred in obtaining such relief.

WAIVER OF PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE), WITH THE EXCEPTION OF TRADEMARK LAW TREBLE DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION OR ANY OTHER PROVISION OF THIS AGREEMENT SHALL BE CONSTRUED TO PREVENT FRANCHISOR FROM CLAIMING AND OBTAINING CONSEQUENTIAL DAMAGES, INCLUDING LOST FUTURE ROYALTY FEES FOR THE BALANCE OF THE TERM OF THIS AGREEMENT IF IT IS TERMINATED DUE TO FRANCHISEE'S DEFAULT, WHICH THE PARTIES AGREE AND ACKNOWLEDGE FRANCHISOR MAY CLAIM UNDER THIS AGREEMENT.

JURY TRIAL WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OR ITS AFFILIATES AND/OR ANY GOODS OR SERVICES OBTAINED FROM FRANCHISOR OR ITS AFFILIATES.

WAIVER OF CLASS OR GROUP ACTION. ANY DISAGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE (AND/OR THEIR AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND CANNOT BE BROUGHT AS A CLASS ACTION OR CLASS ARBITRATION. FRANCHISEE WAIVES ANY RIGHT TO PROCEED AGAINST FRANCHISOR (AND FRANCHISOR'S AFFILIATES, STOCKHOLDERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, A CLASS ARBITRATION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

19.4 Selection of Venue. With respect to any claims not subject to arbitration as set forth in Section 19.3, the parties agree that any actions arising out of or related to this Franchise Agreement must be initiated and litigated in the state court of general jurisdiction closest to New York, New York or, if appropriate, the United States District Court for the District of New York. Franchisee acknowledges that this Franchise Agreement has been entered into in the State of New York, and that Franchisee is to receive valuable and continuing services, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of New York as set forth in this Section.

19.5 Third Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Franchise Agreement, including the mediation provision set forth in this Section 19, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

19.6 No Right to Offset. Franchisee shall not withhold all or any part of any payment to Franchisor or any of its Affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's Affiliates allegedly may owe Franchisee under this Franchise Agreement or any related agreements.

19.7 Limitation of Action. Franchisee further agrees that no cause of action arising out of or under this Franchise Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Franchise Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Franchise Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

20. MISCELLANEOUS PROVISIONS

20.1 Franchisor's Exercise of Business Judgment. Franchisee acknowledges and agrees that the long-term interests of the System, franchised Studios, and the Franchisor and its owners, taken together, require that Franchisor has the latitude to make business decisions ("**Business Judgment**") with respect to the franchise System. The ultimate responsibility to exercise Business Judgment to make decisions with respect to the System and the System Standards is vested in Franchisor because Franchisor, Franchisee and all 305 Fitness Studios franchisees have a collective interest in working within a franchise system that can quickly adjust to changing business conditions, including changes in the competitive environment, new laws and regulations, and emerging business opportunities. Franchisor has this right even if, at times, a particular decision adversely affects Franchisee. Franchisee further acknowledges and agrees Franchisor will not be required to consider Franchisee's particular economic or other circumstances or to disregard Franchisor's own economic or other business interest when making decisions under this Franchise Agreement.

20.2 Independent Contractor Status. Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's Franchised Business, and neither party to this Franchise Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party for any purpose. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards and contractual agreements entered into by Franchisee shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice in the place Franchisor designates, that Franchisee operates Franchisee's Franchised Business as an independently owned and operated franchised business. Nothing in this Franchise Agreement authorizes Franchisee to make any contract, agreement warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or

Franchisor. All employees or independent contractors hired by or working for Franchisee will be Franchisee's employees or independent contractors alone and will not, for any purpose, be deemed Franchisor's employees or subject to Franchisor's control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, labor or employment provision, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisee and Franchisor will each file its own tax, regulatory and payroll reports, and be responsible for all employee benefits and worker's compensation payments with respect to its respective employees and operations, as well as any other labor and employment related law, and will save and indemnify the other of and from any liability of any nature whatsoever by virtue thereof.

20.3 Responsibility of Management. Franchisee agrees that Franchisor has entered into this Franchise Agreement in reliance upon and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the business and that the amount of profit or loss resulting from the operation of the business will be directly attributable to the performance of the Franchisee.

20.4 Indemnification. Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, Franchisor's Affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("**Indemnities**") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("**Claims**"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) the operation of Franchisee's Franchised Business, including the condition, or construction, equipping, decorating, maintenance or operation of the Franchised Business and Franchisee's advertising, as well as all leasing activities at the Authorized Location or otherwise through the Franchised Business, as well as Franchisee's employment or other contractual relationship with Franchisees employees, workers managers, or independent contractors, including but not limited to any allegation, claim, finding, or ruling that Franchisor is an employer or joint employer of Franchisee's employees; (ii) the unauthorized use of the Proprietary Marks and other Proprietary Material; (iii) the transfer of any interest in this Franchise Agreement, Franchisee or the Franchised Business in any manner not in accordance with this Franchise Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (v) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals. For purposes of this indemnification, "**Claims**" shall mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through Franchisee to Franchisor. Franchisor shall have the right to defend any such claim against it in such manner as Franchisor deems appropriate or desirable in Franchisor's sole discretion. Such an undertaking by Franchisor shall, in no manner or form, diminish Franchisee's and each of Franchisee's principals' obligations to indemnify the Indemnities and to hold them harmless. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Franchise Agreement.

20.5 Entire Agreement. This Franchise Agreement contains the entire agreement of the parties. There are no representations either oral or written, except those contained in this Franchise Agreement. This written Franchise Agreement includes all representations between the parties. This Franchise Agreement may not be modified except by a written document signed by both parties. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document furnished to Franchisee.

20.6 Construction of Language. The language of this Franchise Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Franchise Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "**immediate family**" means Franchisee's spouse, parents, children and siblings and Franchisee's spouse's parents, children and siblings. Reference to Franchisee's "**principals**" means Franchisee's partners, officers, directors, shareholders, members and managers, as applicable. References to "**Franchisor**" and "**Franchisee**" include the party's successors, assigns or transferees. The parties have had a reasonable opportunity to review this Franchise Agreement. In the event of an ambiguity or if a question of intent or interpretation arises, this Franchise Agreement shall be construed as if drafted jointly by all of the parties, and no presumptions or burdens of proof shall arise in favor of any party by virtue of the authorship of any of the provisions of this Franchise Agreement.

20.7 Severability. If any provision of this Franchise Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Franchise Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Franchise Agreement relating to payments to Franchisor or any of its Affiliates or protection of the Proprietary Marks or the Confidential Information, including the Manual and Franchisor's other Trade Secrets, is declared invalid or unenforceable, then Franchisor at Franchisor's option may terminate this Franchise Agreement immediately upon written notice to Franchisee.

20.8 State Law Applies. If any provision of this Franchise Agreement, including but not limited to its provisions for transfer, successor franchise term, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which the Franchised Business is located, then the valid law or regulation of that state applicable to the franchise shall supersede any provision of this Franchise Agreement that is less favorable to Franchisee.

20.9 Additional Documentation. Franchisee must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor reasonably may require in order to effectuate the transactions contemplated herein. In the event that Franchisee fails to comply with the provisions of this Section, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact to execute any and all documents on Franchisee's behalf, reasonably necessary to effectuate the transactions contemplated herein.

20.10 Force Majeure. Neither party to this Franchise Agreement will be liable for loss or damage or deemed to be in breach of this Franchise Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, civil disorders and including, without limitation, delays or limitations associated with voluntary, recommended or mandated compliance with Federal, State or local governmental slowdowns and shutdowns, delays or limitations associated with social interactions or closures recommended or required by the CDC, or Federal, State or local health offices or agencies, including epidemic, pandemic or similar events. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as Franchisor deems reasonable. If an event described in this Section 20.10 happens and the Franchised Business is shut down, the Franchisee will pay to the Franchisor \$1,000

for each month closed and all fees described in Section 3. will be suspended for the time in which the Franchised Business is closed.

20.11 Attorney Fees. If any legal action, arbitration or other proceeding, is brought for the enforcement of this Agreement, or because of alleged dispute, breach or default in connection with any of the provisions of this Franchise Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, and other costs incurred in that action or proceeding, including any appeal of such action or proceeding, in addition to any other relief to which that party may be entitled.

20.12 Notices. All notices required or permitted under this Franchise Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five business days after being sent by registered mail, return receipt requested. Notices may be given by electronic mail with acknowledgement by the recipient in addition to one of the methods in (a) – (d) above. All notices shall be sent to Franchisee at the address listed on the Data Sheet or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Franchise Agreement shall be sent to the parties as follows:

Franchisor: 305 Fitness Franchising Co. LLC
Attention: Sadie Kurzban
447 Broadway, 2nd Floor
New York, NY 10013
Email: franchising@305fitness.com

Franchisee: The notice address listed in **Data Sheet** to this Franchise Agreement

20.13 Owners Agreement and Assumption of Obligations. If Franchisee is a corporation, or if subsequent to execution hereof Franchisee assigns this Franchise Agreement to a corporation, all shareholders owning any of Franchisee's outstanding shares and their spouses (or if Franchisee is a partnership, or subsequent to execution hereof if Franchisee assigns this Franchise Agreement to a partnership, all general partners and their spouses, or if Franchisee is a limited liability company, or subsequent to execution hereof if Franchisee assigns this Franchise Agreement to a limited liability company, all members and managers and their spouses) hereby personally and unconditionally guarantee without notice, demand or presentment, the payment of all of Franchisee's monetary obligations under this Franchise Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's Affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration (without a successor franchise term) of this Franchise Agreement as if each were an original party to this Franchise Agreement in his or her individual capacity. Such persons must execute Franchisor's prescribed form of Owners Agreement attached hereto as **Attachment B** contemporaneously with the execution of this Franchise Agreement.

20.14 Approvals. Whenever this Franchise Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefore and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing

any waiver, approval, advice, consent or services to Franchisee in connection with this Franchise Agreement, or by reason of any neglect, delay or denial of any request therefore.

20.15 Withholding Payments. Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any of its Affiliates. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Franchise Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

20.16 Further Assurances. Each party to this Franchise Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Franchise Agreement.

20.17 Independent Investigation. Franchisee acknowledges that Franchisee has conducted an independent investigation of the Franchised Business contemplated by this Franchise Agreement and recognizes that it involves business risks which make the success of the venture largely dependent upon Franchisee's business abilities and efforts. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Franchise Agreement that Franchisee may not have initially understood and that Franchisor has advised Franchisee to have this Franchise Agreement reviewed by an attorney.

20.18 No Guarantee of Earnings. Franchisee understands that Franchisor and any of Franchisor's representatives and/or agents with whom Franchisee has met have not made and are not making any guarantees as to the extent of Franchisee's success in Franchisee's Franchised Business.

20.19 Terms of Other Franchises May Differ. Franchisee acknowledges that other franchisees of Franchisor have or will be granted franchises at different times and in different situations, and further acknowledges that the terms and conditions of such franchises and the resulting franchise agreements may vary substantially in economics, form and in substance from those contained in this Franchise Agreement.

20.20 No Violation of Other Agreements. Franchisee represents that its execution of this Franchise Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS FRANCHISE AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISOR

305 FITNESS FRANCHISING CO. LLC

By: _____

Name: _____

Title: _____

FRANCHISEE

By: _____

Name: _____

Title: _____

PERSONAL GUARANTORS

By: _____

Name: _____

ATTACHMENT A TO THE FRANCHISE AGREEMENT

DATA SHEET AND STATEMENT OF OWNERSHIP

1. Franchise Owner. The Franchise Owner set forth in the introductory Paragraph of the Franchise Agreement is: _____
2. Authorized Location. Pursuant to Section 2.2 of the Franchise Agreement, the Authorized Location shall be the following address:

3. Protected Territory. Pursuant to Section 2.3 of the Franchise Agreement, the Protected Territory shall be described as follows:

4. Franchise Fee. Pursuant to Section 3.1 of the Franchise Agreement, Franchisee shall pay to Franchisor an Initial Franchise Fee equal to _____ (\$_____) plus, if applicable, all federal, state or municipal taxes due and payable at the time of execution of the Franchise Agreement.
5. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name: _____

Daytime Telephone No.: _____

Evening Telephone No.: _____

Cellular Telephone No.: _____

E-mail Address: _____
6. Effective Date. The Effective Date set forth in the introductory paragraph of the Franchise Agreement is: _____.

7. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, managers, officers, and/or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

8. Notice Address. The address for all notices to be sent to Franchisee under Section 20.12 of the Franchise Agreement is: _____

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the undersigned has duly executed this Attachment to the Franchise Agreement on this _____.

FRANCHISEE

By: _____

Name: _____

Title: _____

**OWNERS
(SHAREHOLDERS/MEMBERS/PARTNERS/ETC.)**

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

ATTACHMENT B TO THE FRANCHISE AGREEMENT

OWNERS AGREEMENT

As a condition to the granting by 305 Fitness Franchising Co. LLC (“**we**” or “**us**”) of a Franchise Agreement with _____ (“**Franchisee**”), each of the undersigned individuals (“**Owners**”), who constitute all of the owners of a beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“**Owners Agreement**”).

1. Acknowledgments.

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of _____ (“**Franchise Agreement**”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Owners’ Role. Owners are the beneficial owners of all of the equity interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

2. Non-Disclosure and Protection of Confidential Information.

Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

3. Covenant Not To Compete.

3.1 Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee’s restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or

agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

4. Guarantee.

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement, including our right to recover lost future Royalty Fees in the event the Franchise Agreement is terminated due to Franchisee's default and failure to cure.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

5. Transfers.

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Owners Agreement and the Franchise Agreement.

6. Notices.

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

305 Fitness Franchising Co. LLC
Attention: Sadie Kurzban
447 Broadway 2nd Floor
Mailbox #327
New York, NY 10013

The current address of each Owner for all communications under this Owners Agreement is designated on **Attachment A** to the Franchise Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

7. Enforcement of This Owners Agreement.

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

8. Miscellaneous.

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

8.6 Successors. References to "**Franchisor**" or "**the undersigned,**" or "**you**" include the respective parties' heirs, successors, assigns or transferees.

8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.8 No Personal Liability. Owners agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to any Owner for any reason.

8.9 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

Signatures on following page

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

OWNERS:

[Insert Name of Owner]

[Insert Name of Spouse]

[Insert Name of Owner]

[Insert Name of Spouse]

[Insert Name of Owner]

[Insert Name of Spouse]

[Insert Name of Owner]

[Insert Name of Spouse]

ATTACHMENT C TO THE FRANCHISE AGREEMENT

305 FITNESS FRANCHISING CO. LLC FORM OF LEASE ADDENDUM

LEASE ADDENDUM

This Addendum to Lease (“**Addendum**”), dated _____, is entered into by and between _____ (“**Lessor**”), and _____ (“**Lessee**”). In the event of any contradiction or inconsistency between the terms and provisions of this Addendum and the terms and provisions of the Lease to which it is attached, the terms and provisions of this Addendum shall control and be interpreted in such a manner as to override any provision of the Lease which would prevent the spirit and letter of the terms and provisions of this Addendum from being given full force and effect. All defined terms not specifically defined in this Addendum shall be given the same meaning as the defined terms in the Lease.

A. The parties hereto have entered into a certain Lease Agreement (“**Lease**”), dated _____, and pertaining to the premises located at _____ (“**Premises**”).

B. Lessor acknowledges that Lessee intends to operate a 305 Fitness franchise from the leased Premises pursuant to a Franchise Agreement (“**Franchise Agreement**”) with 305 Fitness Franchising Co. LLC (“**Franchisor**”) under the name “305 Fitness” or other name designated by Franchisor (herein referred to as “**Franchised Business**”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. Designated Use. During the term of the Lease, Lessee shall use the Premises solely for the operation of a Franchised Business that provides dance fitness related services with the requirements of the Franchise Agreement, unless Lessee and Lessor obtain Franchisor’s prior written consent to another use.

2. Remodeling and Decor. Lessor agrees that Lessee shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display the proprietary marks and signs on the interior and exterior of the Premises as Lessee is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Lessee may operate a Franchised Business on the Premises.

3. Assignment or Subletting. Lessee shall agree to attorn to any assignee of Lessor provided such assignee will agree not to disturb Lessee’s possession of Premises. Lessee shall have the right to assign or sublet all of its right, title and interest in the Lease, at any time during the term of the Lease, including any extensions or renewals thereof, without charge and without first obtaining Lessor’s consent in accordance with the Collateral Assignment of Lease attached hereto as **Attachment C-1**: (a) to Franchisor or Franchisor’s parent, subsidiary, or affiliate, (b) to a duly authorized franchisee of Franchisor, (c) in connection with a merger, acquisition, reorganization or consolidation, or (d) in connection with the sale of Lessee’s corporate stock or assets. However, no assignment or sublease shall be effective until such time as Franchisor or its designated affiliate gives Lessor written notice of its acceptance of the assignment,

and nothing contained herein or in any other document shall constitute Franchisor or its designated subsidiary or affiliate a party to the Lease, or guarantor thereof, and shall not create any liability or obligation of Franchisor or Franchisor's parent, subsidiary or affiliate unless and until the Lease is assigned or sublet to, and accepted in writing by, Franchisor or Franchisor's parent, subsidiary or affiliate. Franchisor shall have the right to reassign or sublease the Lease to another franchisee without the Lessor's consent in accordance with Section 4(a). Lessor understands and agrees that, in connection with Lessee's assignment or subletting of the Lease to a duly authorized franchisee of Franchisor, Franchisor shall be permitted to charge "additional rent" or "percentage rent" or other charges to its franchisee as part of its regular plan of franchising, and Lessor shall not be entitled to any consideration or additional rent as a result of any fees paid to Franchisor by franchisee pursuant to the Lease or otherwise.

4. Default and Notice.

(a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor shall give Lessee and Franchisor written notice of the default or violation within a reasonable time after Lessor receives knowledge of its occurrence. If Lessor gives Lessee a default notice, Lessor shall contemporaneously give Franchisor a copy of the notice. Franchisor shall have the right, but not the obligation, to cure the default. Franchisor will notify Lessor whether it intends to cure the default and take an automatic assignment of Lessee's interest as provided in Paragraph 4(a). Franchisor will have an additional fifteen (15) days from the expiration of Lessee's cure period in which it may exercise the option, but it is not obligated to cure the default or violation.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, or by a recognized overnight courier or delivery services to the following address:

305 Fitness Franchising Co. LLC
Attention: Sadie Kurzban
447 Broadway 2nd Floor
Mail Box #327
New York, NY 10013

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Following Franchisor's authorization of the Lease (together with this Addendum), Lessor and Lessee agree not to terminate, or in any way alter or amend the same during the Term of the Franchise Agreement or any extension thereof without Franchisor's prior written consent, which Franchisor will not unreasonably withhold, and any attempted termination, alteration or amendment shall be null and void and have no effect as to Franchisor's interests thereunder.

5. Termination or Expiration.

(a) Upon Lessee's default of either the Lease or the Franchise Agreement, and Lessee's subsequent failure or refusal to cure the default within the applicable cure period, if any, Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest and at any time thereafter to re-assign or sublet the Lease to a new franchisee without Lessor's consent and

to be fully released from any and all liability to Lessor upon the reassignment, provided Franchisor agrees to assume Lessee's obligations and the Lease.

(b) Upon the expiration or termination of either the Lease or the Franchise Agreement, Lessor will cooperate with and assist Franchisor in securing possession of the Premises and if Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the marks and system, and to distinguish the Premises from a Franchised Business. In the event Franchisor exercises its option to purchase assets of Lessee, Lessor shall permit Franchisor to remove all the assets being purchased by Franchisor.

6. Consideration; No Liability.

(a) Lessor hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Lessee plans to operate its Franchised Business and Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by **Attachment C-1**.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Lessor has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor.

7. Sales Reports and Inspection. If requested by Franchisor, Lessor will provide Franchisor with whatever information Lessor has regarding Lessee's sales from its Franchised Business. Lessor acknowledges that the Franchise Agreement grants Franchisor the right of inspection of Lessee's Premises, and Lessor agrees to cooperate with Franchisor's efforts to enforce Franchisor's inspection rights.

8. No Competition by Other Lessees of Lessor. Lessor agrees that it will not do business with nor lease to another business whose primary business is the operation of fitness studio.

9. No Radius Clause. The radius restriction set forth in the Lease is hereby deleted.

10. No Relocation Clause. Any relocation clause found in the Lease is hereby deleted.

11. Casualty and Condemnation. In the event the Premises are completely or partially damaged by fire or other casualty or are condemned by a governmental agency in whole or in part, such that the Premises cannot, in Lessee's reasonable business judgment, be used by Lessee for their intended purposes, or can only be partially used by Lessee (it being understood that Lessee, in its reasonable business judgment, shall decide whether to remain open prior to the completion of repairs to the Premises) and this Lease is not terminated as otherwise provided in this Lease, there shall be an equitable abatement of rent, any percentage rent and other charges payable by Lessee hereunder for any days the Lessee cannot use the entire Premises. In the event the Premises are not repaired or restored by Lessor within 180 days after the date of the casualty or condemnation, Lessee may elect to terminate this Lease upon 30 days' prior written notice to Lessor.

12. Common Areas-No Changes. Lessor shall not change or alter the common areas in any manner which would alter the dimensions or location of the Premises or adversely affect the use,

operation or conduct of Lessee's business being conducted in the Premises, adversely affect the accessibility or visibility of the Premises or reduce the existing parking facilities of the Shopping Center by more than 10%.

13. Hazardous Materials. Lessor represents and warrants that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "**Hazardous Materials**"). Notwithstanding any provision of this Lease to the contrary, Lessee shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Shopping Center, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Lessee. Lessor shall be solely responsible for any changes to the Premises relating to Hazardous Materials, unless those Hazardous Materials were brought onto the Premises by Lessee. Lessor shall indemnify and hold Lessee harmless from and against all liabilities, costs, damages and expenses which Lessee may incur (including reasonable attorneys' fees) as the result of a breach of Lessor's representation and warranty set forth in this paragraph or the presence of Hazardous Materials in or about the Shopping Center, the Building or the Premises, unless those Hazardous Materials were brought onto such areas by Lessee.

14. Insurance and Waiver of Subrogation. Lessee may maintain the required liability insurance in the form of a blanket policy covering other locations of Lessee in addition to the Premises. Lessee may self-insure plate glass, so long as Lessee agrees not to hold Lessor liable for any losses resulting to plate glass. Whenever (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty is incurred to the Premises or contents thereof by either party to this Lease, and (ii) such party is covered in whole or in part by insurance with respect to such loss, cost, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, cost, damage or expense to the extent of any amount recovered from such insurance (or which would have been recovered had the party carried the insurance required to be carried pursuant to the terms of the Lease), including any deductibles under such policies..

15. Lessor Warranties. Lessor represents, covenants and warrants (i) that Lessor has lawful title to the Premises and has full right, power and authority to enter into this Lease; (ii) that the Franchised Location is in compliance with the Americans with Disabilities Act ("**ADA**"); (iii) that the permitted "use" of the Premises does not currently violate the terms of any of Lessor's insurance policies; (iv) that Lessor currently maintains all risk of physical loss coverage for the full replacement cost of the Premises and shall maintain throughout the term of this Lease general liability insurance coverage for the Premises consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the Premises in the same area; and (v) that so long as Lessee pays all monetary obligations due under this Lease and performs all other covenants contained herein beyond all applicable notice and cure periods, Lessee shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of this Lease and its use and occupancy thereof shall not be disturbed. Lessor covenants and agrees that Lessor shall take no action that will interfere with Lessee's intended usage of the Premises. Lessor shall indemnify and hold harmless Lessee and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (x) Lessor's operation of the Franchised Business, (y) Lessor's breach in the performance of any of its obligations under this Lease, or (z) any violation of law by Lessor or any other act or omission of Lessor or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of this Lease.

16. Lessor Work and Repair. Lessor shall perform all work described in the Lease and **Attachment C** attached hereto and incorporated herein. Lessor shall be responsible for the payment of all tap fees and system development fees incurred in connection with Lessor's provision of utilities to the Premises. Utilities shall be "stubbed" to the Premises at no cost to Lessee. All Lessor work shall be performed in a workmanlike manner with quality materials in compliance with all laws, codes and all

regulations. If Lessor's work is not performed as herein required, or if such work or the Premises is not in compliance with all laws, codes or other regulations, Lessor shall perform the necessary remedial work at its sole cost and expense. Lessor covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Lessee, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural systems including, without limitation, the roof, roof membrane roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

17. Mitigation. Lessor shall use reasonable efforts to mitigate its damages in the event of a Lessee default.

18. Lessee Financing. Lessee shall have the right from time to time during the term of the Lease, and without Lessor's prior approval, to grant and assign a mortgage or other security interest in Lessee's interest under this Lease and all of Lessee's personal property located within the Premises to Franchisor or Franchisee's lenders in connection with Lessee's financing arrangements and any lien of Lessor against Lessee's personal property (whether by statute or under the terms of this Lease) shall be subject and subordinate to such security interest. Lessor shall execute such documents as Lessee's lenders may reasonably request in connection with any such financing.

19. Closure of Business Operation. Notwithstanding anything in the Lease to the contrary, Lessee may close its business once every five (5) years for a reasonable time to refurbish and redecorate the Premises.

20. Removal of Trade Dress/Personal Property. Lessor shall permit Lessee fifteen (15) days from the termination or expiration of the Lease to remove Lessee's property. Lessor shall permit Lessee to remove its trade dress within fifteen (15) days after the termination or expiration of the Lease or within fifteen (15) days after Lessee has received proper notice from Lessor of the termination or expiration pursuant to Section __, whichever later occurs.

21. Alterations. Lessor's consent shall not be required for non-structural or non-mechanical alterations, additions or changes to the Premises.

22. Amendments. No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto.

23. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Addendum as though copies herein in full.

24. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third-party beneficiary of this Lease and this Addendum.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the day, month and year first written above.

LESSOR:

LESSEE:

By:_____

By: _____

Title:_____

Title: _____

**ATTACHMENT C-1
TO FRANCHISE AGREEMENT**

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, as of _____ (“**Effective Date**”), the undersigned, _____ (“**Assignor**”), hereby assigns, transfers and sets over unto 305 Fitness Franchising Co. LLC (“**Assignee**”) all of Assignor’s right, title and interest as Lessee, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A (“Lease”)** with respect to the premises located at _____ (“**Premises**”). This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the Premises demised thereby.

Upon a default by Assignor under the Lease or under that certain franchise agreement (“**Franchise Agreement**”) for a 305 Fitness Franchised Business between Assignee and Assignor, or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in that event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee, which such consent shall not be unreasonably withheld. Through the term of the Franchise Agreement and any successor terms thereof, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees or instructs in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

[Signatures on following page]

IN WITNESS WHEREOF, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

ASSIGNOR:

By: _____

Its: _____

ASSIGNEE:

305 FITNESS FRANCHISING CO. LLC,
a New York limited liability company

By: _____

Its: _____

EXHIBIT D

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
Checking Savings		
Bank Account No.	(circle one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

Authorization:

Franchisee hereby authorizes 305 Fitness Franchising Co. LLC. (“**Franchisor**”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____
Name: _____
Its: _____

Federal Tax ID Number: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

ATTACHMENT E TO THE FRANCHISE AGREEMENT

SAMPLE GENERAL RELEASE AGREEMENT

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the “**Release**”) is made as of _____ by _____, a(n) _____ (“**Franchisee**”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “**Releasor**”) in favor of 305 Fitness Franchising Co. LLC, a New York limited liability company (“**Franchisor**,” and together with Releasor, the “**Parties**”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (“**Agreement**”) pursuant to which Franchisee was granted the right to own and operate a 305 Fitness (“**Franchised Business**”);

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee (**enter into a successor franchise agreement**), and Franchisor has consented to such transfer (**agreed to enter into a successor franchise agreement**); and

WHEREAS, as a condition to Franchisor’s consent to the transfer (**Franchisee’s ability to enter into a successor franchise agreement**), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent to the transfer (**Franchisor entering into a successor franchise agreement**), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties.** Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. The undersigned represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release.** Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “**Released Parties**”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to Franchised Business, the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of New York.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

(Signatures on following page)

IN WITNESS WHEREOF, Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

By: _____

Name: _____

Its: _____

FRANCHISEE'S OWNERS:

Signature

Typed or Printed Name

STATEMENT OF FRANCHISEE

**[Note: Dates and Answers Must be Completed by the
Prospective Franchisee]**

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin franchisees should not complete this Statement of Franchisee. If a franchisee in one of these states does so, we will disregard and not rely on the Statement of Franchisee.

Do not sign this Statement of Franchisee if you are a resident of Maryland or your business will be operated in Maryland.

In order to make sure that no misunderstanding exists between you, the Franchisee, and us, 305 Fitness Franchise Co. LLC (also called "305 Studio," the "FRANCHISOR" or "we") and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

EXHIBIT IA. The following dates are true and correct:

- | | Date | Initials | |
|----|-------|----------|--|
| 1. | _____ | _____ | The date on which I received a Franchise Disclosure Document regarding the Franchise. |
| 2. | _____ | _____ | The date of my first face-to-face meeting with Marketing Representative to discuss a possible purchase of a 305 Studio. |
| 3. | _____ | _____ | The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed. |
| 4. | _____ | _____ | The date on which I signed the Franchise Agreement. |
| 5. | _____ | _____ | The earliest date on which I delivered cash, check or other consideration to the Marketing Representative or an officer of Franchisor. |

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side agreements," options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly listed in the Franchise Agreement or an attached written Addendum signed by me and 305 Studio, except as follows:

(If none, fill in NONE and initial.)

Initials: _____

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, “side agreements” or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of 305 Studio, were made to me by any person or entity, nor have I relied in any way on same, except as follows:

(If none, fill in NONE and initial.)

Initials: _____

3. No oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise,) which stated or suggested a specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from the 305 Studio, except those included or consistent with the Item 19 within the Franchise Disclosure Document, were made to me by any person or entity, nor have I relied in any way on any such, except as follows:

(If none, fill in NONE and initial.)

Initials: _____

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as described in the Franchise Agreement or any attached written Addendum signed by me and Franchisor

(If none, fill in NONE and initial.)

Initials: _____

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of such individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and 305 Studio has strongly recommended that I obtain such independent advice. I have also been strongly advised by Franchisor to discuss my proposed purchase of a 305 Studio Business with any existing 305 Studio franchisees prior to signing any binding documents or paying any sums and 305 Studio has supplied me with a list of all existing franchisees if any exist.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk or loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a 305 Studio Business or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guarantee against possible loss or failure in this or any other business; and e) the most important factors in the success of any 305 Studio, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

8. If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform 305 Studio.

9. You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish any oral or written information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or information from which such items might be ascertained), from franchise or non-franchised units, that no such results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

PROSPECTIVE FRANCHISEE:

By: _____

Name: _____

Date: _____

MARKETING REPRESENTATIVE

By: _____

Name: _____

Date: _____

REVIEWED BY FRANCHISOR:

By: _____

Name: _____

Its: _____

Date: _____

EXHIBIT C

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

**LIST OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Department of Financial Protection & Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	California Department of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEBRASKA	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 Tele: 402-471-2171	Same
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl. New York, NY 10005 212-416-8285	Secretary of State of New York 99 Washington Avenue Albany, New York 12231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept 414 Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	Securities Commissioner Same Address
RHODE ISLAND	RI Dept of Business Regulation Securities Div. John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Securities 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-4823	Director of the South Dakota Division of Securities Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

EXHIBIT D

**STATE ADDENDA
AND AGREEMENT RIDERS**

STATE SPECIFIC ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT

The following modifications are to the 305 Fitness Franchising Co. LLC Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement.

**ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
305 FITNESS FRANCHISING CO. LLC
REQUIRED BY 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 SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be 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 any franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable allegations.

D. No such party is subject to any currently effective injunctive or restrictive order or decree relating to franchises or under any 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 the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

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

4. 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.

5. The following language replaces the “Summary” section 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. The disclosure document, franchise agreement, area development agreement and any document signed in connection with the franchise are supplemented with the following language:

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 by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. The franchise agreement is hereby amended to delete Section 13.3.1 and 13.3.2. as the provisions violate the North American Securities Administrators Association Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgments which has been adopted by the NYS Department of Law, Investor Protection Bureau.

EXHIBIT E

OPERATIONS MANUAL

TABLE OF CONTENTS

305 FITNESS FRANCHISING CO. LLC

OPERATIONS MANUAL TABLE OF CONTENTS

Introduction: Running Your Business

- Ai Studio KPIs
- Aii Traffic and Sales
- Aiii Profit per Class
- Aiv Variable and Fixed Costs
- Av Maximizing Your Profit

Chapter 1: The 305 Story & Mission

- 1.1 305 Story
- 1.2 The Brand & The Mission
- 1.3 Core Values
- 1.4 305 is a Revolution
- 1.5 305 is a Science

Chapter 2: Class Types & Class Overview

- 2.1 305 Class Types
- 2.2 Optimizing Your Schedule
- 2.3 Front Desk Support Before, After & During Class
- 2.4 Oh Sh*t! Most Common Class & Talent Issues
- 2.5 Selling the Class

Chapter 3: 305 Cardio

- 3.1 Benefits of 305 Cardio
- 3.2 305 Cardio: The Moves
- 3.3 305 Cardio: The Building Blocks
- 3.4 305 Cardio: Ongoing Innovation
 - 3.4i Franchisee Implementation of Ongoing Programming
- 3.5 Instructor & DJ Expectations

Chapter 4: Talent

- 4.1 Studio Roles
 - 4.1i General Manager
 - 4.1ii Front Desk Managers
 - 4.1iii Instructors, Mentor Instructors and Lead Instructor
 - 4.1iv DJs, Mentor DJs and Lead DJ
 - 4.1v Internships, Work Study, and Remote Work
- 4.2 Selecting Talent
 - 4.2i Posting the Job and Building a Scorecard
 - 4.2ii Conducting the Interview and Getting back to Candidates
 - 4.2iii Instructor Auditions

- 4.3 Training Talent
- 4.4 Developing Talent
- 4.5 Talent Management
 - 4.5i Ideas for Compensation
 - 4.5ii Ideas for Talent Policies & Procedures
 - 4.5iii Conflict Resolution with Talent
 - 4.5iv Termination

Chapter 5: The Franchise Relationship

- 5.1 Franchisor/Franchisee Relationship
- 5.2 Independent Contractor Status
- 5.3 Communication & Ownership
- 5.4 NVC Communication
- 5.5 Taking Ownership
- 5.6 Participation in 305 Community (Town Halls, Monthly Calls)
- 5.7 Franchisor Responsibilities
 - 5.7i Consulting
 - 5.7ii Site Selection & Opening Support
 - 5.7iii Marketing & Brand
 - 5.7iv Operational Support
 - 5.7v Initial Training and Ongoing Training
- 5.8 Franchisee Responsibilities
 - 5.8i Compliance with 305 Standards
 - 5.8ii Compliance with the Law
 - 5.8iii Payment of Fees & Taxes, Audits and Inspections
 - 5.8iv Confidentiality
 - 5.8v Site Selection and Studio Upkeep
 - 5.8vi Confidentiality
 - 5.8vii Opening
 - 5.8viii Software, Tech, Computers
 - 5.8ix Staff Trainings and Requesting Training Support
 - 5.8x Insurance
 - 5.8xi Variances and Requesting Variances

Chapter 6: Pricing, Memberships, and Sales

- 6.1 Pricing Options & Suggestions
- 6.2 Membership Perks & Policies
- 6.3 Quarterly Promotions
- 6.4 Optimizing Your Sales Mix

Chapter 7: The Art of Selling

- 7.1 Selling is Not a Bad Word
- 7.2 Every Interaction is an Opportunity
- 7.3 The Everyday Upsell
- 7.4 Selling Techniques During a Quarterly Promotion

7.5 Building a Presale Plan

Chapter 8: Operational Excellence

- 8.1 Operational Standards & the Salt Shaker
- 8.2 Hours of Operations & Holidays
- 8.3 Studio Cleanliness & Repair and Maintenance
- 8.4 The Front Desk
- 8.5 Studio Cleaning
- 8.6 “Where does this go?”
- 8.7 In-Studio Signage
- 8.8 Dress Code and Personal Appearance

Chapter 9: Studio Aesthetics, Brand Book, Retail & More

- 9.1 305 Brand Book Basics
- 9.2 Designing your Studio
- 9.3 Studio Aesthetics
- 9.4 Your Retail Store
- 9.5 What You Can and Cannot Sell in your Retail Store

Chapter 10: Daily & Weekly Activities

- 10.1 Opening and Closing the Studio
- 10.2 On-Shift Daily Responsibilities: tours, upsells, check-in, facilities
- 10.3 GM Daily Responsibilities: Waitlist management, scanning rosters, communicating
- 10.3 Weekly Walk-Throughs, Cleaning & Inventory
- 10.4 Weekly Performance KPIs

Chapter 11: Client Policies & Pain Points

- 11.1 A Philosophy of Yes
- 11.2 LAUGH and de-escalating client complaints
- 11.3 Using Phone, Email, and Text with Clients
- 11.4 Client Policies
- 11.5 Client Services
- 11.6 Common Client Pain Points
 - 11.6i Late Arrivals
 - 11.6ii Wait List
 - 11.6iii

Chapter 12: Scheduling & Building your Quarterly Schedule

- 12.1 When to Cancel a Class
- 12.2 Which Instructor Gets More Classes?
- 12.3 Building a Quarterly Schedule based on Seasonality

Chapter 13: Humanity & Payroll

- 13.1 Humanity Overview
- 13.2 Humanity Advanced Tools

13.3 Payroll

Chapter 14: Mariana Tek Guide

- 14.1 Accessing Client Accounts
- 14.2 POS from Class Roster
- 14.3 Gift Cards
- 14.4 Duplicate Offenders and Merging Accounts

Chapter 15: Putting out Fires Everyday

- 15.1 Mics & DJ Equipment Troubleshooting
- 15.2 Lights Troubleshooting
- 15.3 Instructor, DJ or FDM No-Show's
- 15.4 Instructor or DJ Lateness or No Show
- 15.5 Minor Client Injuries & Incident Reports
- 15.6 AC Troubles
- 15.7 Plumbing Troubles
- 15.8 Tech Troubles

Chapter 16: Actual Emergencies

- 16.1 Risk Management
- 16.2 Fire Warning, Fire
- 16.3 Unwelcome Visitors
- 16.4 Workplace Violence or Harassment
- 16.5 Burglary
- 16.6 Active Shooter
- 16.7 Bomb Threat
- 16.8 Acts of God
- 16.9 Employee Theft or Misconduct

Chapter 17: Gearing up for your Grand Opening

- 17.1 Presale
- 17.2 Marketing Channels & Strategy

Chapter 18: Naming, Trademarks, and Governing Documents

- 18.1 Establishing your Business Entity
- 18.2 Naming & Identification
- 18.3 Correct Use of the Name and Trademark
- 18.4 Sample Business Names
- 18.5 Governing Documents
- 18.6 Transfer of Franchise Documents

EXHIBIT F

LIST OF CURRENT AND FORMER 305 STUDIO FRANCHISEES

LIST OF CURRENT AND FORMER 305 STUDIO FRANCHISEES

As of the Issuance Date we do not have any current or former franchisees.

EXHIBIT G

STATEMENT OF FRANCHISEE

STATEMENT OF FRANCHISEE

**[Note: Dates and Answers Must be Completed by the
Prospective Franchisee]**

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin franchisees should not complete this Statement of Franchisee. If a franchisee in one of these states does so, we will disregard and not rely on the Statement of Franchisee.

Do not sign this Statement of Franchisee if you are a resident of Maryland or your business will be operated in Maryland.

In order to make sure that no misunderstanding exists between you, the Franchisee, and us, 305 Fitness Franchise Co. LLC (also called “305 Studio,” the “FRANCHISOR” or “we”) and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

EXHIBIT IA. The following dates are true and correct:

- | | Date | Initials | |
|----|-------|----------|--|
| 1. | _____ | _____ | The date on which I received a Franchise Disclosure Document regarding the Franchise. |
| 2. | _____ | _____ | The date of my first face-to-face meeting with Marketing Representative to discuss a possible purchase of a 305 Studio. |
| 3. | _____ | _____ | The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed. |
| 4. | _____ | _____ | The date on which I signed the Franchise Agreement. |
| 5. | _____ | _____ | The earliest date on which I delivered cash, check or other consideration to the Marketing Representative or an officer of Franchisor. |

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, “side agreements,” options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly listed in the Franchise Agreement or an attached written Addendum signed by me and 305 Studio, except as follows:

(If none, fill in NONE and initial.)

Initials: _____

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, “side agreements” or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of 305 Studio, were made to me by any person or entity, nor have I relied in any way on same, except as follows:

(If none, fill in NONE and initial.)

Initials: _____

3. No oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise,) which stated or suggested a specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from the 305 Studio, except those included or consistent with the Item 19 within the Franchise Disclosure Document, were made to me by any person or entity, nor have I relied in any way on any such, except as follows:

(If none, fill in NONE and initial.)

Initials: _____

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as described in the Franchise Agreement or any attached written Addendum signed by me and Franchisor

(If none, fill in NONE and initial.)

Initials: _____

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of such individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and 305 Studio has

strongly recommended that I obtain such independent advice. I have also been strongly advised by Franchisor to discuss my proposed purchase of a 305 Studio Business with any existing 305 Studio franchisees prior to signing any binding documents or paying any sums and 305 Studio has supplied me with a list of all existing franchisees if any exist.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk or loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a 305 Studio Business or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guarantee against possible loss or failure in this or any other business; and e) the most important factors in the success of any 305 Studio, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

8. If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform 305 Studio.

9. You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish any oral or written information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or information from which such items might be ascertained), from franchise or non-franchised units, that no such results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

PROSPECTIVE FRANCHISEE:

By: _____

Name: _____

Date: _____

MARKETING REPRESENTATIVE

By: _____

Name: _____

Date: _____

REVIEWED BY FRANCHISOR:

By: _____

Name: _____

Its: _____

Date: _____

EXHIBIT H

**STATE EFFECTIVE DATES &
RECEIPT**

EXHIBIT H

State Effective Dates

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be sued in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
CALIFORNIA	
HAWAII	
ILLINOIS	
INDIANA	
MARYLAND	
MICHIGAN	
MINNESOTA	
NEW YORK	
NORTH DAKOTA	
RHODE ISLAND	
SOUTH DAKOTA	
VIRGINIA	
WASHINGTON	
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.

RECEIPT

This Disclosure Statement summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If 305 Fitness Franchising Co. LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business day before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Oregon require that we give you this Disclosure Document at least 10 business days before the execution of any bidding franchise or other agreement or the payment of any consideration, whichever occurs first. Washington requires that we give you this Disclosure Document at least 14 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If 305 Fitness Franchising Co. LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit D.

The name, principal business address and telephone number of each franchise seller offering the franchise: _____.

Issuance Date: October 13, 2023

See Exhibit D for our registered agents authorized to receive service of process.

I have received a Franchise Disclosure Document dated October 13, 2023 that included the following Exhibits:

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement
Exhibit C	List of State Administrators/Agents for Service of Process
Exhibit D	State Addenda and Agreement Riders
Exhibit E	Manual Table of Contents
Exhibit F	List of Current and Former Franchisees
Exhibit G	Statement of Franchisee
Exhibit H	State Effective Dates & Receipts

PROSPECTIVE FRANCHISEE

Signature: _____

Print Name: _____

Date: _____

RECEIPT

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If 305 Fitness Franchising Co. LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit D.

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Exhibit G	Statement of Franchisee
Exhibit H	State Effective Dates & Receipts

PROSPECTIVE FRANCHISEE

Signature: _____

Print Name: _____

Date: _____