

FRANCHISE DISCLOSURE DOCUMENT



K SQUARED FRANCHISING LLC
a Delaware limited liability company
16472 Samuel Paynter Boulevard
Milton, DE 19968
info@airfitnow.com
AIRFITNOW.COM

We offer a franchise opportunity to own and operate a distinctive fitness studio featuring athletic conditioning on aerial silk hammocks, and related retail products and services under the name “Air”.

The total investment necessary to begin operation of an Air franchise ranges from \$108,000 - \$213,000, which does not include the cost of leasing or purchasing real estate in connection with the operation of the franchise. This includes \$50,000 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 payments to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.** You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact K SQUARED FRANCHISING LLC, 16472 Samuel Paynter Boulevard, Milton, DE 19968.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at WWW.FTC.GOV for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: April 23, 2026

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D 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 Air business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an Air franchisee?	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.

What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.
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What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

Your state also may have laws that require special disclosure 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 the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration where our then-current principal place of business is located. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in a state other than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

THE INFORMATION AND NOTICES APPEARING ON THE FOLLOWING TWO PAGES APPLY ONLY TO FRANCHISES TO BE LOCATED IN THE STATE OF MICHIGAN AND ARE REQUIRED BY MICHIGAN LAW

IF YOU ARE NOT LOCATED IN MICHIGAN, THE FOLLOWING TWO PAGES OF INFORMATION DO NOT APPLY TO YOU

NOTICE FOR PROSPECTIVE FRANCHISEES WHO LIVE IN MICHIGAN OR WHOSE FRANCHISES WILL OPERATE IN MICHIGAN

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision.

9. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services

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

Any questions regarding this notice should be directed to:
State of Michigan Department of Attorney General
G. Mennen Williams Building,
7th Floor 525 W. Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 373 7117

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document (this Disclosure Document”), “franchisor,” “we,” “us,” or “our” means K SQUARED FRANCHISING LLC, the franchisor. “You” or “your” means the person or entity who buys the franchise from us. If you are a corporation, partnership, limited liability company, or other business entity, your owners will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement (defined below) and other agreements as described in this Disclosure Document.

Us, Our Parents, Predecessors and Affiliates

We were organized in Delaware on February 28, 2022 as a limited liability company. Our principal business address is 16472 Samuel Paynter Boulevard, Milton, DE 19968. Our principal telephone number is (631) 680-5802. If we have an agent for service of process in your state, we disclose that agent in Exhibit A. We do business under our corporate name and under the “Air” names. We began offering franchises for Air Fitness Studios (as defined below) as of the issuance of this Disclosure Document. On or about April 20, 2022, we acquired the assets of the predecessor franchisor, MUD Franchising, LLC who had been the franchisor of the Air franchise system up to and through April 20, 2022. We do not currently own or operate any Air Fitness Studios. However, our affiliate, K Squared Operating LLC, currently owns and operates a franchised location in Naperville, IL. Further, K Squared Holdings LLC, an affiliate of ours, previously owned and operated a franchised location in New Providence, NJ from 2019 until its sale in 2023.

We are wholly-owned by our parent, K SQUARED MANAGEMENT LLC (“K Squared Management”). K Squared Management was organized in Delaware as a limited liability company on February 28, 2022. The principal business address of K Squared Management is 16472 Samuel Paynter Boulevard, Milton, DE 19968. K Squared Management does not currently offer franchises in any line of business or operate any Air Fitness Studios. K Squared Management is the only authorized supplier of certain retail items to franchisees and is one of the authorized sellers of fitness hammocks to franchisees

We are party to an intellectual property license agreement with our affiliate, K Squared IP LLC, a Delaware limited liability company formed on or about February 28, 2022, solely to be the holder of Air’s intellectual property. K Squared IP LLC’s principal business address is 16472 Samuel Paynter Boulevard, Milton, DE 19968.

The Franchise

We offer and grant franchises to operate a distinctive fitness studio featuring athletic conditioning on aerial silk hammocks, and related retail products under the name “Air” (each an “Air Fitness Studio”). Air Fitness Studios operate under the name “Air” and/or other trademarks, service marks, logos, and commercial symbols we periodically authorize (together, the “Air Marks”). Air Fitness Studios have distinctive and proprietary business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may improve, further develop, or otherwise modify over time (together, the “Air System”).

If you elect to acquire a franchise for an Air Fitness Studio, you will sign a franchise agreement with us (the “Franchise Agreement”). Our current form of Franchise Agreement is attached to this Disclosure Document as Exhibit B. Under the Franchise Agreement, you will receive the right to use the Air Marks and the Air System to operate an Air Fitness Studio (your “Business”). You must operate your Business at a site selected by you and approved by us (the “Premises”).

In this Disclosure Document, we refer to (i) the Air Marks as the “Marks”, and (ii) the Air System as the “Franchise System”.

Market Competition and Regulations.

Your competition includes all workout and fitness businesses, particularly those businesses offering groupfitness classes. In both cases, you will be competing both for customers and for locations. Fluctuations in interests and habits of the public, local, and national economic conditions, population density, and general traffic conditions affect the beauty and fitness industries and are generally difficult to predict. You may also encounter competition from other businesses, including Air Fitness Studios, operated by us, our affiliates or other franchisees.

Certain states and local governments have passed laws relating to health and fitness clubs, which may apply to Air Fitness Studios, including laws requiring postings concerning steroids and other drug use, requiring certain medical equipment in the club, limiting the supplements that health and fitness clubs can sell, requiring that health and fitness clubs not be unmanned, requiring bonds if a health and fitness club sells memberships valid for more than a specified time period, requiring club owners to deposit into escrow certain amounts collected from members before the club opens (so-called “pre-sale” memberships), and imposing other restrictions on memberships that health and fitness clubs sell.

You must also comply with all applicable local, state, and federal laws that apply to businesses generally, such as regulations and permitting for site location and building construction. Additionally, compensation of employees (including minimum wage and overtime requirements) is governed by both federal and state laws. You will need to understand and comply with these laws in operating your Business. There may be other laws applicable to your Business. We urge you to make further inquiries about these laws. You are required to comply with all laws and regulations applicable to your Business.

Item 2

BUSINESS EXPERIENCE

Dave Sharpe – Chief Executive Officer and Managing Partner

Mr. Sharpe has served as our Chief Executive Officer and Managing Partner since January 1, 2024. Mr. Sharpe also serves as the Managing Partner of our affiliates K Squared Management LLC and K Squared IP LLC. Prior to that, from November of 2005 through December of 2023, Mr. Sharpe worked at Fortress Investment Group where he most recently was Global Head of Operations for the Credit and Real Estate business.

Carrie Sharpe - Head of Certifications and Partner

Mrs. Sharpe is a Partner and our Head of Certifications, a role she has been in since January of 2024. Mrs. Sharpe also currently oversees the day-to-day operations of the Naperville, IL Air® location, which is owned by our affiliate, K Squared Operating LLC. Prior to 2024, beginning in February of 2022, she served as our President as well as the President of our affiliates K Squared Management LLC and K Squared IP LLC.. From September of 2019 through January of 2024, Mrs. Sharpe was also a principal of K Squared Holdings, LLC, which is the franchisee of the New Providence, NJ franchised Air location . Prior to that, from January of 2013 to August of 2019, Mrs. Sharpe was a Group Fitness Instructor with Lifetime Fitness in Berkeley Heights, NJ.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5

INITIAL FEES

Initial Franchise Fee. The initial franchise fee for a single Air Fitness Studio is \$50,000 (the “Initial Franchise Fee”). You must pay us the Initial Franchise Fee in a lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is uniform and not refundable in whole or in part under any circumstances.

Item 6

OTHER FEES

NAME OF FEE ¹	AMOUNT	DUE DATE	REMARKS ²
Royalty	5% of your Business' Gross Sales. ³	Monthly	You must pay us a Royalty in the manner we prescribe. Currently, we collect the Royalty through electronic funds transfers. ²

Marketing Fund Contributions	1% of your Business' Gross Sales ^{3, 4}	Monthly	See Item 11 for a detailed discussion about the Marketing Funds.
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Training Fee	Currently \$0		There is currently no additional training fee for Air Fitness studios.
Additional Participants in Training Program	Then current charge, currently \$1,750 per person	As incurred	You will pay this fee if (1) you invite additional employees to attend the Training Program, and we elect to permit such persons to attend at your cost, or (2) you appoint a new Operating Partner (as defined in Item 15) who is required to complete the Training Program.
Other Additional Training	Then current charge, currently \$1,000 per day (8 hr day), plus expenses. ⁵	As incurred	You will pay us an additional training fee (1) if we determine that you (or your Operating Partner) need training or assistance in addition to what is provided as part of the Training Program, (2) you request additional training or assistance for any person other than as provided as part of the Training Program, and/or (3) we require additional training for any other employee of yours who fails to perform services at your Business to our satisfaction.
Re-training Fee	\$550 per session plus travel and living expenses if the re-training is conducted at your Business.	As incurred	We require that you, your managers, and certain other employees attend retraining twice per year. Some re-training credits can be earned via online training courses.
Certification Fee	Then current charge, currently \$1,750 per fitnessinstructor	As incurred	Each fitness instructor must pay us this fee (or you must pay on their behalf) for us to certify such person to provide services at your Business. This is in addition to state licensing fees.

Successor Franchise Fee	\$5,000	As incurred	Payable if you renew your franchise for one 5-year term after the expiration of the Franchise Agreement. Your right to renew your franchise is subject to certain terms and conditions.
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Transfer	\$10,000	Before transfer completed	Payable as a condition of transfer; unless the transfer occurs because you (or your Operating Partner) die or is disabled, if transfer is to an immediate family member.
Relocation Fee	\$7,500	Before relocation	If we allow you to relocate your Business, this relocation will be at your own expense and you must pay us a fee.
Audit	Understated amounts, plus interest, plus amount of audit fees and related expenses.	Within 15 days after receiving the examination report	Due if you fail to furnish any reports we require or understate Gross Sales ³ by more than 3%.
Interest	Lower of 1.5% per month or highest commercial interest rate allowed by law	As incurred	Due on all overdue amounts and accruing as of the original due date.
Insufficient Funds	\$100	As incurred	Due each time we attempt to debit your business account and we receive a notice of insufficient funds.
Maintenance and Refurbishing of your Business	You must reimburse our expenses	As incurred	If you do not undertake efforts to correct deficiencies in your Business' appearance promptly after we notify you of the deficiencies, then we can undertake the repairs and you must reimburse our costs.
Insurance	You must reimburse our costs, plus a reasonable fee for our time incurred	When billed	If you fail to obtain insurance, we may obtain insurance for you.
Testing of new product/supplier	Varies under the circumstances, currently, we only charge our expenses.	As incurred	We may charge you an amount up to the reasonable cost of the inspection and the actual cost of the test.

Management Fee	15% of Gross Sales, plus expenses	As incurred	If you default or abandon your Business, we may elect to manage it on your behalf, and will charge you a fee of 15% of your Business' Gross Sales during the period we manage it, plus our costs and expenses.
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Inspection Fee	Then current charge, currently, \$1,000 per inspection	As incurred	We do not charge you a fee for standard inspection visits or mystery shopper reviews. However, if you fail any inspection or mystery shopper review, we will charge you this fee for any subsequent inspections we conduct to confirm the deficiencies have been corrected.
Email Address Fee	Will vary under the circumstances, currently not charged	As incurred	We may charge you for each email address we provide you that is associated with a domain name we own.
Technology Fee	Then current charge (\$0 as of issuance; \$445 expected as of July 2025)	As incurred	We do not currently charge you a technology fee in connection with offering any technology support, developing or licensing proprietary software, or providing other technology related services or products that we deem appropriate in our sole discretion; however, we anticipate charging a Technology Fee of \$445 as of July 2025. This fee will vary from time to time in our sole discretion.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us and our affiliates if any of us are held liable for claims related to your Business' operations or the Franchise Agreement.
Costs and Attorney's Fees	Will vary under circumstances	As incurred	Prevailing party in an action or proceeding must pay costs and attorneys' fees of the non-prevailing party.

Lost Revenue Damages	Will vary under the circumstances	As incurred	If your Franchise Agreement is terminated by you without cause or by us, you will pay us lost revenue damages equal to the net present value of the Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (a) five years following the date of termination, or (b) the scheduled expiration of the term of this Agreement. For the purposes of this Section, Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions will be calculated based on the average monthly Gross Sales of your Business during the twelve (12) full calendar months immediately preceding the termination date; provided, that if as of the termination date, your Business has not been operating for at least twelve (12) months, Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions will be calculated based on the average monthly Gross Sales of all Air Fitness Studios operating during the our fiscal year immediately preceding the termination date.
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Explanatory Notes

1. Except as described in this Item 6, all fees are imposed and collected by and payable to us, though we may transfer these rights to our affiliates. These fees are not refundable and are uniform to all franchisees. We may change the amount of the Marketing Fund Contribution, Local Advertising Expenditure and the Local Advertising Cooperative contribution in accordance with the Maximum Advertising Expenditure (defined below).
2. You must pay the Royalty, the Marketing Fund Contribution and other amounts due under the Franchise Agreement as we periodically prescribe. Currently, we require all payments to be made through an electronic funds transfer system that allows us to debit a business account you designate for all amounts you owe us on their due dates or the next business day if the due date is a national holiday or a weekend day. You must ensure that funds are available in your designated account to cover our withdrawals. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date. We may require you to make payments through any other method at any time, and you must comply with our payment instructions.
3. “Gross Sales” means all revenue that you receive, directly or indirectly, from operating your Business, including all amounts or other consideration you receive at or away from

the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. Gross Sales will also include amounts you earn from the sale of any online group-bought deals (e.g., Groupon or LivingSocial) and the sale of any gift cards or gift certificates, in each case calculated using our then current guidelines, which may be based on the redeemed value or sale price of the deals, cards or certificates. Gross Sales does not, however, include any federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority. We will require that you provide your profit and loss statements to us on a monthly basis for our review in a manner that we prescribe. If we cease to have access to your Gross Sales via the Computer System (defined in Item 11) and you fail to report your Business' Gross Sales when due, then for each payment calculated based on Gross Sales, we may debit your business account 110% of the average of the last 3 applicable payments we debited. If the amount we debit is more than the amount you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account on the next payment due date.

4. We may, upon 60 days prior written notice to you, change the required Marketing Fund Contribution, Local Advertising Expenditure or Local Advertising Cooperative contribution. However, the combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative contribution will not at any time exceed 3% of your Business' Gross Sales ("Maximum Advertising Expenditure").
5. You must pay all travel and living expenses (including wages, transportation, food, lodging and workers "compensation) incurred by you (or your Operating Partner), or any of your employees during all training courses and programs. You must also pay all travel and living expenses (including transportation, food, and lodging) incurred by any of our trainers or staff we send to your Business to provide training courses or programs.

Item 7

ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment

AIR FITNESS STUDIO

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT ¹	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$50,000	Lump sum	When you sign the Franchise Agreement	Us
Grand Opening Marketing ²	\$1,000- \$2,000	As incurred	As incurred	Third parties
Leasehold Improvements ³	\$35,000 - \$110,000	As incurred	Before you open your Business	Third-Party Suppliers
Real Estate ⁴	SEE NOTE 4	As incurred	As incurred	Third Parties
Furniture and Fixtures ⁵	\$1,000 - \$10,000	As incurred	Before you open your Business	Third-Party Suppliers
Utilities, Security Deposits Business Licenses, and Professional Fees ⁶	\$2,000 - \$8,000	As incurred	As incurred	Third Parties
Opening Inventory and Supplies ⁷	\$1,000 - \$2,000	As incurred	Before you open your Business	Third-Party Suppliers & Us, Our Affiliates
Insurance ⁸	\$2,000 - \$5,000	As incurred	Before you open your Business	Insurance Companies
Additional Funds - 3 months ⁹	\$16,000 - \$26,000	As incurred	As incurred	Third Parties

TOTAL ESTIMATED INITIAL INVESTMENT¹⁰	\$108,000 - \$213,000			
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Explanatory Notes (The following notes are applicable to both charts in this Item 7)

1. Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid pursuant to the terms of your agreement with these respective third parties.
2. Grand opening advertising estimates the costs of implementing your Marketing Plan, which we design, and you implement at your own cost. This estimate includes the cost of hosting a grand opening event at your Business.
3. Our estimate of leasehold improvements assumes that you have leased a “white box” space and does not include any build-out costs associated with installing HVAC systems, plumbing, electrical or alarm/fire-suppression systems. Leasehold improvements include the cost of installing millwork pieces, flooring, decorative lighting fixtures and other costs of developing your Business. Depending on the terms you negotiate with your landlord, the landlord may contribute to the costs of your leasehold improvements and your costs will vary based on the level of contribution of the landlord. The cost of your initial interior build-out will also depend on the brands purchased, local market conditions and other factors.
4. We are unable to estimate with any precision the costs of leasing or purchasing real estate because of the wide variation from region to region. Location is a major factor in the amount of rent required, as are the age and quality of the building, visibility and access to traffic arteries, the proximity to residential areas, retail areas, and other commercial areas of interest, local demographics, real estate related taxes in the jurisdiction, brokerage commissions, the length of the lease, and other factors. You may want to contact a commercial real estate broker to discuss the costs associated with acquiring real estate in your area. Suitable premises for an Air Fitness Studio will range in size from approximately 900 square feet to 1,700 square feet and will have a minimum ceiling height of 11 feet. Local market conditions, changes in the economy and inflation will all contribute to your real property costs. Lease agreements vary but usually require the lessee to pay for maintenance, insurance, taxes and any other charges or expenses for the land and building and the operation of your Business, or they may require that the lessee reimburse the lessor for its proportionate share of these payments (plus interest) made for the lessee and pay minimum monthly rent and/or percentage rent. We must approve your Premises and your lease.
5. Furniture and fixtures for an Air Fitness Studio include interior and exterior signage, and the initial décor package. The cost of the furniture and fixtures will depend on the brands purchased, freight and installation costs, applicable state and local taxes and other factors. This estimate also includes the cost of the Computer System.

6. This estimate includes utilities include gas service, electric service and other utilities as you might need to operate your Business. Utility companies may also require you to place a deposit before installing telephone, gas, electricity and related utility services. These deposits may be refundable in accordance with the agreements made with the utility companies. You may also be required to pay a security deposit under your lease agreement, which may be refundable under the terms of that lease agreement. You will also be required to incur other prepaid expenses, such as for business licenses and permitting.
7. Opening supplies and inventory include) branded fitness equipment, and other merchandise or products we authorize your Business to sell. Due to differences in local laws, prices, suppliers, geography and commercial practices, you may elect to carry a larger inventory. The cost of your opening supplies and inventory will depend on the brands purchased, local costs and other factors. This estimate also includes fees for legal (e.g. franchise documentation review) and start-up costs associated with the franchisee's new corporate entity. These costs will vary based on the amount of professional services you elect to use, and the cost of the service providers you elect to retain.
8. You must obtain and maintain certain types and amounts of insurance. (See Item 8) Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Gross Sales, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. The estimates contemplate a semi-annual installment. These estimates also include an allocation of the premium you must pay in connection with the workers' compensation insurance you are required to obtain for your employees. However, workers' compensation insurance will vary from state to state. You should review the rates in the state in which you are opening your Business for an estimate of the premium you will be required to pay.
9. This item estimates your initial start-up expenses (other than the items identified separately in the table) for your Business' first 3 months of operation, including miscellaneous supplies and equipment, payroll costs, petty cash, and other miscellaneous costs. This figure is an estimate, and we cannot guarantee that you will not have additional expenses starting your Business. This estimate is based primarily on the costs incurred by existing franchisees in opening the Air Studios. Your costs depend on how closely you follow our suggested methods and procedures; your management and sales skills and experience and business acumen; local economic conditions; the local market for advertisements; the prevailing wage rate; and the employment levels reached during the initial period.

10. The estimated initial investment figures shown above for constructing and opening an Air Fitness Studio are based primarily on the costs incurred by existing franchisees in opening the Air Studios in opening Air Studios. You should review all figures in this Item 7 carefully with a business advisor before deciding to acquire the franchise. The estimated initial investment figures provided in this chart assume that you (or your Operating Partner) are not paid any salary or wages, and do not include an estimate of such amounts or any other associated payroll costs for you (or your Operating Partner). We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications for Products, Services and Suppliers

We have developed or may develop standards and specifications for types, models and brands of required fixtures, furniture, equipment, components of the Computer System, furnishings, and signs, and other products, materials, supplies and services to be used at Air Fitness Studios (collectively, the “Operating Assets”). You may purchase and use only the Operating Assets meeting our standards and specifications. Currently, other than minor supplies (i.e., cleaning products) and equipment (i.e., computer cables), you are required to purchase all Operating Assets according to our standards and specifications, including fixtures, furniture, equipment, and the Computer System.

We also have developed or may develop standards and specifications for suppliers and distributors of certain products and services, including by designating certain suppliers and distributors as an approved supplier, or the exclusive supplier of certain products or services. If we do so, you must purchase the specified products and services only from distributors and suppliers that meet our standards and specifications, or that we have approved. Our affiliates or we may be a designated or approved supplier or distributor, or otherwise be a party to these transactions. Currently, you must purchase all retail merchandise from suppliers we designate or approve. Currently, we or our affiliates are the only approved supplier of branded retail items and apparel; we or our affiliates are also an approved supplier of fitness hammocks, however, we are not the only approved supplier. . Approval of a product or supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria. Our standards and specifications for products and services, and criteria for suppliers, are not currently issued to franchisees or approved suppliers. We may require you to hire an architect or contractor we designate.

If you would like to purchase any products, services, Operating Assets or materials from a supplier that we have not yet approved (for products, services, Operating Assets or materials that we require you to purchase from designated or approved suppliers), you must submit to us a written request for approval of the proposed product and/or supplier before using or purchasing any item. We may charge you a fee to make the evaluation, including reimbursement for costs associated

with the research and inspection (currently, we do not charge such a fee, but you must reimburse us for our expenses). We have the right to inspect the proposed supplier's facilities, and to require product samples from the proposed supplier to be delivered at our option either directly to us or to a third party we designate for testing. We shall notify you in writing of the approval or rejection of the proposed supplier within a reasonable time after completion of the investigation of the proposed supplier. If we fail to respond within 60 days, your request will be deemed denied. We may elect to withhold approval of the supplier. You acknowledge that we are likely to reject your request for a new supplier without conducting any investigation if we already have designated an exclusive supplier for the item proposed to be offered by the new supplier. We may periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our criteria.

Collectively, the purchases you obtain according to our standards and specifications or from approved or designated suppliers represent approximately 90% of your total purchases to establish your Business and up to 90% of your total purchases to operate your Business.

Insurance

In addition to the purchases or leases described above, you must also obtain and maintain, at your own expense and from carriers who maintain a Best's Financial Strength rating of "A-/VIII" or above, the minimum insurance coverage that we periodically require under the Operations Manual (as defined in Item 11). Currently, we require the following types of minimum coverage: general liability (\$1,000,000), personal injury (\$1,000,000), product liability (\$1,000,000), employee workmen's compensation (statutory limits), motor vehicle liability (\$300,000), employment practices liability (\$1,000,000), business interruption insurance (amount indicated in Manual), commercial liability umbrella (\$2,000,000), and general aggregate umbrella (\$2,000,000). The general liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Business' operation or activities of your personnel in the course of their employment. We may require that you obtain all or a portion of your insurance policies from a designated supplier. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds and provide for 30 days "prior written notice to us before the cancellation or material change of the policy. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You routinely must furnish us copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and paying premiums.

Purchase Agreements, Material Benefits and Revenue

We have not currently negotiated any purchase arrangements for the benefit of Air Fitness Studio franchisees, though we may do so in the future. We may modify our purchase arrangements with suppliers at any time and enter into or terminate any purchase arrangements at any time. You may in the future be required to purchase items at a price or on other terms we have negotiated in advance.

We and/or our affiliates may derive revenue based on your purchases and leases, including by (i) charging you for goods or services we or our affiliates provide to you, and (ii) receiving payments, discounts and/or rebates from suppliers that we have designated or approved to provide products or services to our franchisees. Currently, our affiliate, K Squared Management, LLC (which is owned by our officers), is an approved suppliers of retail items and fitness hammocks. In the year ending December 31, 2025, K Squared Management LLC's revenue was \$88,792; its derived revenue from the sale of goods to franchisees was \$28,737, which represented 32.4% of its total revenue as evidenced by its banking records. Currently, we have not negotiated any arrangements with any suppliers or vendors to receive any benefit or consideration based on franchisee purchases, and we did not derive revenue or other material consideration from required purchases, supplier rebates or franchisee leases in our last fiscal year. We do not provide material benefits to franchisees for purchasing particular products or services or using designated or approved suppliers. We also may establish purchasing programs with certain suppliers for supplies, equipment, and other materials. As of the issuance date of this Disclosure Document, there are no purchasing or distribution cooperatives for Air Fitness Studios.

As of the issuance date of this Disclosure Document, except as set forth above, none of our officers own any interest in any of the approved suppliers.

Item 9

FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
(a) Site selection and acquisition/lease	Sections 2A and 2B of Franchise Agreement	Item 11
(b) Pre-opening purchases/leases	Section 2 of Franchise Agreement	Item 5, 7, 8 and 11
(c) Site development and other pre-opening requirements	Section 2 of Franchise Agreement	Items 7 and 11
(d) Initial and ongoing training	Section 4A of Franchise Agreement	Items 6 and 11

(e)Opening	Section 2F of Franchise Agreement	Item 11
(f)Fees	Sections 3 of Franchise Agreement	Items 5, 6, and 7
(g)Compliance with standards and policies/Operations Manual	Sections 4D and 8 of Franchise Agreement	Items 8 and 11
(h)Trademarks and proprietary information	Sections 5 and 6 of Franchise Agreement	Items 13 and 14
(i)Restrictions on products/services offered	Sections 8D, 8E, 8F and 8M of Franchise Agreement	Items 8, 11, 12, and 16
(j)Warranty and customer service requirements	Section 8G of Franchise Agreement	Item 11
(k)Territorial development and sales quotas	Not Applicable	Not Applicable
(l)On-going product/service purchases	Sections 8B, 8D and 8F of Franchise Agreement	Items 6, 8 and 16
(m)Maintenance, appearance and remodeling requirements	Sections 4C, 8A, 8B, 8C and 13B of Franchise Agreement	Items 6, 8, 11 and 17
(n)Insurance	Section 8L of Franchise Agreement	Items 7 and 8
(o)Advertising	Sections 8M and 9 of Franchise Agreement	Items 6, 7, 8, and 11

(p)Indemnification	Section 16D of Franchise Agreement	Item 6
(q)Owner's participation/ management/staffing	Sections 1C, 8J and 8K of Franchise Agreement	Items 11 and 15
(r)Records and reports	Section 10 of Franchise Agreement	Item 6
(s)Inspections and audits	Section 11 of Franchise Agreement	Items 6 and 11
(t)Transfer	Section 12 of Franchise Agreement	Items 6 and 17
(u)Renewal	Section 13 of Franchise Agreement	Item 17
(v)Post-termination obligations	Section 15 of Franchise Agreement	Item 17
(w)Non-competition covenants	Sections 7, 15E and 15F of Franchise Agreement	Item 17
(x)Dispute resolution	Section 17 of Franchise Agreement	Item 17

Item 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your promissory notes, mortgages, leases or other obligations.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Assistance to Begin Operation of your Business

Before you open your Business, we (or our designees) will:

1. Review and either approve or disapprove a proposed site for your Business. (Franchise Agreement – Section 2A)
2. Review and either approve or disapprove a lease for your Premises. (Franchise Agreement – Section 2B)
3. Provide you specifications for your Business, including requirements for dimensions, design, image, interior layout, decor, Operating Assets, color scheme, interior decorating services, and designated and approved suppliers for your purchase of all necessary products and supplies. (Franchise Agreement Sections 2C, 2D, 2E and 8).
4. Review your proposed development and construction plans and specifications (including, any revisions to such plans and specifications) for your Business and notify you of whether we approve such plans and specifications. (Franchise Agreement – Section 2C)
5. Inspect your Business prior to your proposed grand opening to confirm whether it meets our minimum standards and specifications and provide you confirmation in writing when your Business is approved to open. (Franchise Agreement Sections 2F)
6. Provide the Training Program to you (or your Operating Partner) for Air Fitness Studios. (Franchise Agreement – Sections 4A and 4B)
7. Provide you one electronic copy of the Operations Manual, which is currently accessible through our franchisee access portal. (Franchise Agreement Section 4D)
8. Provide you the Marketing Plan for your Business' grand opening. (Franchise Agreement – Section 9A)

We have no binding obligation to: (i) hire or train your employees; (ii) assist you in conforming your Site to local ordinances or building codes; (iii) assist you in obtaining any

required permits; (iv) construct, remodel or decorate your Site.

Site Selection

You must obtain and maintain a site acceptable to us for your Business. If a site for your Business has not been selected by the date you sign the Franchise Agreement, you must submit to us a complete report for a site you propose. We will use reasonable efforts to accept or not accept a proposed site within 30 days after receiving your site report. Our determination to approve or disapprove a site may be based on various criteria, which we may change in our discretion, including business count, traffic count, accessibility, parking, visibility, competition and license availability. You must send us all information we require for the proposed site. We do not typically own the site where your Business is located and lease it to you.

You must obtain our written approval of a proposed site for your Business before signing any lease, sublease, or other document for the site. We may require that you hire a service-provider that we designate to assist you with the site selection process. Sites selected using the assistance of our designee must still be approved by us. We must also approve the lease for your site. Our approval of a lease is conditioned upon the inclusion of certain lease terms required by us pursuant to a form of lease addendum attached as Exhibit E to the Franchise Agreement. These lease terms shall include a collateral assignment of lease.

You must obtain our written approval of your Business' proposed site and sign a lease we approve for that premises within 180 days of the effective date of the Franchise Agreement. You must deliver to us a signed copy of the lease within 10 days after its execution. If you have not received our approval of your Business' proposed site and lease within 180 days after signing the Franchise Agreement, we may terminate the Franchise Agreement upon notice to you.

Opening Requirements

We estimate that you will begin operating your Business at the Premises within 180 days of signing the lease for the approved site of your Business, but your exact opening date will depend on when you complete the necessary training, develop the Premises, meet our standards and specifications, acquire the required insurance policies, meet all regulatory requirements, obtain all required permits, and obtain the required Operating Assets, including the Computer System and other supplies. We may terminate the Franchise Agreement and retain your Initial Franchise Fee if you fail to open your Business within 180 days of signing the lease for the approved site. .

Assistance During the Operation of Your Business

During your operation of your Business, we (or our designees) will:

1. Provide you additional training. (Franchise Agreement – Section 4A)
2. Advise you regarding your Business' operation based on your reports or our inspections, and guide you on standards, specifications, and operating procedures and methods, including (1) facility appearance, guest service procedures, and quality control; (2) equipment and facility maintenance; (3) inventory management and working with national suppliers; (4) advertising, marketing and branding strategies; and (5)

administrative, accounting, reporting and record retention. (Franchise Agreement Section 4C)

3. Continue to provide you access to the Operations Manual. (Franchise Agreement Sections 4D)
4. Let you use the Air Marks and certain copyrighted and copyrightable materials. (Franchise Agreement – Section 5) (See Item 13)
5. Administer the Marketing Funds (defined below) until such time as it may be terminated. (Franchise Agreement – Section 9D)

Operations Manual.

We will make 1 copy of our manual for the operation of Air Fitness Studios available to you during the term of your Franchise Agreement, which may include one or more separate manuals and/or files, as well as audiotapes, videotapes, computer software, access to third party applications, information available on an internet site, other electronic media, bulletins and/or other written materials (collectively, the “Operations Manual”). The current tables of contents of the Operations Manual for Air Fitness Studios are attached to this Disclosure Document as Exhibit C.

The Operations Manual contains the mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for operating an Air Fitness Studio (“System Standards”), other specifications, standards and procedures that we suggest, and information on your other obligations under the Franchise Agreement. We may modify the Operations Manual periodically to reflect changes in System Standards. The Operations Manual is currently only offered in electronic version through our franchisee access portal; the Operations Manual currently contains 23 pages.

Advertising and Promotion.

Your Grand Opening Marketing Plan.

When you sign the Franchise Agreement, your Grand Opening Marketing Plan is included at no additional charge in order to develop a grand opening marketing plan for your Business (your “Marketing Plan”); however, you must conduct all grand opening marketing in accordance with the specifications and standards specified in your Marketing Plan, and at your own expense. The Marketing Plan will set forth the marketing efforts that you must conduct in connection with the grand opening of your Business. All advertisements and marketing materials used in the grand opening marketing program or the pre-sale advertising program must be approved by us. We may also require you to use the advertising, marketing and/or public relations programs, firms, media and materials we approve. You must incur all costs associated with implementing your Marketing Plan, which may include obtaining certain marketing materials from us or our affiliates.

National Marketing Funds.

We have established one or more national advertising and marketing funds to promote the Air Marks and Air Fitness Studios (collectively, the “Air Marketing Fund”) for the advertising, marketing, and public relations programs and materials we deem appropriate that will be used nationally, regionally, or locally in our franchise owners’ markets. Subject to the Maximum Advertising Expenditure, you must contribute to the Air Marketing Fund, if your Business is an Air Fitness Studio (your “Marketing Fund Contribution”) in an amount equal to 1% your Gross Sales during the preceding month. We may require you to pay the Marketing Fund Contribution at any other increments we choose, which may include weekly, with 5 days prior notice. In this Disclosure Document, we refer to the Air Marketing Fund as a “Marketing Fund.”

We will direct all programs that each Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic market, media placement and allocation. We may utilize in-house and/or third-party national regional advertising professionals as we determine in our sole discretion. Each Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining Franchise System Websites or related websites that promote Air Fitness Studios; developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions of such devices; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing activities; and/or related strategies. During the fiscal year ended December 31, 2025, the Marketing Fund had expenditures as follows: 70% for media production, 20 % for media placement, and 10 % for administrative expenses.

The purpose of the Air Marketing Fund is to promote the Air Marks, patronage of Air Fitness Studios and the “Air” brand generally. Although we will try to use each Marketing Fund in a manner that will benefit all Air Fitness Studios, we cannot ensure that any Marketing Fund’s expenditures for any specific geographic area will be proportionate to the Marketing Fund Contributions of contributors in that geographic area. Accordingly, we are not obligated to spend any amount of money (from the Marketing Fund or otherwise) in your territory.

We will account for each Marketing Fund separately from our other funds. We may use each Marketing Fund to pay the reasonable salaries and benefits of personnel who manage and administer that Marketing Fund; other administrative costs; travel expenses of personnel while they are on Marketing Fund business; meeting costs; overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing that Marketing Fund and its programs, including conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Marketing Fund Contributions.

The Marketing Funds are not our assets. Although no Marketing Fund is a trust, we will hold all Marketing Fund Contributions for the benefit of the contributors and use contributions only for the purposes described in this Section. We do not have any fiduciary obligation for administering any Marketing Fund or for any other reason. Each Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Marketing Fund Contributions to pay costs before using any Marketing Fund's other assets. Any funds remaining in any Marketing Fund at the end of the year will roll over to the next year. We currently estimate that less than 1% of Marketing Fund Contributions will be used for advertising that principally is a solicitation for the sale of franchises.

We will prepare an annual, unaudited statement of each Marketing Fund's collections and expenses. If your Business is an Air Fitness Studio, we will give you this statement for the Air Marketing Fund on written request. We may have any Marketing Fund audited annually, at the Marketing Fund's expense, by an independent certified public accountant. We may incorporate any Marketing Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified here.

We may use collection agents and institute legal proceedings to collect Marketing Fund Contributions at a Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against any Marketing Fund. Except as otherwise disclosed, we assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering any Marketing Fund.

We may at any time defer or reduce your Marketing Fund Contribution and, upon 30 days prior written notice to you, reduce or suspend Marketing Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) any Marketing Fund. If we terminate any Marketing Fund, we will distribute all unspent monies to franchise owners, and to us and any of our affiliates, in proportion to their, and our, respective Marketing Fund Contributions during the preceding 12-month period.

Local Advertising.

We do not currently require you to spend a minimum amount on local advertising, but we may establish such a requirement in the future (the "Local Advertising Expenditure"). We may approve the type of expenditure that will count towards your Local Advertising Expenditure. Indirect costs you incur in managing your local advertising campaigns, such as salaries and benefits of employees administering the campaigns, will not be counted towards your Local Advertising Expenditure. Additionally, any costs you incur for advertising conducted at the premises of your Business, such as in-store materials and signage, will not be counted towards your Local Advertising Expenditure. On our request, you must send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures during the preceding months. We may require you to pay part or all of the Local Advertising Expenditure to us or our designee. We may at any time, on one or more occasions, cease collecting all or part of the Local Advertising

Expenditure, or change the proportion of the Local Advertising Expenditure that you must pay us or our designees.

You must advertise in any advertising medium we determine, using forms of advertisement we approve, which may include listing your Business with recommended online directories in the business classifications and market areas we prescribe from time to time. If other Air Fitness Studios are located in your market area, we may require you to participate in a collective advertisement with those other Air Fitness Studios to pay your share of the cost of that collective advertisement. We may require you to provide notice of any Franchise System Website in the advertising, marketing, and promotional materials that you develop for your Business in the manner we designate. All advertising, promotion and marketing must be completely clear, factual, and not misleading and conform to both the highest standards of ethics and our advertising and marketing policies.

Your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising, the System Standards, and any marketing and the advertising and marketing policies that we prescribe from time to time. At least 14 days before you intend to use them, you must send us samples of all advertising, promotional and marketing materials that we have previously not approved. If we do not approve of the materials within 7 days of our receipt of such materials, then they shall be deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

Local Advertising Cooperative.

We, our affiliates, or our designees may establish a local advertising cooperative (“Local Advertising Cooperative”) in geographical areas in which 2 or more Air Fitness Studios are operating. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Local Cooperative Advertising program and to require that Franchisee participate in such Local Cooperative Advertising programs when established within Franchisee’s region. If a Local Cooperative Advertising program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-administer the Local Cooperative Advertising program. The Local Advertising Cooperative will be organized and governed by written documents and will begin operating on a date that we determine in advance. These written documents will be available for participating franchisees to review. We may change, dissolve, merge and reinstate any Local Advertising Cooperatives in our sole discretion. Each Local Advertising Cooperative’s purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Local Advertising Cooperative covers. If we have established a Local Advertising Cooperative for the geographic area in which your Business is located, as of the time you sign the Franchise Agreement, or if we establish a Local Advertising Cooperative in that area during the Franchise Agreement’s term, you must sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative as we require. Franchisee shall participate in the Local Advertising Cooperative according to the Local Advertising Cooperative’s rules and procedures and Franchisee shall abide by the Local Advertising Cooperative’s decisions.

If we establish a Local Advertising Cooperative in your geographic area, you must participate and contribute your share to such Local Advertising Cooperative (“Local Advertising Cooperative Contribution”). To the extent there are any corporate or affiliate owned Businesses located within the applicable geographic area, we expect that they will contribute to the Local Advertising Cooperative at the same rate as franchised businesses; however, we reserve the right to modify this in our sole discretion. The amount of your Local Advertising Cooperative Contribution will be determined at the time the Local Advertising Cooperative is established, subject to the Maximum Advertising Expenditure. Your Local Advertising Cooperative Contribution will be payable in the same manner as the Royalty. Your Local Advertising Cooperative Contribution may also be capped based on the provisions of the by-laws adopted by the Local Advertising Cooperative, subject to our approval.

Each Air Fitness Studio contributing to a Local Advertising Cooperative will have 1 vote on matters involving the activities of the particular Local Advertising Cooperative. The Local Advertising Cooperative may not use any advertising, marketing or promotional plans or materials without our prior written consent. However, you acknowledge and agree that, subject to our approval and subject to availability of funds, the Local Advertising Cooperative will have discretion over the creative concepts, materials and endorsements used by it. We agree to assist in the formulation of marketing plans and programs, which will be implemented under the direction of the Local Advertising Cooperative. You agree that the Local Advertising Cooperative Contributions may be used to pay the costs of preparing and producing video, audio and written advertising and direct sales materials; purchasing direct mail and other media advertising; implementing direct sales programs; and employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs.

The Local Advertising Cooperative Contributions will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You must submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative require.

You understand and acknowledge that your Business might not benefit directly or in proportion to its Local Advertising Cooperative Contribution. Local Advertising Cooperatives may be developed separately, and no Local Advertising Cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect a Local Advertising Cooperative Contributions on behalf of and at the expense of the Local Advertising Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided above, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Local Advertising Cooperative.

Maximum Advertising Expenditure.

The combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative Contribution shall not exceed the Maximum Advertising Expenditure. As described further in Item 6, your Maximum Advertising Expenditure will be 3% of your Business’ Gross Sales. We may change the amount of the Marketing Fund Contribution, Local Advertising Expenditure or Local Advertising Cooperative Contribution, with 60 days prior notice,

so long as any change does not result in a combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative Contribution greater than the Maximum Advertising Expenditure.

Franchisee Advisory Council.

We do not have a franchisee advisory council that advises us on advertising policies, though we may to establish such a council in the future.

Franchise System Website.

We may establish, acquire, or host any website(s) to advertise, market, and promote Air Fitness Studios, the products and services that they offer and sell Air Fitness Studio franchise opportunity (each, a “Franchise System Website”). We may (but are not required to) provide you with a webpage on a Franchise System Website that references your Business for informational purposes only. If we provide you with a webpage on a Franchise System Website, you must: (i) provide us the information and materials we request to develop, update, and modify your webpage; (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We will own all intellectual property and other rights in all Franchise System Websites, including your webpage and all information it contains (including the domain name, any associated URL or email address, any website analytical data, and any personal or business data that visitors supply).

We may use Marketing Fund assets to develop, maintain and update any Franchise System Website. We periodically may update and modify any Franchise System Website (including your webpage). You acknowledge that we have final approval rights over all information on any Franchise System Website (including your webpage). We may implement and periodically modify System Standards relating to any Franchise System Website.

Even if we provide you a webpage on a Franchise System Website, we will only maintain this webpage while you are in full compliance with the Franchise Agreement and all System Standards we implement (including those relating to Franchise System Websites). If you are in default of any obligation under the Franchise Agreement or our System Standards, then we may temporarily remove your webpage from any Franchise System Website (or all Franchise System Websites) until you fully cure the default. We will permanently remove your webpage from all Franchise System Website upon the Franchise Agreement’s expiration or termination.

We reserve the sole right to sell the products sold by Air Fitness Studios on the internet through Franchise System Websites. You agree that you will not sell any products or services to customers on a website through the internet or through any alternative channels of distribution.

We may require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions. We may charge you a fee for each email address we provide you.

Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any website, domain name, URL address, email address, other online presence or other electronic medium that mentions your Business, links to any Franchise System Website or

displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through or on the internet, or any other similar proprietary or common carrier electronic delivery system. If we approve the use of any such websites, other online presences or electronic mediums, including social networking websites (such as LinkedIn®, Twitter®, Instagram®, Facebook®, or YouTube®) in the operation of your Business, or the posting of messages relating to your Business on other websites, you will do so only in accordance with our guidelines. We may require you to obtain our approval of any message you compose for a social networking website or commentary for any other website before you post such message or commentary.

Computer System

Before your Business opens, you must obtain and use the hardware, software and other products and services we specify periodically (the “Computer System”). Currently, the Computer System is comprised solely of one desktop computer that meets our standards and specifications. You may purchase the components of the Computer System from any vendor of your choosing, and it may be a brand and model that you select as long as it meets our standards and specifications. The cost of the Computer System, along with high-speed internet access inside your Business, will vary depending on the additional software programs you desire and the physical layout of your Business. Due to the various configurations of the Computer System, we estimate the cost of the Computer System to range from \$300 to \$2,000.

The Computer System we designate will give us and our affiliates independent, unlimited access to all information relating to your Business generated by the Computer System, including sales, customer data, polling, price maintenance and payroll information. There are no contractual limitations on our and our affiliates "right to access this information and data. At our request, you must sign a release with any vendor of the Computer System providing us with unlimited access to your data.

Ongoing Computer System Requirements.

Over the term of your franchise, we may modify the specifications for, and components of the Computer System and you must implement our modifications within 30 days after you receive notice from us. We may also require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. You must pay for any additional or replacement proprietary software or technology that we, our affiliates, or a third-party designee licenses to you and for other maintenance and support services that we, our affiliates or third-party designees provide during the Franchise Agreement’s term. Although the future costs of the Computer System or required service or support might not be fully amortizable over the Franchise Agreement’s remaining term, you must incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service and support. We currently estimate the annual cost of maintenance, updating, upgrading and support for the Computer System for the term of your Franchise Agreement will be under \$100 per year.

Training

Initial and Ongoing Training

We will provide training in the material aspects of operating an Air Fitness Studio to you (or your Operating Partner) (the “Training Program”) at no additional cost to you for Air Fitness training. Currently, our Training Program is comprised of approximately 1 week of training at your Business prior to its opening, but we may provide any or all of the Training Program online or at another location we approve. We will determine the identity and composition of the trainer(s) conducting all portions of the Training Program in our discretion. You may invite additional employees to attend the Training Program if space allows, though we may charge you our then-current training fee (currently, \$1,750 per person) for each additional individual. We may limit the number of additional attendees for the Training Program.

We will provide the Training Program at the times and locations we determine, which may include sending our trainer(s) to your Business to conduct any part of the Training Program. We shall also determine the length and content of the Training Program. We may vary the Training Program based on the experience and skill level of the individual(s) attending. You (or your Operating Partner) must satisfactorily complete the Training Program prior to opening or operating your Business. Scheduling of the Training Program is based on your and our availability, training facility availability and your Business’ projected opening date.

If you (or your Operating Partner), or any manager and/or assistant manager required by us, fail to satisfactorily complete the Training Program then we may require such individual to attend additional training and we will charge you our then-current training fee for such additional training. Additional training will be provided at a time and location of our choice. If we determine that you (or your Operating Partner), or any manager and/or assistance manager required by us, is not properly trained to provide the services offered by your Business, we may require such person to cease providing services at your Business and/or to be trained by us at our then-current training fee (currently, \$1,000 per day (8-hour day)). If you appoint a new Operating Partner, he or she must attend the then-current Training Program and you must pay our then-current training fee for such training (currently, \$1,750 per person).

The Training Program will occur after you sign the Franchise Agreement. We offer the Training Program on an as-needed basis.

You must pay all travel and living expenses (including, wages, transportation, food, lodging, and workers "compensation insurance) that you (or your Operating Partner) or any employee incurs during any and all meetings and/or training courses and programs. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Business to conduct training, including food, lodging and transportation. You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

You are responsible for ensuring that all of your employees that have not attended the Training Program are adequately trained prior to providing any services at your Business. Additionally, all fitness instructors that offer services at your Business must be duly licensed by all

applicable state, federal or municipal regulatory authorities, and must be certified by us, prior to offering any services at your Business. We will certify fitness instructors based on various criteria which we may change in our discretion. Each fitness instructor (or you) must pay us our then-current fee for our certification (currently, \$1,750 per fitness instructor). We may also require re-certification for fitness instructors periodically, and to charge our then-current certification fee for such re-certification but not more than once every 12 months.

Twice per year, you (or your Operating Partner), and/or certain other managers and employees of your Business must attend re-training with us. The fee for our mandatory re-training is \$550 for each two-day training session. If you request, and we agree, that a member of our team travel to your location for re-training, you will be responsible for the re-training fee plus our reasonable expenses.

We may require you (or your Operating Partner), and/or certain other managers and employees of your Business to attend various training courses, trade shows, ongoing education or certification programs, and/or webinars at the times and locations designated by us. Besides attending these training courses, programs and events, we may additionally require you (or your Operating Partner) to attend a meeting of franchise owners at least once per year. These meetings will be held at our discretion and at locations we designate. However, any attendance at any additional training courses, programs or events, or any annual franchise owner meetings, will not be required for more than 5 days during a calendar year.

You must pay all travel and living expenses (including, wages, transportation, food, lodging, and workers compensation insurance) that you (or your Operating Partner) or any employee or manager incurs during any and all meetings and/or training courses and programs.

You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Business to conduct training, including food, lodging and transportation. You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

As of the issuance date of this Disclosure Document, our Training Program is comprised of (i) basic training, combined with (ii) additional training that is specific to an Air Fitness Studio:

TRAINING PROGRAM

Basic Training Program

Subject	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
Software Training	0	2	Online, and at your Business or another location we approve
Opening Checklist	0	2	At your Business, or a location we approve
Marketing Calendar: Preopening & Ongoing	0	4	At your Business, or a location we approve
Managing Staff	0	5	At your Business, or a location we approve
Community Involvement	0	2	At your Business, or a location we approve
Payroll	0	1	At your Business, or a location we approve
Sales Reports	0	1	At your Business, or a location we approve
Inventory	0	1	At your Business, or a location we approve
Check in/Check out Process	0	2	At your Business, or a location we approve
Upselling: Membership and Packages	0	2	At your Business, or a location we approve
Customer Growth & Retention	0	2	At your Business, or a location we approve
Methodology: Leadership, Professionalism, Client Needs	0	3	At your Business, or a location we approve
Expectations + Evaluation	0	1	At your Business, or a location we approve

Incident Report Form	0	1	At your Business, or a location we approve
Brand Philosophy	0	1	At your Business, or a location we approve
TOTAL	0	30	

Additional Training Program

Subject	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
Air Fitness Instructor Certification	0	25	At your Business, or a location we approve
SUBTOTAL	0	25	
TOTAL FOR AIR FITNESS STUDIO TRAINING PROGRAM	0	55	

Note 1: Currently, all training is conducted at your Business, and we have therefore categorized it as on-the-job training. However, in the future we may elect to conduct portions of the Training Program online or at other locations we approve. Additionally, your Business will not be open at the time we provide the training.

Note 2: The hours devoted to each module are estimates and may vary based on how quickly trainees learn the material, their prior experience with the subject and scheduling. On-the-job training includes cross training in all subject areas of the business.

Note 3: We may vary the length and content of the Training Program based upon the experience and skill level of the individual attending.

Note 4: Our current instructors are Carrie Sharpe and Julia Geoffroy. Mrs. Sharpe has experience since our inception, and four (4) years of experience in the subjects taught for the Air Fitness Studios. Ms. Geoffroy has been a Master Trainer with AIR since 2023 and has been a trainer since January of 2020. We reserve the right at any time in our sole discretion to appoint other instructors who, at a minimum, will have successfully completed AIR's ariel Certification program and/or have achieved an aerial certification from another reputable institution.

Note 5: This chart does not include any pre-training programs, which may be required before the start of either the Training Program and can include study of provided materials and associated

exams.

Initial On-Site Assistance

We will send a training representative (the identity of which shall be in our discretion) to your Business to assist you with final suggestions on your Business and provide on-site advice, guidance, and initial operations support for no fewer than 2 days in connection with your grand opening (which may not necessarily be consecutive).

Item 12

TERRITORY

You will not receive an exclusive territory under the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You have no options, rights of first refusal or similar rights to acquire additional franchises.

You have no guaranteed territorial protection; however, customized territory protection is available. We (and our affiliates) retain all rights with respect to the placement of Air Fitness Studios and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities. These rights include:

(1) the right to establish and operate, and allow others to establish and operate, other Fitness Studios and other businesses using the Marks, or the Franchise System, at any location and on any terms and conditions we approve;

(2) the right to establish and operate, and allow others to establish and operate, additional concepts or businesses providing products or services similar to those provided at Air Fitness Studios anywhere and under any trade names, trademarks, service marks and commercial symbols;

(3) the right to establish, and allow others to establish, other distribution channels (including, the internet or retail stores) wherever located or operating regardless of the nature or location of the customers, with whom such other distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Air Fitness Studios, and that sell products and/or services that are identical or similar to, and/or competitive with, those that Air Fitness Studios customarily sell under any terms and conditions we approve;

(4) offer and sell (and grant others to offer and sell) goods and services to customers located anywhere;

(5) the right to acquire, or be acquired by (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) a business providing products and services similar to those provided at Air Fitness Studios, even if such business operates, franchises and/or licenses competitive businesses; and

(6) engage in all other activities not expressly prohibited by the Franchise

Agreement.

We are not required to pay you if we exercise any of the rights specified above.

There are no limitations on your ability to solicit customers in any location. However, except in connection with an approved Franchise System Website, you may not engage in any promotional or similar activities, whether directly or indirectly, via the internet, electronic mail, or any other similar systems. You may not sell any product or service offered at Air Fitness Studios through any alternative channel of distribution, including the Internet. All sales must take place at and from your Business location.

You may only operate your Business at the specific address we approve at the time you sign the Franchise Agreement (the “Premises”); if a specific Premises has not been determined prior to you signing the Franchise Agreement, we will prescribe a geographical area within which you must locate your Business and we will approve the Premises once identified in accordance with our site selection requirements. You may not relocate your Business to a location other than the Premises or open additional locations without our prior written approval. If we allow you to relocate your Business, you will be assessed a relocation fee for the services we provide in connection with your relocation, including reviewing and approving a new site and lease, assisting with the design and construction of the new site, assisting with suppliers for the new site, training and other onsite opening services. (See Item 6)

Neither we nor any affiliate of ours currently operate or franchise, or have present plans to operate or franchise, a business under a different trademark that sells goods and services similar to those being offered at Air Fitness Studio Businesses; however, we reserve the right to do so.

Item 13

TRADEMARKS

We grant you the non-exclusive right and obligation to use the Air Marks in connection with your Business. You may not use any of the Marks as part of your firm or corporate name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use the Marks in the sale of unauthorized products or services or in any manner we do not authorize. You may not use the Marks in any user name, screen name or profile in connection with any social networking sites, such as LinkedIn®, Instagram®, Twitter®, Facebook®, or YouTube®, except in accordance with our guidelines set forth in the Operations Manual or otherwise in writing periodically. You may not use the Marks in any advertising for the transfer, sale or other disposition of your Business or any interest in the franchise. Except for a Franchise System Website or with our prior written consent, you may not use the Marks as part of any domain name, homepage, electronic address, or otherwise in connection with a website, and then only under the terms we specify.

We license the Air Marks from K SQUARED IP LLC (“Trademark Owner”), who owns all rights to Air Marks, pursuant to a Trademark License Agreement (the “License Agreement”). The term of the License Agreement began on April 20, 2022 and will continue unless terminated. The License Agreement may be terminated (resulting in the loss of our right to use and to sublicense the use of the Air Marks to you) by mutual agreement of the parties, or by Trademark

Owner for a number of reasons, including if we default on any obligations, we are dissolved, make an assignment for the benefit of creditors, become insolvent, consent to appointment of a receiver, or our business is seized. All rights in and goodwill from the use of the Air Marks accrue to Trademark Owner. Except as described above, no agreement significantly limits our rights to use or sublicense the Marks in a manner material to the franchise.

The following table sets forth the status of applications filed with the U.S. Patent and Trademark Office (USPTO”) on the Principal Register of the principal marks licensed to you.

AIR MARKS

Description of Mark	Registration Number	Registration/ Renewal Date
AIR (Standard Character Mark)	4193718	August 21, 2012/ December 26, 2017/May 9, 2022

We have filed all affidavits required for our Air Marks. All required affidavits of use and renewals will be filed in a timely manner.

There is presently no effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal Marks. We are not aware of either superior prior rights or infringing uses that could materially affect your use of our principal trademarks.

We may establish new Marks in the future, and you must use and display these marks in accordance with specifications and bear all costs associated with changes to Marks or introduction of new Marks.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person’s claim of any rights in any Mark, and you may not communicate with any person other than us and our affiliates’ attorneys, regarding any infringement, challenge or claim. We and/or Trademark Owner may take the action we deem appropriate and control exclusively any litigation, USPTO proceeding or other administrative proceeding from the infringement, challenge or claim or otherwise concerning any Mark. You must sign the documents and take the actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in the Marks. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We do not have to reimburse you for your costs, loss of revenue or other expenses of promoting a modified and/or substitute trademark or service mark.

You must not contest, or assist any other person in contesting, the validity of our and Trademark Owner's ownership of the Marks. Your use of the Marks and any goodwill established by that use are exclusively for our and Trademark Owner's benefit.

Under the Franchise Agreement, we must indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding in which your use of any Mark in compliance with the Franchise Agreement is held to constitute trademark infringement, and for all reasonable costs you incur in the defense of any claim brought against you or in any proceeding in which you are named as a party, only if you have timely notified us of the claim or proceeding and comply with our directions in responding to the proceeding. At our option, we and/or Trademark Owner may defend and control the defense of any proceeding from your use of any Mark under the Franchise Agreement.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We do not have any pending patent applications that are material to the franchise. We and/or our affiliates claim copyrights in the Operations Manual (which contains our trade secrets), handbooks, all Franchise System Websites, advertising and marketing materials, all or part of the Marks, and other portions of the Franchise System and other similar materials used in operating Air Fitness Studios. We have not registered these copyrights with the United States Registrar of Copyrights but need not do so at this time to protect them. You may use these items only as we specify while operating your Business (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the United States Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the Confidential Information (defined below) or copyrighted materials. We know of no infringing uses of our copyrights which could materially affect your using the copyrighted materials in any state. We need not protect or defend our copyrights, although we intend to do so if we determine that it is in the Franchise System's best interests. We may control any action involving the copyrights, even if you voluntarily bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manual and other materials contain our and our affiliates' confidential information (some of which constitutes trade secrets under applicable law) (the "Confidential Information"). This information includes specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience used in developing and operating Air Fitness Studios; training and operations materials; methods, formats, knowledge and specifications regarding suppliers of Operating Assets and other products and supplies; marketing and advertising programs and strategies for Air Fitness Studios; any computer software or similar technology that is proprietary to us; the Franchise System; strategic plans, expansion goals, targeted demographics; and knowledge of the operating results and financial performance of Air Fitness Studios other than your Business.

All ideas, concepts, techniques, or materials concerning an Air FitnessStudio, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the system, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must adopt and implement procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to personnel of your Business and certain other people and using non-disclosure and non-competition agreements with those having access to Confidential Information in a form determined by us. We may regulate the form of agreement that you use, and we will be a third-party beneficiary of that agreement with independent enforcement rights.

All customer information is owned by us and you may only use customer information for the promotion of your Business. You will not use or sell customer information to any third parties and you will comply with all applicable laws governing the use and protection of customer information.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are an entity, you must identify one of your owners who is a natural person with at least a 25% ownership interest and voting power in you (the “Operating Partner”). We may require our approval of the Operating Partner. You (or your Operating Partner) are responsible for the management, direction and control of your Business, subject to the terms and conditions of the Franchise Agreement. You (or our Operating Partner) must supervise the management and day-to-day operations of your Business on a full-time basis. Your Business must always be under the direct on-site supervision of one or more persons who have completed our Training Program.

You (or your Operating Partner) must complete all required training to our satisfaction. In the event that your Operating Partner ceases to own at least its required ownership interest in you, you must recruit a new Operating Partner within 6 days of the change in ownership and submit the identity of the new Operating Partner to us for our review and approval. If you appoint a new Operating Partner after you open your Business, the Operating Partner must complete the Training Program within 30 days after the date of appointment. (See Item 11) You must keep us informed at all times of the identity of the Operating Partner.

If you are a corporation, limited liability company, or partnership, your direct and indirect owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. This “Guaranty and Assumption of Obligations” is attached as Exhibit D to the Franchise Agreement. In addition, if these owners are married, their spouse may have to consent in writing to their signing of the guaranty.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all services and products that we periodically specify for your Business. You must offer and sell approved products and services only at the Premises and in the manner we have authorized. Our System Standards may regulate required and/or authorized products and services. We may also periodically set maximum or minimum prices for services and products that your Business offers. You will use certain products that we designate in connection with providing services to customers. We may periodically change the required and/or authorized products and services, and there are no limits on our right to do so. You must promptly implement these changes and must discontinue selling any products or services that we at any time decide to disapprove in writing. You may not perform any services or offer or sell any products at your Business, the Premises or any other location that we have not authorized. (See Item 8) You may not sell any products or services through alternative channels of distribution (including the internet). (See Item 12) You must discontinue selling and offering for sale any services or products that we at any time decide to disapprove in writing.

If at any time (including after our initial approval) we determine that you fail to meet our specifications and standards in connection with your Business' offering and sale of products or services, we may permanently or temporarily terminate your right to offer these products or services.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
(a) Length of the franchise term	Section 1C	Term of the Franchise Agreement is 5 years.
(b) Renewal or extension of the term	Section 13A	1 renewal franchise term of 5 years, if you meet certain requirements.

(c) Requirements for franchisee to renew or extend	Section 13	Upon expiration of the Agreement, you will have the option to acquire a successor franchise to operate your Business for one (1) additional term of five (5) years provided you satisfy the following conditions: You must give notice no more than 1 year and no less than 180 days before the Franchise Agreement expires, and (i) you have substantially complied with the Franchise Agreement throughout the Franchise term, (ii) you are in full compliance with the Franchise Agreement and System Standards, (iii) you maintain possession of and agree to remodel your Business, or otherwise bring it into compliance with our then-current System Standards, or you secure and develop new premises, (iv) you sign then-current Franchise Agreement, which may contain materially different terms and conditions from your current Franchise Agreement, (v) you sign (if state law allows) general releases and other ancillary agreements, and (vi) you pay successor franchise fee.
(d) Termination by franchisee	Section 14A	You may terminate the Franchise Agreement if we materially breach the Franchise Agreement and do not cure default after notice from you.
(e) Termination by franchisor without cause	None	We may not terminate the Franchise Agreement without cause.
(f) Termination by franchisor with cause	Section 14B	We may terminate the Franchise Agreement only if you or your owners commit one of several violations.
(g) "Cause" defined – curable defaults	Section 14B	You have 72 hours to cure health, safety or sanitation law violations; 10 days to cure any insurance requirements, violations of other applicable laws, regulations, ordinances or consent decrees, monetary defaults; and 30 days to cure a failure to pay rent, failure to comply with the Franchise Agreement or any System Standard not specified in (h) below.

(h) "Cause" defined – non-curable defaults	Section 14B	Non-curable defaults under the Franchise Agreement include material misrepresentations or omissions; failure to open your Business by the applicable deadline; failure to receive written approval of your proposed site and lease within 180 days after Franchise Agreement's effective date; failure to complete training; abandonment; unapproved transfers; conviction of a felony; dishonest or unethical conduct; loss of right to occupy the Business premises; unauthorized use or disclosure of confidential information; failure to pay taxes; unsafe or hazardous conditions; repeated defaults (even if cured); an assignment for the benefit of creditors; and failure to comply with anti-terrorism laws.
(i) Franchisee's obligations on termination/non-renewal	Sections 15A – Section 15D	Under the Franchise Agreement, you must pay all amounts due within 15 days; pay us lost revenue damages if we terminate you, or you terminate without cause; complete de-identification, including removal of signs and Marks within 7 days; cease using the Marks and Franchise System; cancel all fictitious or assumed name registrations relating to the Mark; notify telephone company of termination of rights to use telephone number and transfer number to our designee; cease operation and cancel any rights or accounts of any website or online presence related to the Air Fitness Studio, or the Marks; comply with confidentiality requirements; return the Operations Manual and any other Confidential Information; and at our option, sell or assign to us your rights in your Premises and the assets used in your Business.
(j) Assignment of contract by franchisor	Section 12A	Under the Franchise Agreement, there is no restriction on our right to assign.

(k) "Transfer" by franchisee – defined	Section 12B	Under the Franchise Agreement, a transfer includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, foreclosure, surrender or by operation of law.
(l) Franchisor approval of transfer by franchisee	Sections 12B and 12C	You may not transfer the Franchise Agreement without our prior written approval.
(m) Conditions for franchisor approval of transfer	Section 12C	Under Franchise Agreement, transferee must meet the following qualifications: all monetary obligations are paid; you are not in default of any provisions of the Franchise Agreement, your lease of the Business premises or any other agreement with us; new franchise owner (and its owners and affiliates) are not in a Competitive Business (as defined below); completion of Training Program; lease permitted to be transferred; you or transferee signs our then-current Franchise Agreement and other documents, provisions of which may differ materially from those contained in the Franchise Agreement; you pay transfer fee of \$10,000; you (and your owners) sign a general release and guaranty; we determine that the financial terms of the transfer will not burden your Business or jeopardize our rights; you subordinate amounts due to you; you correct existing deficiencies in your Business of which we notify you and/or the transferee agrees to upgrade, remodel and refurbish your Business for which we may require transferee to escrow an amount we approve for the payment of this upgrade, remodel or refurbishment; you de-identify; and you comply with non-compete obligations.

(n) Franchisor's right of first refusal to acquire franchisee's business	Section 12E	We have a 30-day right of first refusal and can match offers.
(o) Franchisor's option to purchase franchisee's business	Section 15D	We may purchase your Business at fair market value upon the termination or expiration of the Franchise Agreement, at our discretion. We may exercise this right by giving you written notice of our election within 30 days after the date of the Termination Event.
(p) Death or disability of franchisee	Section 12F	Upon death or disability of you (or your Operating Partner) or a Controlling Owner, your (or your Operating Partner's) or the Controlling Owner's executor or personal representative must transfer the ownership interest within 9 months of date of death or disability. A new Operating Partner must be appointed within sixty (60) days. We may assume your Business' management or appoint an interim manager to operate your Business.

(q) Non-competition covenants during the term of the franchise	Section 7	No ownership interest in or performing services for a Competitive Business located anywhere; no solicitation or interference with our or our affiliates or franchisees relationships with any customers, vendors or clients; no employment of a person employed by us, our affiliates or any of our other franchisees; and no engagement in any other activity injuring the goodwill of the Marks and the Franchise System. “Competitive Business” means: any business operating, or granting franchises or licenses to others to operate, or supporting or soliciting, any fitness or workout business offering group classes (excluding any other Air Fitness Studios operated under a Franchise Agreement with us or our affiliate).
(r) Non-competition covenants after the franchise is terminated or expires	Sections 15E and 15F	For 2 years following the effective date of termination, you and your owners may not have any direct or indirect interest in a Competitive Business located or operating at the Premises or within a 10-mile radius of the Business premises. Additionally, for 2 years you and your owners may not solicit or interfere with our or our affiliates or franchisees relationships with any customers, vendors or consultants; not employ a person employed by us, our affiliates or any other franchisee of ours; and not engage in any other activity injuring the goodwill of the Marks and the Franchise System.

(s) Modification of the agreement	Section 17I	No modification unless by written agreement of both our and your duly authorized officers, but Operations Manual and System Standards subject to change.
(t) Integration/merger clause	Section 17K	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable.

(u) Dispute resolution by arbitration or mediation	Section 17E	All controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party.
(v) Choice of forum	Section 17E	All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of our then-current principal place of business. (subject to applicable state law)
(w) Choice of law	Section 17.F	Except for the Federal Arbitration Act and other federal law, the law of the State of Delaware governs (subject to applicable state law).

Item 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any financial performance representations about Air Fitness Studio's future financial performance or the past financial performance of company-owned or franchised Air Fitness Studios. We also do not authorize our employees or representatives to make any such representation either orally or in writing. If you are purchasing an existing Air Fitness Studio, however, we may provide you with the actual records of that Air Fitness Studio. If you receive any other financial performance information or projections of your future income, you should report it

to the franchisor's management by contacting K SQUARED FRANCHISING LLC, 16472 Samuel Paynter BLVD, Milton, DE 19968, (631) 680-5802; the Federal Trade Commission; and the appropriate state regulatory agencies.

Item 20

AIR FITNESS STUDIOS

**TABLE NO. 1
SYSTEMWIDE SUMMARY
FOR YEARS 2023, 2024, AND 2025**

Outlet Type	Year	Air Fitness Studios at the Start of the Year	Air Fitness Studios at the End of the Year	Net Change
Franchised	2023	9	10	+1
	2024	10	13	+3
	2025	13	13	0
Company Owned or Managed	2023	1	1	0
	2024	1	0	-1
	2025	0	0	0
Total ¹	2023	10	11	+1
	2024	11	13	+2
	2025	13	13	0

**TABLE NO. 2
TRANSFERS OF AIR FITNESS STUDIOS FROM FRANCHISEES TO
NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)
FOR YEARS 2023, 2024, AND 2025**

State	Year	Number of Transfers
California	2023	0
	2024	0
	2025	1

Colorado	2023	1
	2024	0
	2025	0
Illinois	2023	0
	2024	1
	2025	2
North Carolina	2023	0
	2024	0
	2025	0
Totals	2023	1
	2024	1
	2025	3

TABLE NO. 3
STATUS OF FRANCHISED AIR FITNESS STUDIOS
FOR YEARS 2023, 2024, AND 2025

State	Year	Air Fitness Studios at Start of Year	Air Fitness Studios Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Air Fitness Studios at End of Year
AZ	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	2	0	0	0	0	0	2
CA	2023	2	0	0	0	0	1	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
CO	2023	1	0	0	0	0	0	1

	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
IL	2023	4	1	0	0	1	0	4
	2024	4	1	0	0	0	0	5
	2025	5	0	0	0	0	0	5
NJ*	2023	0	2	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
NC	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
MI	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Totals	2023	9	3	0	0	1	1	10
	2024	10	3	0	0	0	0	13
	2025	13	0	0	0	0	0	13

*Reflects one outlet in NJ and one outlet in IL that were previously operating as an affiliate-owned Air Fitness Studio (and, as such, had, in prior issuances of this disclosure document, been captured in Table 4) that was sold to a franchisee and has been reclassified as a franchisee owned outlet on this Table 3.

TABLE NO. 4
STATUS OF COMPANY-OWNED AIR FITNESS STUDIOS
FOR YEARS 2023, 2024, AND 2025

State	Year	Air Fitness Studios at Start of Year	Air Fitness Studios Opened	Air Fitness Studios Outlets Reacquired From Franchisee	Air Fitness Studios Closed	Air Fitness Studios Sold to Franchisee	Air Fitness Studios at End of Year
Illinois	2023	0	0	1	0	0	1
	2024	1	0	0	0	1	0

	2025	0	0	0	0	0	0
New Jersey	2023	1	0	0	0	1	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
Totals	2023	1	0	1	0	1	1
	2024	1	0	0	0	1	0
	2025	0	0	0	0	0	0

TABLE NO. 5
PROJECTED OPENINGS OF AIR FITNESS STUDIOS AS OF 12/31/ 2025

State	Franchise Agreements Signed But Not Opened	Projected New Franchised in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
New York	0	1	0
Totals	0	2	0

Exhibit E to this Disclosure Document lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of the date of this Disclosure Document. There were no franchisees who had a Franchise Agreement terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to buyers when you leave the Franchise System.

To our knowledge, no franchisee has signed confidentiality agreements during the last 3 fiscal years restricting its ability to speak openly about its experience with our franchise system. We are not aware of any trademark-specific franchisee organizations associated with our Franchise System.

Item 21

FINANCIAL STATEMENTS

Exhibit D contains our audited financial statements as of December 31, 2025, December 31, 2024 and December 31, 2023.

Our fiscal year end is December 31 of each calendar year.

Item 22
CONTRACTS

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

- Exhibit B – Franchise Agreement
- Exhibit F – Sample General Release
- Exhibit G – State Addenda and Agreement Riders to Franchise Agreement
- Exhibit H -- Pre-Closing Questionnaire (*not applicable in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin*)

Item 23
RECEIPTS

Attached as Exhibit I of this disclosure document is a list of the State Effective Dates for each registration state. Attached as Exhibit J are duplicate Receipts to be signed by you. You should sign both copies of the Receipt. Keep one for your records and return the other one to us.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

The following list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent we are registered in their states). The list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Department of Financial Protection & Innovation West 4 th Street Suite 750 Los Angeles, CA 90013 (866) 275-2677 (toll-free)	California Commissioner of Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 1-866-275-2677
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2722 (p)	Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Attorney General Franchise Division State of Illinois 500 South Second Street Springfield, IL 62706 (217) 782-4465 (p)	Illinois Attorney General 500 South Second Street Springfield, IL 62706
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street Room E111 Indianapolis, IN 46204 (317) 232-6681 (p)	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531 (p)
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 (p)	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
MICHIGAN	Consumer Protection Division Franchise Section Michigan Department of Attorney General G. Mennan Williams Building, 6 th Floor Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporation and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Department of Commerce 85 7 th Place East Suite 500 St. Paul, MN 55101-2198 (612) 296-4026 (p)	Commissioner of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198

NEW YORK	New York Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	North Dakota Securities Department State of North Dakota Capitol Building 600 East Boulevard Avenue 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712 (p)	Securities Commissioner, State of North Dakota Fifth Floor 600 East Boulevard Avenue. Bismarck, ND 58505-0510
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street N.E. Suite 410 Salem, OR 97310 (503) 378-4387 (p)	Department of Consumer and Business Services Division of Finance and Corporate Securities State of Oregon 350 Winter Street, NE, Room 21 Portland, OR 97310
RHODE ISLAND	Department of Business Regulation Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9500 (p)	Department of Business Regulation Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920 (401) 462-9500
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid Street, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid Street, Suite 104 Pierre, SD 57501
VIRGINIA	State Corporation Commission Division of Securities & Retail Franchising 1300 East Main Street 9 th Floor Richmond, VA 23219 (804) 371-9051 (p) (804) 371-9911 (f)	Clerk of the State Corporation Commission 1300 East Main Street 1 st Floor Richmond, VA 23219 (804) 371-9733 (p)
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Director of Department of Financial Institutions Securities Division State of Washington 150 Israel Road SW Tumwater, Washington 98501
WISCONSIN	Director of Divisions of Securities Registration Division 101 East Wilson Street 4 th Floor Madison, WI 53703 (608) 266-1365 (p)	Commissioner of Securities Wisconsin Securities Commission 345 W. Washington Ave., 4 th Floor P.O. Box 1768 Madison, WI 53703
ALL OTHER STATES	None	Carrie Sharpe K SQUARED FRANCHISING LLC 16472 Samuel Paynter Boulevard, Milton, DE 19968

EXHIBIT B

FRANCHISE AGREEMENT

K SQUARED
FRANCHISING LLC
FRANCHISE AGREEMENT

FRANCHISE OWNER

FRANCHISEE ADDRESS

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into by and between **K SQUARED FRANCHISING LLC**, a Delaware limited liability company, with its principal business address at 16472 Samuel Paynter Boulevard, Milton, DE 19968 (“**we**,” “**us**,” or “**our**”), and _____, a _____ whose principal business address is _____ (“**Franchisee**,” “**you**” or “**your**”) as of the date signed by us and set forth opposite our signature on this Agreement (the “**Effective Date**”).

1. GRANT OF FRANCHISE.

1.A. PREAMBLES.

(1) We and our affiliates have, with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity to establish, operate and promote a distinctive fitness studio featuring athletic conditioning on aerial silk hammocks, and related retail products under the name “Air®” (each an “**Air Fitness Studio**”).

(2) We and our affiliates use and promote, and license others to use and promote, certain trademarks, service marks, and other commercial symbols, and may create, use, and license other trademarks, service marks, and commercial symbols, each of which have gained and will continue to gain public acceptance and goodwill, for use in operating or identifying Air Fitness Studios (collectively, the “**Air Marks**”). The Air Marks together, referred to in this Agreement collectively, as the “**Marks**.”

(3) We and our affiliates have also developed a distinctive business format and business system, using the methods, procedures, signs, designs, layouts, standards, specifications that we approve, and offering those products and services that we approve, all of which we may improve, further develop, or otherwise modify from time to time, using the Air Marks (collectively, the “**Air System**” and the “**Franchise System**.”).

(4) We grant franchises to persons who meet our qualifications and are willing to undertake the investment and effort to use the Air Marks and the Air System to own and operate an Air Fitness Studio.

(5) You have applied and been approved for a franchise to own and operate an Air Fitness Studio (as indicated on the cover page to this Agreement).

1.B. ACKNOWLEDGMENTS.

You acknowledge that:

(1) you have independently investigated this franchise opportunity and recognize that, like any other business, the nature of the business that a Air Fitness Studio conducts may (and probably will) evolve and change over time;

(2) we do not guarantee the success of any Air Fitness Studio, an investment in

a Air Fitness Studio involves business risks that could result in the loss of a significant portion or all of your investment;

(3) among other things, your business abilities and efforts are vital to your Business (as defined in Section 1C);

(4) attracting customers for your Business will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising and networking, online and social media marketing, and display and use of promotional materials;

(5) retaining customers for your Business will require you to have high standards of quality and service;

(6) you have not received from us, and are not relying on, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of an Air Fitness Studio;

(7) our officers, directors, employees, and agents act only as representatives of us, and not as individuals, and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us;

(8) to induce our entry into this Agreement, you have represented to us that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise;

(9) you have read this Agreement and our franchise disclosure document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service and to protect and preserve the goodwill of the Marks;

(10) we have the right to restrict your sources of goods and services, as provided in various sections of this Agreement, including Section 8D below;

(11) we have not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and our franchise disclosure document. you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely on those evaluations in deciding to enter into this Agreement;

(12) you had the opportunity, and were encouraged by us, to ask any questions you had and to review any materials of interest to you concerning this franchise opportunity;

(13) you had the opportunity, and were encouraged by us, to have this Agreement and all other agreements and materials we gave you or made available to you reviewed by an attorney; and

(14) you have a sufficient net worth to make the investment in this franchise

opportunity, and you will continue to have sufficient funds to meet all of your obligations under this Agreement.

1.C. GRANT AND TERM OF FRANCHISE.

Subject to this Agreement's terms, we grant you a franchise to operate an Air Fitness Studio, as indicated by checking the applicable box on the cover page of this Agreement ("**your Business**") at the specific address and location identified on **Exhibit B** (the "**Premises**"). We further license you the right (i) to use the Air System and the Air Marks in accordance with the terms of this Agreement.

The term of this Agreement begins on the Effective Date and expires five (5) years from that date, unless sooner terminated as provided herein. If the Premises has not been determined as of the Effective Date, the Premises will be selected in accordance with Section 2A, provided that the Premises is located within the geographical area set forth on **Exhibit B**.

You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote your Business. You may use the Premises only for your Business. You agree not to conduct the business of your Business at any site other than the Premises.

1.D. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.

If you are a corporation, limited liability company, or general or limited partnership (collectively, an "**Entity**"), you agree and represent that:

(1) You are validly existing and in good standing under the laws of the state in which you were formed, and have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements;

(2) Your organizational documents state that this Agreement restricts the issuance and transfer of any of your ownership interests, and all certificates and other documents representing your ownership interests will bear a legend referring to this Agreement's restrictions;

(3) **Exhibit A** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date;

(4) Any person owning an interest in you at any time during this Agreement's term will execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached hereto as **Exhibit D**. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us a revised **Exhibit A** to reflect any changes in your ownership information;

(5) You must identify one of your owners on **Exhibit A** who is a natural person with at least a twenty-five percent (25%) ownership interest and voting power in you to act as your "**Operating Partner**". We reserve the right to approve the Operating Partner. In the event that your Operating Partner ceases to own at least a twenty-five percent (25%) ownership interest and voting interest in you, or we disapprove of your Operating Partner,

you must recruit a new Operating Partner within sixty (60) days of the change in ownership or disapproval and deliver to us a revised **Exhibit A** to accurately identify the Operating Partner for our review and approval;

(6) You agree that the Operating Partner is authorized to deal with us on your behalf for all matters whatsoever that may arise with respect to this Agreement. Any decision made by the Operating Partner will be final and binding on you and we will be entitled to rely solely on the decision of the Operating Partner without discussing the matter with any other party. We will not be held liable for any actions based on any decision or actions of the Operating Partner; and

(7) Your Business will be the only business you operate unless otherwise approved by us (although your owners may have other, non-competitive business interests).

1.E. TERRITORIAL RIGHTS WE RESERVE.

You acknowledge and agree that the franchise granted under this Agreement is non-exclusive. You have no territorial protection and we (and our affiliates) retain all rights with respect to the placement of Air Fitness Studios and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities. These rights include:

(1) the right to establish and operate, and allow others to establish and operate, other Air Fitness Studios, and other businesses using the Marks or the Franchise System, at any location and on any terms and conditions we approve;

(2) the right to establish and operate, and allow others to establish and operate, additional concepts or businesses providing products or services similar to those provided at Air Fitness Studios anywhere and under any trade names, trademarks, service marks and commercial symbols;

(3) the right to establish, and allow others to establish, other distribution channels (including, the internet or retail stores) wherever located or operating regardless of the nature or location of the customers, with whom such other distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from the Marks, and that sell products and/or services that are identical or similar to, and/or competitive with, those that Air Fitness Studios customarily sell under any terms and conditions we approve;

(4) offer and sell (and grant others to offer and sell) goods and services to customers located anywhere;

(5) the right to acquire, or be acquired by (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) a business providing products and services similar to those provided at Air Fitness Studios, even if such business operates, franchises and/or licenses Competitive Businesses (as defined in Section 7A); and

(6) engage in all other activities not expressly prohibited by this Agreement.

2. DEVELOPMENT AND OPENING OF YOUR BUSINESS.

2.A. SITE SELECTION.

We must approve the Premises. If the location for the Premises is not specified on **Exhibit B** as of the Effective Date, then you will submit to us a complete report for a site you propose for your Business. Your report must contain the documents and information we require, including a description of the proposed site, and a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. We may also require that you hire a service provider that we designate, which may be one of our affiliates, to assist you with the site selection process.

We have the right to accept or not accept all proposed sites, including sites selected using the services of any of our designees, in our sole discretion. We will use reasonable efforts to accept or not accept the proposed site within thirty (30) days after receiving your report. After we approve a site, and after you secure the site, we will insert its address on the cover page of this Agreement and into **Exhibit B** and it will be the Premises.

You acknowledge and agree that your acceptance of a site is based on your own independent investigation of the site's suitability for an Air Fitness Studio. Neither the information we give you regarding a site for the Premises (including any recommendations) nor the assistance we or our representatives provide you in selecting the site, constitutes a representation or warranty of any kind, express or implied, of the site's suitability for an Air Fitness Studio or any other purpose. Our recommendations and assistance indicate only that we believe that the site and location meet our then-acceptable criteria. Applying criteria that have appeared effective with other sites and locations might not accurately reflect the potential for all sites and locations, and factors included in or excluded from our criteria could change, altering the potential of a site or location. The uncertainty and variability of these criteria are beyond our control, and we are not responsible if a site and location we recommend fails to meet your expectations.

2.B. LEASE OF SITE.

You must obtain our written approval of your Business' proposed site before signing any lease, sublease, or other document for the Premises (the "**Lease**"). We also must approve the terms of the Lease before you sign it. The Lease shall contain certain provisions we require, including collateral assignment of lease, pursuant to the form of lease addendum attached as **Exhibit E**.

Neither our approval of the Lease nor our assistance in negotiating its terms (including negotiations conducted on your behalf), constitute a guarantee or warranty, express or implied, of the success or profitability of an Air Fitness Studio operated at the Premises. Our approval and assistance indicate only that we believe that the Lease's terms meet our then-acceptable criteria. You must obtain our written approval of your Business' proposed site for the Premises and sign the Lease within one hundred and eighty (180) days of the Effective Date. You must deliver to us a signed copy of the Lease within ten (10) days after its execution.

You may not relocate your Business to a location other than the Premises without our approval. If we allow you to relocate your Business, the relocation will be subject to the site selection and lease provisions set forth above and will occur at your sole expense. In addition, you will be assessed a relocation fee of Seven Thousand Five Hundred Dollars (\$7,500) for the services we provide in connection with your relocation, including reviewing and approving a new site and Lease and assisting with the design and construction of the new site. Notwithstanding the

foregoing, if the relocation of your Business is due to fire, casualty, or other circumstances outside of your control, we will waive the relocation fee.

2.C. DEVELOPMENT AND CONSTRUCTION OF YOUR BUSINESS.

You are responsible for developing the Premises. If you need to secure financing to complete your development obligations, you agree to do so independently and at your own expense. The Premises must be built by our approved third-party builders, and you must obtain prior written approval to deviate from this. We will give you mandatory and suggested specifications for the Premises, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. You agree to develop, construct and decorate the Premises at your own expense according to plans and specifications approved by us and in accordance with the requirements of the Lease. The specifications and plans we provide you for the Premises do not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the “**ADA**”) or similar rules governing public accommodations for persons with disabilities. It is your responsibility to confirm all required construction plans and specifications comply with the ADA and all other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions.

We reserve the right to require that you, at your expense, before you begin construction on the Premises (i) retain an architect to produce development plans for the Premises, and/or (ii) obtain a minimum of number of construction bids that we specify from contractors. We reserve the right to require you to use one of our approved architects and/or contractors. You must hire a service provider that we designate, which may be one of our affiliates, to assist you with the construction management process. You must send us your development and construction plans and specifications for review and approval before you begin construction. You must send us any revisions of plans or specifications before such revisions are implemented. Our review is limited to ensuring your compliance with our design requirements and does not assess compliance with federal, state, or local laws and regulations, including the ADA. Ensuring that the Premises complies with these laws is your responsibility.

2.D. OPERATING ASSETS.

Before you open your Business, you agree to obtain and install the fixtures, furniture, equipment, components of the Computer System (as defined in Section 2E), furnishings, and signs that we approve as meeting our specifications and standards for quality, design, appearance, function, and performance (collectively, “**Operating Assets**”). You agree to purchase or lease the brands, types, and models of Operating Assets that we designate or approve. You agree to purchase or lease the Operating Assets only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates).

2.E. COMPUTER SYSTEM.

You agree to obtain and use the computer hardware, sales and scheduling software, point-of-sale system and/or other operating software we specify from time to time (the “**Computer System**”). We may modify specifications for and components of the Computer System from time to time and you agree to implement our modifications within thirty (30) days after you receive notice from us. We might periodically require you to purchase, lease, and/or license new or

modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (and any additions and modifications) and required service or support.

You must obtain and install the Computer System, and ensure that the Computer System is functioning properly, before your Business opens.

You must pay for any proprietary software or technology that we, our affiliates or third-party designees license to you and for other maintenance and support services that we, our affiliates or third-party designees provide during this Agreement's term. We or our affiliates may condition your license of any proprietary software, or your use of technology that we or our affiliates develop or maintain, on your signing a license agreement or similar document that we or our affiliates approve to regulate your use of, and our and your respective rights and responsibilities with respect to, such software or technology.

The Computer System may give us and our affiliates access to all information generated by the Computer System, including price maintenance and information relating to customers for your Business. At our request, you agree to sign a release with any vendor of your Computer System providing us with unlimited access to your data.

Despite the fact that you agree to buy, license, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for acquiring, operating, maintaining and upgrading: (1) the Computer System; (2) the connectivity of your Computer System (including the point-of-sale system); and (3) third-party interfaces between the Computer System and our and any third party's computer system. You will have sole and complete responsibility for any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

2.F. OPENING YOUR BUSINESS.

You may not open your Business until:

(1) we notify you in writing that your Business meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that your Business complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, laws, ordinances, rules, regulations, requirements, or recommendations, nor is our acceptance a waiver of our right to require continuing compliance with our requirements, standards, or policies);

(2) you (or your Operating Partner), and any manager or assistant manager we require, satisfactorily complete the Training Program (defined in Section 4A);

(3) you pay the Initial Franchise Fee and all other amounts then due to us;

- (4) you give us certificates for all required insurance policies (as described in Section 8J);
- (5) you obtain all required supplies and opening inventory for your Business;
- (6) you obtain all customary contractors "sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services;
- (7) you meet all regulatory requirements, including all state and local professional regulations.

Subject to your compliance with these conditions, you agree to open your Business for full use by customers within 180 days after execution of your Lease. The date that your Business first opens for business shall be referred to herein as the “**Opening Date**.”

Beginning on the Opening Date, for the duration of the entire term of this Agreement, you agree to operate your Business on a continuous basis in accordance with the terms of this Agreement and our System Standards, which may include minimum business hours and/or days of operation for your Business. You may not abandon your Business, close your Business for business, or operate the Business for less than the minimum business hours and/or days of operation that we specify from time to time, except with our prior written consent.

3. FEES.

3.A. INITIAL FRANCHISE FEE.

You agree to pay us a nonrecurring initial franchise fee of Fifty Thousand Dollars (\$50,000) when you sign this Agreement (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and fully earned by us when you sign this Agreement. You must pay us the Initial Franchise Fee by wire transfer of immediately available funds to an account we designate, or by any other method we specify. The Initial Franchise Fee is uniform and is not refundable in whole or in part under any circumstances.

3.B. ROYALTY FEE.

You agree to pay us a monthly royalty fee (the “**Royalty**”) equal to five percent (5%) of your Business’ Gross Sales during the preceding month. We reserve the right, upon five (5) business days’ notice to you, to require you to pay the Royalty at any other increments we choose, which may include weekly.

For purposes of this Agreement, “**Gross Sales**” means all revenue or consideration that you receive, directly or indirectly, from operating your Business, including, all revenue or consideration you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions. Gross Sales includes the proceeds of any business interruption insurance or similar insurance. If we authorize or require participation in online group-bought deals (e.g. Groupon or Living Social), gift certificate and/or gift card programs, the payments you receive for those online group-bought deals, gift certificates or gift cards shall be included in Gross Sales in accordance with our then current guidelines for calculating Gross Sales, which may include calculating such amounts, at our option, as either (i) the purchasing value of such the certificate, card or deal when it is redeemed at your Business, or

(ii) the amount of the payment you received for such certificate, card or deal at the time of its sale. Gross Sales does not include any federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority.

3.C. TECHNOLOGY FEE

Each year during the term of this Agreement, You shall pay to us the then-current annual technology fee (\$445 as of July 2025) (“Technology Fee”). The Technology Fee is subject to increase or decrease on an annual basis in our sole discretion. The Technology Fee shall cover the cost of all technological services and support that we provide in our sole discretion on behalf of the system and/or to your Business. You understand, acknowledge and agree that the technologies covered by this Technology Fee and/or provided to you by us or our affiliates may be modified, added to or removed at any time by us in our sole discretion.

3.D. INTEREST ON LATE PAYMENTS.

All amounts that you owe us for any reason will bear interest accruing as of their original due date at one and one half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for service charges and interest. You acknowledge that this Section 3.D. is not our agreement to accept any payments after they are due or our commitment to extend credit to you, or finance the operation of your Business.

3.E. APPLICATION OF PAYMENTS.

Despite any designation you make, we may apply any of your payments to us or our affiliates to any of your past due indebtedness to us or our affiliates. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

3.F. METHOD OF PAYMENT.

You must make all payments due under this Agreement in the manner we designate from time to time and you agree to comply with all of our payment instructions. You hereby authorize us and/or any third party we designate to debit your business checking account automatically for any or all amounts due under this Agreement (the “**EFT Authorization**”). You agree to execute and deliver to us any document(s) we require to evidence the EFT Authorization. The EFT Authorization will remain in full force and effect during the term of this Agreement. We or our designee will debit the business account you designate in the EFT Authorization for amounts you owe us on their due dates (or the subsequent business day if the due date is a national holiday or a weekend day). You agree to ensure that funds are available in your designated account to cover our withdrawals. You shall pay us a fee of One Hundred Dollars (\$100) each time we attempt to debit your business account and we receive a notice of insufficient funds.

We may receive information regarding your Gross Sales through our access to the Computer System or we may require you to submit Gross Sales reports in the format and at the increments we require. If we ever stop having access to information from your Computer Systems, and you fail to report your Business’ Gross Sales when due, then for each payment due under this

Agreement that is calculated based on Gross Sales, we may debit your business account one hundred ten percent (110%) of the average of the last three (3) applicable payments that we debited. If the amounts that we debit from your business account are less than the amounts you actually owe us (once we have determined your Business' true and correct Gross Sales), we will debit your business account for the balance on any day we specify. If the amounts that we debit from your business account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date.

4. TRAINING AND ASSISTANCE.

4.A. INITIAL AND ONGOING TRAINING.

We will provide training in the material aspects of operating an Air Fitness Studio to you (or your Operating Partner) (the “**Training Program**”) at no cost to you. We will determine the identity and composition of the trainer(s) conducting all portions of the Training Program in our discretion. You may invite additional employees to attend the Training Program if space allows, though we reserve the right to charge you our then-current training fee for each additional individual. We reserve the right to limit the number of additional attendees for the Training Program.

We will provide the Training Program at the times and locations we determine in our sole discretion, which may include sending our trainer(s) to your Business to conduct any part of the Training Program. We shall also determine, in our sole discretion, the length and content of the Training Program. We reserve the right to vary the Training Program based on the experience and skill level of the individual(s) attending. You (or your Operating Partner) must satisfactorily complete the Training Program prior to opening or operating your Business. Scheduling of the Training Program is based on your and our availability, training facility availability and your projected Opening Date.

If you (or your Operating Partner), or any manager and/or assistance manager required by us, fail to satisfactorily complete the Training Program then we reserve the right, in our sole discretion, to require such individual to attend additional training and we will charge you our then-current training fee for such additional training. Additional training will be provided at a time and location of our choice. If you (or your Operating Partner), or any manager and/or assistance manager required by us, are unable to satisfactorily complete the additional required training, we reserve the right, in our sole discretion, to terminate this Agreement.

If we determine, in our sole discretion, that you (or your Operating Partner), or any manager and/or assistant manager we require, is not properly trained to provide the services offered by your Business, we may require such person to cease providing services at your Business and/or to be trained by us at our then-current training fee. If you appoint a new Operating Partner, he or she must attend the then-current Training Program and you shall pay our then-current training fee for such training.

You (or your Operating Partner) may request additional training. We and you will jointly determine the duration of this additional training, and we reserve the right to charge you our then-current training fee for such additional training. However, if your attendees satisfactorily complete the Training Program and have not expressly informed us at the end of the program that they do

not feel sufficiently trained, then they will be deemed to have been trained sufficiently to operate an Air Fitness Studio.

Twice per year, you (or your Operating Partner), and/or certain other managers and employees of your Business must attend re-training with us. The fee for our mandatory re-training is five hundred fifty dollars (\$550) for each two-day training session. If you request, and we agree, that a member of our team travel to your location for re-training, you will be responsible for the re-training fee plus our reasonable expenses.

We may require you (or your Operating Partner), and/or certain other managers and employees of your Business to attend various training courses, trade shows, ongoing education or certification programs, and/or webinars at the times and locations designated by us. Besides attending these training courses, programs and events, we may additionally require you (or your Operating Partner) to attend a meeting of franchise owners at least once per year. These meetings will be held at our discretion and at locations we designate. However, any attendance at any additional training courses, programs or events, or any annual franchise owner meetings, will not be required for more than five (5) days during a calendar year.

You agree to pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you (or your Operating Partner) or any employee or manager incurs during any and all meetings and/or training courses and programs. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Business to conduct training, including food, lodging and transportation. You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

You are responsible for ensuring that all of your employees that have not attended the Training Program are adequately trained prior to providing any services at your Business. Additionally, all fitness instructors that offer services at your Business must be duly licensed by all applicable state, federal or municipal regulatory authorities, and must be certified by us, prior to offering any services at your Business. We will certify fitness instructors for your Business based on various criteria which we may change in our discretion. Each fitness instructor (or you) must pay us our then-current fee for our certification. We also reserve the right to require re-certification for fitness instructors from time to time, and to charge our then-current certification fee for such re-certification, in our sole discretion, but not more than once every 12 months.

4.B. OPENING ASSISTANCE.

We will send a training representative (the identity of which shall be in our discretion) to your Business to assist you with final suggestions on your Business and provide on-site advice, guidance, and initial operations support for no fewer than two (2) days in connection with your grand opening (which may not necessarily be consecutive, at our discretion).

4.C. GENERAL GUIDANCE.

We may advise you from time to time regarding your Business' operation based on your reports or our inspections. We may guide you with respect to: (1) standards, specifications, and operating procedures and methods that Air Fitness Studios use, including, facility appearance,

guest service procedures, and quality control; (2) equipment and facility maintenance; (3) inventory management and working with national suppliers; (4) advertising, marketing and branding strategies; and (5) administrative, accounting, reporting and record retention. Such guidance will be furnished in the form of our Operations Manual (as defined in Section 4D). We may also provide guidance via telephonic conversations and/or consultation at our offices. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then-applicable fee, including our personnel's per diem charges and travel and living expenses. We reserve the right to periodically visit the Premises and evaluate your Business.

OPERATIONS MANUAL.

We will make one (1) copy of our manual for the operation of Air Fitness Studios available to you during the term of this Agreement, which may include one or more separate manuals, as well as audiotapes, videotapes, compact discs, computer software, information available on an internet site, other electronic media, bulletins and/or other written materials (collectively, the **"Operations Manual"**). The Operations Manual may be provided to you in print format or, electronically. accessible to The Operations Manual contains the mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for operating an Air Fitness Studio (**"System Standards"**), other specifications, standards and procedures that we suggest, and information on your other obligations under this Agreement. We may modify the Operations Manual.

If there is a dispute over its contents, our master copy of the Operations Manual shall control. You agree that the Operations Manual's contents are confidential and that you will not disclose the Operations Manual to any person other than any employee who needs to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual.

To the extent the Operations Manual is in print form, you agree to keep your copy of the Operations Manual current and in a secure location at your Business. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy at our then-applicable charge. At our option, we may post some or all of the Operations Manual on a restricted website or extranet (franchisee portal) to which you will have access. If we do so, you agree to monitor and access the website or extranet for any updates to the Operations Manual. Any passwords or other digital identifications necessary to access the Operations Manual on a website or extranet will be deemed to be part of Confidential Information (as defined in Section 6 below)

4.D. TECHNOLOGY.

We may, in its sole discretion, provide certain technologic products, support and/or services to franchisees from time to time. These services may (but will not necessarily) include access to certain software applications, streaming music services, website and related maintenance, website hosting fees, cloud storage fees, e-learning, mobile application and other related technologies which we determine, in our sole discretion, is appropriate to provide. In exchange for the technologic services we provide, You shall pay us an annual Technology Fee as further set forth in Section 3.C. We reserve the right to increase (or decrease) this fee on an annual basis and, if we change the fee, You will be notified at least thirty (30) days prior to the date on which the payment is due. The Technology Fee charged to You may exceed the actual costs we incur for such expenses and may include charges for services we or our affiliates provide including administrative expenses, charges for costs we incur on your behalf and other such costs that we incur.

You acknowledge and agree that technology is dynamic and is not predictable and, as such, changes

to the technologies we may require you to utilize for your Business will likely change during the term of this Agreement, as will the technologies we provide to you. From time to time, and in our sole discretion, in lieu of providing such services to you, we may require you to contract directly with certain designated third-party suppliers for various technological services and support. You shall comply with all current and future standards and specifications we impose regarding technology for your Business.

5. MARKS.

5.A. OWNERSHIP AND GOODWILL OF MARKS.

We have licensed you the Air Marks to use in connection with the development and operation of an Air Fitness Studio. You may not use any of the Air Marks in your business name or in any manner not approved by us. Your unauthorized use of any Marks is a breach of this Agreement and infringes our and our affiliates' rights in the Marks. Your unauthorized use of any Marks will cause us and our affiliates irreparable harm for which there is no adequate remedy at law and will entitle us and our affiliates to injunctive relief. You acknowledge and agree that your use of the Air Marks and any goodwill established by that use are exclusively for our and our affiliates' benefit and this Agreement does not confer any goodwill or other interests in any Marks to you (other than the right to operate your Business under the terms of this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize for the Franchise System. You may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity of any Marks or our and/or our affiliates' ownership of any Marks.

5.B. LIMITATIONS ON YOUR USE OF MARKS.

Your right to use the Air Marks is derived only from this Agreement. You may only use the Air Marks to operate your Business according to this Agreement and in accordance with our System Standards. You have no right to sublicense or assign your right to use any Marks. You agree to display the Air Marks prominently as we prescribe at your Business and on forms, advertising, supplies, employee uniforms and other materials we designate. You may not use any other trademarks, service marks or commercial symbols to identify or operate your Business.

You agree to identify yourself as the independent owner of your Business in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) except in connection with a Franchise System Website (as defined in Section 9G), as part of any domain name, homepage, electronic address, or otherwise in connection with a website; (5) in any user name, screen name or profile in connection with any social networking sites, such as LinkedIn®, Twitter®, Facebook®, Instagram® or YouTube®, except in accordance with our guidelines set forth in the Operations Manual or otherwise in writing from time to time; (6) in advertising the transfer, sale, or other disposition of your Business or an ownership interest in you, or (7) in any other manner that we have not expressly authorized in writing. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

5.C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any possible infringement, challenge, or claim. We and/or our affiliates may take any action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

5.D. DISCONTINUANCE OF USE OF MARKS.

We may at any time, in our sole discretion, require you to modify or discontinue using any Mark and/or use one or more additional or substitute Marks. You agree to replace the Marks at your Business with the modified, additional or substitute Marks we specify and comply with all other directions we give regarding the Marks at your Business within a reasonable time after receiving notice from us. We are not required to reimburse you for any costs or expenses associated with making such changes, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute Mark.

Our rights in this Section 5D apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason, business or otherwise, that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

5.E. INDEMNIFICATION FOR USE OF MARKS.

We agree to reimburse you for all damages and expenses that you incur in responding to any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of the proceeding, and complied with our directions in responding to it. At our option, we and/or our affiliates may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

5.F. OWNERS BOUND.

Unless otherwise specified, if you are an Entity, each and every one of your obligations to take or refrain from taking specific actions, or to engage or refrain from engaging in specific activities, set forth in this Section 5, shall also apply to each of your owners.

6. CONFIDENTIAL INFORMATION.

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “**Confidential Information**”), relating to developing and operating Air Fitness Studios, including:

- (1) training and operations materials, including the Operations Manual;
- (2) the System Standards and other methods, formats, specifications, standards,

systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Air Fitness Studios ;

(3) market research, promotional, marketing and advertising strategies and programs;

(4) strategic plans, including expansion strategies and targeted demographics;

(5) knowledge of, specifications for and suppliers of, and methods of ordering, Operating Assets and other products and supplies;

(6) any computer software or similar technology which is proprietary to us or the Franchise System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of Air Fitness Studios other than your Business;

(7) information generated by, or used or developed in, your Business' operation, including information relating to customers such as customer names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographic information and related information, and any other information contained from time to time in the Computer System; and

(8) any other information designated as confidential or proprietary by us.

All Confidential Information will be owned by us. You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating your Business during this Agreement's term, and that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, and you in fact do agree, that you and your owners:

(a) will not use Confidential Information in any other business or capacity;

(b) will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's term and then thereafter;

(c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;

(d) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including by restricting its disclosure and/or by requiring persons who have access to the Confidential Information to execute non-disclosure and non-competition agreements in the form attached as **Exhibit C**; and

(e) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

Confidential Information does not include information, knowledge, or knowhow, which (i) before we provided it to you, lawfully came to your attention, (ii) before we disclosed it to you, had already lawfully become known to you through publication or communication by others

(without violating an obligation to us or our affiliates), or (iii) after we disclosed it to you, lawfully becomes known through publication or communication by others (without violating an obligation to us or our affiliates). However, if we include 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.

All ideas, concepts, techniques, or materials relating to an Air Fitness Studio, whether or not protectable intellectual property and whether created by or for you or your owners, or your employees and independent contractors, must be promptly disclosed to us and will be our sole and exclusive property, and works made-for-hire for us. To the extent that any item does not qualify as a “work made-for-hire” for us, you hereby assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item.

7. EXCLUSIVE RELATIONSHIP DURING TERM.

7.A. COVENANTS AGAINST COMPETITION.

You acknowledge that we have granted you a franchise in consideration of and reliance on your agreement to deal exclusively with us. You therefore agree that, during this Agreement’s term, neither you, any of your owners, nor any of your or your owners’ immediate family members will:

(a) have any direct or indirect controlling or non-controlling ownership interest (whether of record, beneficially, or otherwise) in a Competitive Business (as defined below), wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(b) perform services as a director, officer, manager, independent contractor, employee, consultant, lessor, representative, or agent for a Competitive Business, wherever located or operating;

(c) divert or attempt to divert any actual or potential business or customer of your Business to a Competitive Business; or

(d) engage in any other activity which might injure the goodwill of any Marks or the Franchise System.

You agree to obtain similar covenants from your personnel as we specify, including officers, directors, managers, independent contractors and other employees attending our Training Program or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights.

The term “**Competitive Business**” means:

any business operating, supporting, or soliciting, or granting franchises or licenses to others to operate, support or solicit, any fitness or workout business offering group classes (excluding any Air Fitness Studios operated under a franchise agreement with us or our affiliate).

7.B. NON-SOLICITATION AND NON-INTERFERENCE.

You further agree that, during the term of this Agreement, neither you, any of your owners, nor any of your or your owners' immediate family members will:

(1) recruit, employ, engage, or seek to employ or engage any person who is (or was within the immediately preceding twenty-four (24) months) employed by us, by any of our affiliates, or by any franchise owner of an Air Fitness Studio, or who was working as an independent contractor offering services at any Air Fitness Studio or induce or attempt to induce any such person to leave said employment or engagement; or

(2) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any customers, vendors, or consultants.

7.C. NON-DISPARAGEMENT.

You agree not to (and to use your best efforts to cause your current and former shareholders, members, officers, directors, principals, agents, partners, employees, independent contractors, representatives, attorneys, spouses, affiliates, successors and assigns not to) (i) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, the "Air" brands, the Franchise System, any Air Fitness Studio, any business using the Marks, or (ii) take any other action which would, directly or indirectly, subject the "Air" brands to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us or the "Air" brand.

8. SYSTEM STANDARDS.

8.A. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge and agree that operating and maintaining your Business according to our System Standards is essential to preserve the goodwill of the Marks, and all business that operate using the Marks. Therefore, you agree at all times to operate and maintain your Business according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard is not in the Franchise System's or your best interests. Although we retain the right to establish and periodically modify System Standards, you (or your Operating Partner) are solely responsible for the management and operation of your Business and for implementing and maintaining System Standards at your Business.

As examples, and without limitation, System Standards may regulate any one or more of the following, in addition to the items described in Sections 8B through 8I below:

- (1) amounts and types of equipment and inventory you must purchase and/or maintain;
- (2) sales, marketing, advertising, and promotional campaigns, including prize

contests, special offers and other national, regional or location marketing programs, and materials and media used in these programs;

(3) use and display of the Air Marks at your Business and on uniforms, labels, forms, paper, products, and other supplies;

(4) issuing and honoring gift cards, gift certificates and similar items, and participating in loyalty card programs;

(5) staffing levels for your Business, and qualifications, training, dress, and appearance of your employees and independent contractors (although you have sole responsibility and authority concerning hiring, promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions);

(6) days and hours of operation;

(7) customer service standards and policies;

(8) product and service development programs, including participation in market research and testing;

(9) participation in, and dues assessed for, advisory councils;

(10) accepting credit and debit cards, other payment systems, and check verification services;

(11) bookkeeping, accounting, data processing, and record keeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition; and

(12) any other aspects of operating and maintaining your Business that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks, or Air Fitness Studios.

8.B. VARIATION AND MODIFICATION OF SYSTEM STANDARDS.

You acknowledge that complete and detailed uniformity might not be possible or practical under varying conditions, and that we specifically reserve the right (as we consider best, in our sole discretion) to vary System Standards for any franchise owner based on the peculiarities of any condition that we consider important to that franchise owner's successful operation. We may choose not to authorize similar variations or accommodations to you or other franchise owners. We may also permit variations in the System Standards (as we consider best, in our sole discretion) between Air Fitness Studios owned by us or our affiliates, and Air Fitness Studios owned by franchisees.

We may periodically modify System Standards. These modifications may obligate you to invest additional capital in your Business and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve refurbishing or remodeling your Business, buying new Operating Assets, adding new products and services, adding personnel or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date.

8.C. CONDITION AND APPEARANCE OF YOUR BUSINESS.

During the term of this Agreement you must regularly clean, repaint and repair the interior and exterior of the Premises, repair or replace damaged, worn out or obsolete Operating Assets and otherwise maintain the condition of your Business, the Premises and the Operating Assets to meet the highest standards of professionalism, cleanliness, sanitation, efficient, courteous service and pleasant ambiance.

If the general state of repair, appearance or cleanliness of the Premises or the Operating Assets does not meet our standards at any time in our reasonable judgment, we may notify you, specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within ten (10) days after you receive our notice, and/or do not complete any required maintenance or refurbishing in good faith and with due diligence, we have the right, in addition to all other remedies, to enter the Premises and do any required maintenance or refurbishing on your behalf. You agree to reimburse us on demand for any expenses we incur in maintaining or refurbishing the Premises on your behalf.

You will place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve.

8.D. APPROVED PRODUCTS AND SERVICES.

You agree that: (1) you will offer for sale or sell at your Business the products and services that we specify from time to time; (2) you will offer for sale or sell at your Business Air branded and approved products and services only in the manner and at the locations we have prescribed and will not sell any products or services wholesale or through alternative channels of distribution (including, the internet or retail stores); (3) you will not offer for sale or sell at your Business, the Premises or any other location any products or services we have not approved; (4) you will discontinue selling and offering for sale at your Business any products or services that we at any time decide (in our sole discretion) to disapprove; (5) you will purchase and use only the brands, types, or models of products, materials, supplies and services (including the Operating Assets and the Computer System) that we designate for operating your Business; and (6) your Business will provide services and sell products only on the days and during the hours approved by us (your business shall remain open 7 days per week, and a minimum of 8 hours per day).

If we at any time (including after our initial approval) determine that you fail to meet our System Standards for providing any products or services that we require, we may permanently or temporarily terminate your right to offer such products or services; provided that nothing contained herein shall be deemed a waiver of our right to terminate pursuant to Section 14.

8.E. MEMBERSHIPS

You will offer and sell monthly service plans, under which you must provide a specified number of services per month, in accordance with our System Standards (“**Memberships**”). All Memberships must be evidenced by a written agreement (which may be an electronic agreement) (a “**Membership Agreement**”) and may not be for a term that extends beyond the expiration of this Agreement. When selling Memberships, you will use a form of Membership Agreement that

we approve, and you will not make any modifications in the form of Membership Agreement without our prior written consent. Notwithstanding the foregoing, you acknowledge that you are responsible for ensuring that the Membership Agreements comply with all applicable laws and you may modify the Membership Agreements to the extent necessary to comply with such applicable laws, provided that you provide us with immediate notice of all such modifications. You acknowledge and agree that, subject to the preceding sentence, any Membership Agreement that has been modified without our consent shall be void. We may modify the types and terms of Memberships to be offered, terminate your right to offer certain types of Memberships, and/or approve or require other types of Memberships for sale.

You will only offer Memberships for sale in strict compliance with System Standards and our standards, policies and procedures. If we authorize you to sell Memberships, you will nevertheless be responsible to determine that you may do so under all laws and regulations applicable to your Business and you agree that you will fully comply with all such laws and regulations. We may suspend, revoke or terminate your right to offer Memberships at any time.

You agree to comply with the System Standards we establish from time to time regarding Memberships. These System Standards may regulate, among others, the following topics: (1) the types and terms of Memberships you may offer; (2) the form(s) of Membership Agreement; (3) the terms and conditions upon which a member may transfer his Membership from your Business to another Air Fitness Studio and vice versa; (4) admission of members of your Business to other Air Fitness Studios; (5) procedures to follow when members transfer to or from your Business; (6) use and acceptance of coupons, passes, and certificates; (7) group accounts and group Memberships (and discounts applicable thereto); and (8) payment terms for Memberships.

You agree, upon notice from us, to accept any Memberships we assign to you, and, if we so require, to honor those Memberships on the terms and conditions of the existing Membership Agreement, and to accept as remuneration only such payments as accrue pursuant to the applicable Membership Agreement from the time of assignment.

We reserve the right to establish a reciprocity program between your Business and other Air Fitness Studios. You must comply with all standards and requirements of any reciprocity program as we may implement and periodically modify.

8.F. APPROVED DISTRIBUTORS AND SUPPLIERS.

We may designate, approve or develop standards and specifications for manufacturers, distributors and suppliers of products and services to your Business, which may be us or our affiliates (collectively, “**suppliers**”). You must purchase the products and services we periodically designate only from the suppliers we prescribe and only on the terms and according to the specifications we approve.

We may concentrate purchases with one or more suppliers to obtain lower prices, advertising support and/or services for any group of Air Fitness Studios operated by franchisees or operated by us or our affiliates. We may also designate a single supplier for any product, service, Operating Asset, or other material, or approve a supplier only for certain products. You acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases (including from charging you for products and services we or our affiliates provide to you and from

promotional allowances, rebates, volume discounts and other payments, services or consideration we receive from suppliers that we designate or approve for some or all of our franchise owners). We and/or any of our affiliates may use such revenue or profit without restriction.

Approval of a supplier may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier from time to time.

If you would like to purchase or use any products, services, supplies or materials from any unapproved supplier, you must submit to us a written request for approval of the proposed supplier prior to purchasing any such products, services, supplies or materials. We reserve the right to charge you a fee (not to exceed the reasonable cost of the research and inspection and the actual cost of the test) to make the evaluation. We have the right to inspect the proposed supplier's facilities and to require that product samples from the proposed supplier be delivered either directly to us or to a third party we designate for testing. We will notify you in writing of the approval or rejection of the proposed supplier within a reasonable time after completion of the investigation. If we fail to respond within sixty (60) days, your request will be deemed denied. We may elect to withhold approval of the supplier, in our sole discretion and for any reason. You acknowledge that we are likely to reject your request for a new supplier without conducting any investigation if we have already designated an exclusive supplier for that product or service. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our criteria. We also reserve the right to charge suppliers a royalty for the right to manufacture products for use in the Air Fitness Studios.

8.G. COMPLIANCE WITH LAWS; GOOD BUSINESS PRACTICES.

You must secure and maintain all required licenses, permits and certificates relating to your Business and must at all times operate your Business in full compliance with all applicable laws, ordinances and regulations. You agree to comply and assist us in our compliance efforts with any and all laws and regulations, including those relating to truth in lending, beauty and spa businesses or fitness studio businesses, licensing of estheticians and fitness instructors, safety and sanitation, truth in advertising, occupational hazards, health and anti-discrimination laws, and anti-terrorist activities (including the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations). In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Business as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities (as provided in Section 16D) apply to your obligations under this Section.

Your Business must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with customers, suppliers, us and the public. You agree to refrain from any business or advertising practice which may injure our business and the goodwill associated with the Marks and other Air Fitness Studios. You must notify us in writing within five

(5) days of the threat of or commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of your Business and of any notice of violation of any law, ordinance, or regulation relating to your Business.

8.H. CUSTOMER COMPLAINTS.

We may contact any customer(s) of any Air Fitness Studio at any time for any purpose. Also, if we are contacted by a customer of your Business, who wishes to lodge a complaint we will first refer the person to you. However, if you cannot satisfy the needs of the complaining person, we reserve the right to address the person's complaints in order to preserve good will and prevent damage to the Marks. Our right to address complaints may include refunding money to the complaining person, in which case you must reimburse us for these amounts.

8.I. INFORMATION SECURITY

You must implement all administrative, physical and technical safeguards that we require to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information (“**Personal Information**”). No assistance, guidance, standards or requirements that we provide you constitute a representation or warranty of any kind, express or implied, that your Business or business is compliant with federal, state, or local privacy and data laws, codes, or regulations, or acceptable industry standards. It is your responsibility to confirm that the safeguards you use to protect Personal Information comply with all laws and industry best practices related to the collection, access use, storage, disposal and disclosure of Personal Information.

If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed. We reserve the right to conduct a data security and privacy audit of your Business and your Computer System at any time, from time to time, to ensure that you are complying with our requirements for handling Personal Information. The cost of such audit shall be paid by you. You agree to cooperate with us fully during the course of this audit. If we exercise any of these rights, we will not interfere unreasonably with your Business' operation.

8.J. MANAGEMENT OF YOUR BUSINESS.

Subject to the terms and conditions of this Agreement, you are solely responsible for the management, direction and control of your Business. You (or our Operating Partner) must supervise the management and day-to-day operations of your Business on a full-time basis and continuously exert best efforts to promote and enhance your Business and the goodwill associated with the Air Marks. Your Business must always be under the direct on-site supervision of one or more persons who have completed our Training Program.

8.K. EMPLOYEES, AGENTS & INDEPENDENT CONTRACTORS.

You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Business. You agree that any employee, agent or independent contractor that you hire will be your employee, agent or independent contractor, and not our employee, agent or independent contractor. You also agree that you are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Business in compliance with federal, state, and local employment laws.

We reserve the right to require that any employee, agent or independent contractor that you hire execute a form of non-disclosure and/or non-competition agreement that we approve. We reserve the right to regulate the form of non-disclosure and/or non-competition agreement that you use and to be a third party beneficiary of those agreements with independent enforcement rights. You acknowledge that any form of non-disclosure and/or non-competition agreement that we require you to use, provide to you, or regulate the terms of may or may not be enforceable in a particular jurisdiction. You agree that you are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of any confidentiality and/or non-compete agreement that your employees, agents and independent contractors sign.

8.L. INSURANCE.

During the term of this Agreement you must maintain in force at your sole expense comprehensive public liability, general liability, personal injury liability, motor vehicle liability, property, product liability, workmen's compensation, employment practices liability, commercial liability umbrella, business interruption insurance, and other types of insurance we require. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated vendor and on the terms and according to the specifications we approve. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Business' operation or activities of your personnel in the course of their employment (within and outside your Business and the Premises). All of these policies must contain the minimum coverage we prescribe from time to time, and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate).

Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You must routinely furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but are not required to) obtain such insurance for you and your Business on your behalf, in which event you agree to cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining

such insurance.

8.M. PRICING.

We may periodically set a maximum or minimum price that you may charge for products and services offered by your Business. If we impose a maximum price for any product or service, you may not charge more for the product or service than the maximum price we impose. If we impose a minimum price for any product or service, you may not charge less for such product or service than the minimum price we impose. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

9. MARKETING.

9.A. GRAND OPENING MARKETING PLAN.

When you sign this Agreement, your Grand Opening Marketing Plan is included at no additional charge to us in order to develop a grand opening marketing plan for your Business (your “**Marketing Plan**”); however, you must incur all costs associated with implementing your Grand Opening Marketing Plan (your “**Marketing Plan**”), which may include obtaining certain marketing materials from us or our affiliates.

You acknowledge and agree that the Marketing Plan does not constitute a representation or warranty by us of any kind, express or implied, that your Business will achieve any specific results in connection with its grand opening. The uncertainty and variability of marketing efforts are beyond our control, and we are not responsible if your Marketing Plan fails to meet your expectations.

9.B. LOCAL ADVERTISING EXPENDITURE.

You must advertise in any advertising medium we determine, using forms of advertisement we approve, which may include listing your Business with recommended online directories in the business classifications and market areas we prescribe from time to time. If other Air Fitness Studios are located in your market area, we may require you to participate in a collective advertisement with those other Air Fitness Studios and to pay your share of the cost of that collective advertisement.

Subject to Section 9F below, we may require you from time to time to spend a minimum amount per month to advertise and promote your Business (the “**Local Advertising Expenditure**”). We reserve the right to approve the type of expenditure that will count towards your Local Advertising Expenditure. Indirect costs you incur in managing your local advertising campaigns, such as salaries and benefits of employees administering the campaigns, will not be counted towards your Local Advertising Expenditure. Additionally, any costs you incur for advertising conducted at the Premises, such as in-store materials and signage, will not be counted towards your Local Advertising Expenditure. On our request, you agree to send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures during the preceding months.

We reserve the right to require you to pay part or all of the Local Advertising Expenditure to us or our designee. We may at any time, on one or more occasions, cease collecting all or part of the Local Advertising Expenditure, or change the proportion of the Local Advertising Expenditure that you must pay us or our designees.

9.C. ADVERTISING BY YOU.

You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising, the System Standards, and any marketing and the advertising and marketing policies that we prescribe from time to time. At least fourteen (14) days before you intend to use them, you agree to send us samples of all advertising, promotional and marketing materials that we have previously not approved. If we do not approve of the materials within seven (7) days of our receipt of such materials, then they shall be deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

9.D. ADVERTISING AND MARKETING FUND.

Recognizing the value of advertising and marketing to the goodwill and public image of the Marks, and the business that operate using the Marks, we have established one or more national advertising and marketing funds to promote the Air Marks and Air Fitness Studios (collectively, the “**Air Marketing Fund**”) for the advertising, marketing, and public relations programs and materials we deem appropriate that will be used nationally, regionally, or locally in our franchise owners’ markets. Subject to Section 9F below, you must contribute to the Air Marketing Fund, if your Business is an Air Fitness Studio (your “**Marketing Fund Contribution**”) in an amount equal to one percent (1%) of your Business’ Gross Sales during the preceding month. We reserve the right, upon five (5) business days’ notice to you, to require you to pay the Marketing Fund Contribution at any other increments we choose, which may include weekly.

We will direct all programs that the Air Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic market, media placement and allocation. The Air Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining Franchise System Websites or related websites that promote Air Fitness Studios or the Franchise System; developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions of such devices; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing activities; and/or related strategies.

We may use the Air Marketing Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Air Marketing Fund; the Air Marketing Fund’s other administrative costs; travel expenses of personnel while they are on Air Marketing Fund business; meeting costs; overhead relating to the Air Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Air Marketing Fund and its programs, including conducting market research; public relations; preparing advertising,

promotion, and marketing materials; and collecting and accounting for Air Marketing Fund Contributions.

The Air Marketing Fund is not our asset. Although the Air Marketing Fund is not a trust, we will hold all Marketing Fund Contributions for the benefit of the contributors and use contributions only for the purposes described in this Item 11. We do not have any fiduciary obligation for administering the Air Marketing Fund or for any other reason. The Air Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Marketing Fund Contributions to pay costs before using any of the Air Marketing Fund's other assets.

We may prepare an annual, unaudited statement of the Air Marketing Fund's collections and expenses. If we do, we will give you this statement for the Air Marketing Fund on written request. We may have the Air Marketing Fund audited annually, at the Air Marketing Fund's expense, by an independent certified public accountant. We may incorporate the Air Marketing Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 9D.

The purpose of the Air Marketing Fund is to promote the Air Marks, patronage of Air Fitness Studios and the "Air" brand generally. Although we will try to use the Air Marketing Fund in a manner that may benefit all Air Fitness Studios, we cannot ensure that the Air Marketing Fund's expenditures for any specific geographic area will be proportionate to the Marketing Fund Contributions of contributors in that geographic area.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Air Marketing Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Air Marketing Fund. Except as expressly provided in this Item 11, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Air Marketing Fund.

We may at any time defer or reduce contributions of a franchise owner or, on thirty (30) days' prior written notice to you, reduce or suspend Marketing Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Air Marketing Fund. If we terminate the Air Marketing Fund, we will continue to spend all unspent monies in accordance with this Section, until such amounts are exhausted.

9.E. LOCAL ADVERTISING COOPERATIVE.

You agree that we or our affiliates or designees may establish or direct the establishment of a local advertising cooperative ("**Local Advertising Cooperative**") in geographical areas (as determined by us) in which two (2) or more Air Fitness Studios are operating. The Local Advertising Cooperative will be organized and governed by written documents in a form and manner, and begin operating on a date, that we determine in advance. Such written documents will be available for participating franchise owners to review. We may change, dissolve, merge and reinstate any Local Advertising Cooperatives. Each Local Advertising Cooperative's purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Local Advertising Cooperative covers. If we have established a Local Advertising Cooperative for the geographic area in which your Business is

located, as of the time you sign this Agreement, or if we establish a Local Advertising Cooperative in that area during this Agreement's term, you agree to sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative as we require.

If we establish a Local Advertising Cooperative in your geographic area pursuant to this Section 9E, you agree to participate and contribute your share to such Local Advertising Cooperative ("**Local Advertising Cooperative Contribution**"). The amount of your Local Advertising Cooperative Contribution will be determined at the time the Local Advertising Cooperative is established, provided, that it will be subject to Section 9F below. Your Local Advertising Cooperative Contribution will be payable in the same manner as the Royalty. Your Local Advertising Cooperative Contribution may also be capped based on the provisions of the by-laws adopted by the Local Advertising Cooperative, subject to our approval.

Each Air Fitness Studio contributing to a Local Advertising Cooperative will have one (1) vote on matters involving the activities of the particular Local Advertising Cooperative. The Local Advertising Cooperative may not use any advertising, marketing or promotional plans or materials without our prior written consent. However, you acknowledge and agree that, subject to our approval and subject to availability of funds, the Local Advertising Cooperative will have discretion over the creative concepts, materials and endorsements used by it. We agree to assist in the formulation of marketing plans and programs, which will be implemented under the direction of the Local Advertising Cooperative. You agree that the Local Advertising Cooperative Contributions may be used to pay the costs of preparing and producing video, audio and written advertising and direct sales materials; purchasing direct mail and other media advertising; implementing direct sales programs; and employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs.

The Local Advertising Cooperative Contributions will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You agree to submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative require.

You understand and acknowledge that your Business might not benefit directly or in proportion to its Local Advertising Cooperative Contribution. Local Advertising Cooperatives will be developed separately, and no Local Advertising Cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect a Local Advertising Cooperative Contributions on behalf of and at the expense of the Local Advertising Cooperative and to forgive, waive, settle, and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in this Section 9E, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Local Advertising Cooperative.

9.F. MAXIMUM ADVERTISING EXPENDITURE

The combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative Contribution shall not exceed three (3%) of your Business' Gross Sales (the "**Maximum Advertising Expenditure**"). We reserve the right, on sixty (60) days written notice, and in our sole discretion, to change the amount of the Marketing Fund Contribution, Local Advertising Expenditure or Local Advertising Cooperative Contribution so long as any change

does not result in a combined Marketing Fund Contribution, Local Advertising Expenditure and Local Advertising Cooperative Contribution greater than the Maximum Advertising Expenditure.

9.G. FRANCHISE SYSTEM WEBSITE.

We may establish, acquire, or host any website(s) to advertise, market, and promote Air Fitness Studios, the products and services that they offer and sell, and/or Air Fitness Studios franchise opportunities (each a “**Franchise System Website**”). We may (but are not required to) provide you with a webpage on a Franchise System Website that references your Business for informational purposes only. If we provide you with a webpage on a Franchise System Website, you must: (i) provide us the information and materials we request to develop, update, and modify your webpage; (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage. We will own all intellectual property and other rights in all Franchise System Websites, including your webpage and all information it contains (including the domain name, any associated URL or email address, any website analytical data, and any personal or business data that visitors supply).

We may use Marketing Fund assets to develop, maintain and update any Franchise System Website. We periodically may update and modify any Franchise System Website (including your webpage). You acknowledge that we have final approval rights over all information on any Franchise System Website (including your webpage). We may implement and periodically modify System Standards relating to any Franchise System Website.

Even if we provide you a webpage on a Franchise System Website, we will only maintain this webpage while you are in full compliance with this Agreement and all System Standards we implement (including those relating to Franchise System Websites). If you are in default of any obligation under this Agreement or our System Standards, then we may temporarily remove your webpage from any Franchise System Website (or all Franchise System Websites) until you fully cure the default. We will permanently remove your webpage from all Franchise System Website upon this Agreement’s expiration or termination.

We may require you to provide notice of any Franchise System Website in the advertising, marketing, and promotional materials that you develop for your Business in the manner we designate. We reserve the sole right to sell the products sold by Air Fitness Studios on the internet through Franchise System Websites. You agree that you will not sell any Air Fitness Studio products or services to customers on a website through the internet or through any alternative channels of distribution.

We reserve the right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions. We reserve the right to charge you a fee for each email address we provide you.

Except as provided above, or as approved by us in writing, you may not develop, maintain or authorize any website, domain name, URL address, email address, other online presence or other electronic medium that mentions your Business, links to any Franchise System Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through or on the internet, or any other similar proprietary or common carrier electronic delivery system. If we approve the use of any such websites, other online presences or electronic

mediums, including social networking websites (such as LinkedIn®, Twitter®, Instagram®, Facebook®, or YouTube®) in the operation of your Business, or the posting of messages relating to your Business on other websites, you will do so only in accordance with our guidelines. We reserve the right to require our approval of any message you compose for a social networking website or commentary for any other website before you post such message or commentary.

10. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You must use the Computer System to maintain certain sales data, customer information and other information. You agree that we shall have access to your Computer System at all times and that we shall have the right to collect and retain from the Computer System any and all data concerning your Business. We may require that you hire a service-provider that we designate as your provider of accounting, payroll and/or bookkeeping services. If we designate a service-provider for accounting, payroll and/or bookkeeping services, you agree to cooperate with such service-provider and provide such service-provider with all information you would appropriately provide us under this Section 10.

Each month, you agree to generate, in the manner and format that we may prescribe from time to time, an income statement (including a standard chart of the accounts designated by us) for your Business covering the most recently completed month. On our request, you agree to send us such statements. You also agree to give us in the manner and format that we prescribe from time to time:

- (a) on or before the Royalty payment, a report on your Business' Gross Sales during the preceding calendar month;
- (b) within fifteen (15) days after the end of each calendar month, the operating statements, financial statements, statistical reports and other information we request regarding your Business covering the preceding month;
- (c) within the time limits specified in the Operations Manual, such other periodic operating statements, financial statements, statistical reports and other information we request regarding you and your Business;
- (d) by March 15th of each year, annual profit and loss and source and use of funds statements and a balance sheet for your Business as of the end of the prior calendar year; and
- (e) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we may periodically require relating to you and your Business.

An officer must certify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly.

Subject to applicable law, you agree to preserve and maintain all records in a secure location at your Business for at least three (3) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts journals, cash disbursement journals, and general ledgers). We may require you to have audited financial statements prepared annually during the term of this Agreement.

11. INSPECTIONS AND AUDITS.

11.A. OUR RIGHT TO INSPECT YOUR BUSINESS.

To determine whether you and your Business are complying with this Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1) inspect your Business; (2) photograph your Business and observe and videotape your Business' operation as we deem necessary; (3) monitor your Business using electronic surveillance or other means; (4) remove samples of any products and supplies interview your Business' personnel and customers; and (6) inspect and copy any books, records, and documents relating to your Business' operation. Additionally, we may conduct, or contract with third parties to conduct, mystery shopper, customer survey or other market research testing, and quality assurance inspections at your Business. You agree to cooperate with us fully during the course of these inspections and tests. If we exercise any of these rights, we will not interfere unreasonably with your Business' operation. We will not charge you a fee for our inspection visits, or mystery shopping reviews. However, if you fail any inspection or mystery shopper review, you will be charged our then-current fee for any subsequent inspections we conduct to confirm that such deficiencies are cured.

11.B. OUR RIGHT TO AUDIT.

We may at any time during your business hours, and without prior notice to you, examine your and your Business' business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of your Business' Gross Sales, you agree to pay us the Royalty, Marketing Fund Contribution, and any other fees understated, plus interest on the understated amounts from the date originally due until the date of payment, within fifteen (15) days after receiving the examination report. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Gross Sales exceeding three percent (3%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. TRANSFER.

12.A. BY US.

You acknowledge that we maintain a staff to manage and operate the Franchise System and that staff members can change as employees come and go. You acknowledge that you did not sign this Agreement in reliance on the continued participation by or employment of any of our

shareholders, directors, officers, or employees. We may change our ownership or form of organization and/or assign this Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any obligations under this Agreement. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

12.B. BY YOU.

You acknowledge that the rights and duties this Agreement creates are personal to you and your owners and that we have granted you the franchise in reliance on our perception of your and your owners' individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement (or any interest in this Agreement); (ii) your Business (or any right to receive all or a portion of your Business' profits or losses or capital appreciation related to your Business); (iii) substantially all of the assets of your Business; (iv) any direct or indirect ownership interest in you (regardless of its size); or (v) any direct or indirect ownership interest in any of your owners (if such owners are legal entities). A transfer of your Business' ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term “**transfer**” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, foreclosure, surrender or by operation of law.

Additionally, you may not pledge or encumber this Agreement, your Business or an ownership interest in you or your owners (to someone other than us) as security for any loan or other financing, unless (1) we grant our prior written consent and (2) the lender agrees that its claims will be subordinate to all amounts you owe at any time to us or our affiliates.

12.C. CONDITIONS FOR APPROVAL OF TRANSFER.

Subject to the other provisions of this Section 12, if you and your owners are fully complying with this Agreement, we will approve a transfer that meets all of the requirements in this Section 12C.

If the proposed transfer is of a non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur), then we will approve such transfer if the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and meet our then applicable standards for Air Fitness Studios franchise owners, including no ownership interest or performance of services for a Competitive Business. If the proposed transfer is of this Agreement, your Business, substantially all the assets of your Business, or a “controlling ownership interest” (as defined in Section 17K) in you or one of your owners, or is one of a series of transfers (regardless of the time period over which these transfers take place), which in the aggregate transfers this Agreement, your Business, substantially all the assets of your Business, or a controlling ownership interest in you or one of your owners, then all of the following conditions must be met before or concurrently with the effective date of the transfer:

- (1) the transferee has sufficient business experience, aptitude, integrity and

financial resources to operate your Business;

(2) you have paid all Royalties, Marketing Fund Contributions, and other amounts owed to us, our affiliates, and third-party vendors, and have submitted all required reports and statements;

(3) you have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(4) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(5) the transferee (or its Operating Partner), and any other manager and/or assistant manager we designate, satisfactorily complete our then-current Training Program;

(6) your landlord allows you to transfer the Lease or to sublease the Premises to the transferee;

(7) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Marketing Fund Contribution; provided, however, that the term of the new franchise agreement signed will equal the remainder of the then-remaining term of this Agreement;

(8) you pay us a transfer fee equal to Ten Thousand Dollars (\$10,000);

(9) you (and your owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents;

(10) all individuals and entities who will be direct or indirect owners must execute or have executed a guaranty in the form we prescribe;

(11) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of your Business;

(12) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Business are subordinate to the transferee's obligation to pay Royalties, Marketing Fund Contributions, and other amounts due to us, our affiliates, and third-party vendors related to the operation of your Business and otherwise to comply with this Agreement;

(13) you have corrected any existing deficiencies of your Business of which we have notified you, and/or the transferee agrees to upgrade, remodel, and refurbish your Business in accordance with our then-current requirements and specifications for or Air

Fitness Studios within the time period we specify following the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken) and the transferee agrees to escrow an amount we approve for payment of the required upgrade, remodel or refurbishment;

(14) you and your transferring owners agree to terminate this Agreement in accordance with its terms, and comply with all applicable post-termination obligations, including by complying with the restrictive covenants found in Sections 15E and 15F of this Agreement.

We may review all information regarding your Business that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Business.

Our consent to a transfer pursuant to this Section is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Business' or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

12.D. TRANSFER TO A WHOLLY-OWNED ENTITY.

Notwithstanding Section 12C above, if you are in full compliance with this Agreement, you may transfer this Agreement to an Entity in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests; provided, that (i) that Entity will own all of your Business' assets, and will conduct all of your Business' business, and (ii) that Entity will conduct no business other than your Business and, if applicable, other Air Fitness Studios we have approved. The Entity must expressly assume all of your obligations under this Agreement. You agree to remain personally liable under this Agreement as if the transfer to the Entity did not occur and sign the form of consent to assignment and assignment satisfactory to us which may include a general release of any and all claims against us and our owners, officers, directors, employees and agents. You further agree to provide us with all organizational documents for the Entity that we require.

12.E. OUR RIGHT OF FIRST REFUSAL.

If you (or any of your owners) at any time decide to sell an interest in this Agreement, your Business, substantially all the assets of your Business, or an ownership interest in you or one of your owners (except to or among the current owners of such Entity), you (or your owners) agree to obtain a bona fide executed written offer, relating exclusively to the transfer of this Agreement, your Business, substantially all the assets of your Business, or the ownership interest in you or one of your owners, from a responsible and fully disclosed buyer and send to us a true and complete copy of that written offer. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

We may also require you (or your owners) to send us copies of any materials or

information sent to the proposed buyer or transferee regarding the possible transaction. We may elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

- (1) we notify you or your selling owner(s) that we intend to purchase the interest or within thirty (30) days after we receive a copy of the offer and all other information we request;
- (2) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);
- (3) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);
- (4) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and
- (5) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in an Entity, as applicable, including representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 12E.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections 12B and C above, and if you (and your owners) and the transferee comply with the conditions in Sections 12B and C above. Notwithstanding anything in this Section to the contrary, the right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 12B and C above.

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal. We or our designee must exercise this additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

12.F. YOUR DEATH OR DISABILITY.

On the death or disability of you, your Operating Partner or any owner with a controlling ownership interest in you, your or the Operating Partner's or such person's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this

Agreement, or the Operating Partner's or controlling ownership interest in you, to a third party (which may be your or the Operating Partner's or such other person's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12 (except that any transferee that is the spouse or immediate family member of you or your Operating Partner or such other person, shall not have to pay the transfer fee described in Section 12C(7) if the transfer meets all the other conditions in Section 12C). A failure to transfer your interest in this Agreement or the Operating Partner's or such Controlling Owner's ownership interest in you within this time period is a breach of this Agreement. The term "**disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Operating Partner or such other person from supervising the management and operation of your Business. A new Operating Partner acceptable to us also must be appointed for your Business within sixty (60) days. If your Business is not being managed properly at any time after your or the Operating Partner's death or disability, in our sole judgment, we may, but need not, assume your Business' management (or appoint a third party to assume its management) in accordance with Section 14C.

13. EXPIRATION OF THIS AGREEMENT.

13.A. YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.

Upon expiration of this Agreement, you will have the option to acquire a successor franchise to operate your Business for one (1) additional term of five (5) years, if you meet the following conditions:

- (1) you (and each of your owners) have substantially complied with this Agreement during its term;
- (2) you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise (as provided in Section 13B below) and on the date on which the term of the successor franchise would commence, in full compliance with this Agreement and all System Standards;
- (3) you maintain possession of and agree to remodel and/or expand your Business, add or replace improvements and Operating Assets, and otherwise modify your Business as we require to comply with System Standards then-applicable for new Air Fitness Studios, or, at your option, you secure substitute premises that we approve and you develop those premises according to System Standards then applicable for Air Fitness Studios;
- (4) you sign the franchise agreement we then use to grant franchises for Air Fitness Studios, modified as necessary to reflect the fact that it is for a successor franchise, which may contain provisions that differ materially from those contained in this Agreement;
- (5) you and your owners agree to sign, in a form satisfactory to us, guarantees and general releases of any and all claims against us and our shareholders, officers, directors, employees, agents, successors, and assigns; and
- (6) you pay a successor franchise fee equal to Five Thousand Dollars (\$5,000).

If you (and your owners) fail to meet the conditions set forth in this Section, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Section 14B.

13.B. GRANT OF A SUCCESSOR FRANCHISE.

You agree to give us written notice of your election to acquire a successor franchise no more than one (1) year and no less than one hundred eighty (180) days before this Agreement expires. We agree to give you written notice of our decision to grant or not to grant you a successor franchise not more than six (6) months after we receive your notice. If applicable, our notice will describe the remodeling, maintenance, expansion, improvements, technology upgrades, trade dress updates, and/or modifications required to bring your Business into compliance with then-applicable System Standards for new Air Fitness Studios, and state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies.

If our notice states that you must remodel your Business and/or must cure certain deficiencies of your Business or its operation as a condition to our granting you a successor franchise, and you fail to complete the remodeling and/or to cure those deficiencies, we will give you written notice of our decision not to grant a successor franchise, not less than ninety (90) days before this Agreement expires; provided, that we need not give you ninety (90) days' notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the ninety (90) day period before it expires. We may extend this Agreement's term for the time period necessary to give you either reasonable time to correct deficiencies or the ninety (90) days' notice of our refusal to grant a successor franchise. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

14. TERMINATION OF AGREEMENT.

14.A. TERMINATION BY YOU.

You may terminate this Agreement if you are in full compliance with this Agreement and we materially fail to comply with this Agreement, and (i) we fail correct the failure within thirty (30) days after you deliver written notice of the material failure to us, or (ii) if we cannot correct the failure within thirty (30) days, we fail give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time. Your termination under this Section will be effective thirty (30) days after you deliver to us the written notice of termination. If you terminate this Agreement other than according to this Section 14A, the termination will be deemed a termination without cause and a breach of this Agreement.

14.B. TERMINATION BY US.

We may terminate this Agreement, effective on delivery of written notice of termination to you, if:

- (1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the franchise or operating your Business;
- (2) you do not receive our written approval of your Business' proposed site and

Lease within one hundred and eighty (180) days of the Effective Date;

- (3) you do not open your Business within 180 days of signing the Lease;
- (4) you (or your Operating Partner), and/or any manager or assistant manager we require, do not satisfactorily complete the Training Program in accordance with Section 4A;
- (5) you abandon or fail to actively operate your Business for more than two (2) consecutive business days or fourteen (14) days during any twelve-month period;
- (6) you (or your owners) make or attempt to make any transfer in violation of Section 12;
- (7) you (or any of your owners) are or have been convicted by a trial court of, or pleaded guilty or no contest to, a felony;
- (8) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;
- (9) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects your Business' reputation or the goodwill associated with the Marks;
- (10) you lose the right to occupy the Premises whether or not through any fault of yours;
- (11) you (or any of your owners) knowingly make any unauthorized use or disclosure of any Confidential Information;
- (12) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate your Business in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours after you receive notice from us or any other party, regardless of any longer period of time that any governmental authority or agency may have given you to cure such violation;
- (13) you create or allow to exist any condition in or at the Premises that we reasonably determine to present an immediate health or safety concerns for the customers or employees of your Business;
- (14) you violate any other applicable law, regulation, ordinance or consent decree, or fail to maintain any bond, license or permit, and do not cure such violation or failure within ten (10) days after we or any applicable government agency deliver notice to you of that violation or failure;
- (15) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;
- (16) you fail to pay when due any federal or state income, service, sales, or other taxes due on your Business' operation, unless you are in good faith contesting your liability for these taxes;

(17) you have insufficient funds in your designated account to cover your payments owed for Royalties, Marketing Fund Contributions and other amounts due on three (3) separate occasions within a twelve (12) month period;

(18) you understate your Business' Gross Sales three (3) times or more during this Agreement's term or by more than two percent (2%) on any one occasion;

(19) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(20) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your Business is attached, seized, subjected to a writ or distress warrant, or levied on, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you or your Business is not vacated within thirty (30) days following the order's entry;

(21) you or any of your owners "assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation;

(22) you fail to pay the lessor of your Premises rent or any other amounts due under the Lease within thirty (30) days after the due date;

(23) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you;

(24) there is a termination of any other franchise agreement between you or your affiliates and us (or any of our affiliates);

(25) you receive a below average or unsatisfactory grade on two (2) or more inspections within any twelve (12) consecutive month period; or

(26) you fail to pay when due any third-party supplier and do not cure such failure within the applicable cure period.

14.C. ASSUMPTION OF MANAGEMENT.

We have the right (but not the obligation) to enter the Premises and assume your Business' management (or to appoint a third party to assume its management) for any period of time we deem appropriate, if: (1) you abandon or fail actively to operate your Business; (2) you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you; (3) this Agreement is terminated and we

are deciding whether to exercise our option to purchase your Business under Section 15E, or (4) your Operating Partner dies, or transfers its interest in you or your Business, or we disapprove your Operating Partner, or your Operating Partner for any other reason becomes incapable of managing the operations of your Business (determined in our sole discretion). If we (or a third party) assume your Business' management, you agree to pay us (in addition to the Royalty, Marketing Fund Contributions, and other amounts due to us or our affiliates) fifteen percent (15%) of your Business' Gross Sales during the time we are managing it, plus our (or the third party's) direct out-of-pocket costs and expenses, for up to sixty (60) days after we assume management. During the term of this Agreement, we may adjust the amount of this daily fee from time to time by an amount that is commensurate with inflation.

All funds from your Business' operation while it is under our (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. If we (or a third party) assume your Business' management, you acknowledge that we (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Business incurs, or to any of your creditors for any supplies, products, or other assets or services your Business purchases, while we (or the third party) manage it.

Our decision to assume management of your Business (or to appoint a third party to assume management of your Business) will not affect our right to terminate this Agreement under Section 14B.

15. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION.

15.A. PAYMENT OF AMOUNTS OWED TO US.

You agree to pay us the Royalties, Marketing Fund Contributions, interest, and all other amounts owed to us (and our affiliates) within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine, calculated as of the date of payment. We have the right to set off any amount you or your owners owe us or our affiliates against any amounts we or our affiliates owe you, your owners or your affiliates. You acknowledge that termination or expiration of this Agreement does not affect your liability for amounts you (or your owners or affiliates) owe any third-parties or creditors and we do not assume any such liabilities.

15.B. LOST REVENUE DAMAGE.

If we terminate this Agreement because of your breach or if you terminate this Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties, and that the Marketing Fund and Local Advertising Cooperatives would have otherwise derived from your continued contributions to those funds, through the remainder of the term of this Agreement. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the "**Lost Revenue Damages**"), is an amount equal to the net present value of the Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions that would have become due had this Agreement not been terminated, from the date of termination to

the earlier of: (a) five years following the date of termination, or (b) the scheduled expiration of the term of this Agreement. For the purposes of this Section, Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions will be calculated based on the average monthly Gross Sales of your Business during the twelve (12) full calendar months immediately preceding the termination date; provided, that if as of the termination date, your Business has not been operating for at least twelve (12) months, Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions will be calculated based on the average monthly Gross Sales of all Air Fitness Studios operating during our fiscal year immediately preceding the termination date.

You agree to pay us Lost Revenue Damages, as calculated in accordance with this Section, within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine. You and we agree that the calculation described in this Section is a calculation only of the Lost Revenue Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of the Agreement.

15.C. MARKS.

In the case of expiration, you must remove all signs containing any Mark and return to us or destroy all items, forms and materials containing any Mark or otherwise identifying or relating to the Air Fitness Studio on or before the date on which this Agreement expires. In the case of a termination, you must remove all signs containing any Mark and return to us or destroy all items, forms and materials containing any Mark or otherwise identifying or relating to the Air Fitness Studio within seven (7) days after the date this Agreement is terminated.

When this Agreement expires or is terminated:

(a) you (and your owners) may not directly or indirectly at any time or in any manner (except with other Air Fitness Studios you own and operate) identify yourself or any business as a current or former Air Fitness Studios or as one of our current or former franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Air Fitness Studio in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

(b) you agree to take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(c) you agree to notify the telephone company and all telephone directory and internet directory publishers of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark; to authorize the transfer of these numbers and directory listings to us or at our direction; and/or to instruct the listing company to forward all calls made to your numbers to numbers we specify. You agree that, as between you and us, on termination or expiration, we have the sole right and interest in the telephone numbers and listings, and you appoint us as your attorney-in-fact to direct the telephone company to assign the same to us and to sign any required documents on your behalf;

(d) you agree to direct all internet service providers, domain name registries,

internet search engines, social media companies, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, “Electronic Advertising”): (i) to transfer all of Franchisee’s interest in such Electronic Advertising to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. You agree that, as between you and us, on termination or expiration, we have the sole right and interest in the Electronic Advertising, and you appoint us as your attorney-in-fact to direct the Internet Companies to assign the same to us and to sign any required documents on your behalf. In the event we do not desire to accept any or all such Electronic Advertising, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising or will take such other actions with respect to the Electronic Advertising as Franchisor directs; and

(e) you agree to comply with all applicable laws in connection with the closure or de-identification of your Business;

(f) immediately cease using any email address that is associated with a domain name we own or the Marks;

(g) if applicable, you agree to immediately (i) cease using or operating any website or other online presences or electronic mediums, including social networking websites (such as LinkedIn®, Twitter®, Facebook®, or YouTube®), related to your Business or the Marks, (ii) take any action as may be required to disable such websites or social networking website accounts, and (iii) cancel all rights in and to any accounts for such websites; and

(h) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

If you fail to take any of the actions (or refrain from taking any of the actions) described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Business.

15.D. CONFIDENTIAL & PERSONAL INFORMATION.

You agree that when this Agreement expires or is terminated you will immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Operations Manual and any other Confidential Information, including customer lists and membership information. You also agree to comply with all of our directions for returning or disposing of Personal Information, in any form, in your possession or the possession of any of your employees. We may require you to certify in writing that you have returned or securely disposed of all Personal Information.

15.E. OUR RIGHT TO PURCHASE YOUR BUSINESS.

We have the option to purchase your Business and the Premises (if you or one of your affiliates owns the Premises) upon the occurrence of a Termination Event (as defined below). We may exercise this option by giving you written notice within thirty (30) days after the date of the Termination Event. We have the unrestricted right to assign this option to purchase. If we purchase your Business and/or the Premises, we are entitled to all customary warranties and representations in our asset purchase, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

If you lease the Premises from an unaffiliated lessor, or if we choose not to purchase the Premises from you (or one of your affiliates), you agree, at our election to (i) assign your Lease to us, (ii) enter into a sublease with us for the remainder of the Lease term on the same terms (including renewal options) as the Lease, or (iii) lease the Premises to us for an initial term of five years with, at our option, up to three (3) additional terms of five (5) years each, on commercially reasonable terms.

We (or our assignee) will pay the purchase price for your Business and/or Premises (calculated as described below) at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although we (or our assignee) may decide after the purchase price is determined not to purchase your Business and/or the Premises. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us or our affiliates. At the closing, you agree to deliver instruments transferring to us (or our assignee):

- (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;
- (b) all of your Business' licenses and permits which may be assigned or transferred; and
- (c) the ownership interest or leasehold interest in the Premises and improvements or a lease assignment or lease or sublease, as applicable.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we and you will close the sale through an escrow. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our owners, officers, managers, employees, agents, successors and assigns.

A “**Termination Event**” occurs if, (i) you terminate this Agreement (other than in accordance with Section 14A), (ii) we terminate this Agreement for any reason, or (iii) the term of this Agreement (including any successor term) expires.

If we purchase your Business upon a Termination Event, the purchase price for your Business and the Premises will be their reasonable fair market value, provided that these items will not include any value for the rights granted by this Agreement, any goodwill attributable to our Marks, brand image, and other intellectual property, or any participation in the network of Air Fitness Studios. We may exclude from the assets purchased any Operating Assets and supplies that

are not reasonably necessary (in function or quality) to your Business' operation or that we have not approved as meeting System Standards, and the purchase price will reflect these exclusions.

If we and you cannot agree on fair market value, fair market value will be determined by one (1) independent accredited appraiser who will conduct an appraisal and, in doing so, be bound by the criteria for the purchase price described above. If we and you cannot agree on an independent appraiser, you will select one appraiser, we will select one appraiser, and these two appraisers will appoint the appraiser to determine the fair market value. You and we agree to select an appraiser within fifteen (15) days after we notify you that we wish to exercise our purchase option (if you and we have not agreed on fair market value before then), and, if necessary, the two appraisers selected by you and us are obligated to appoint the actual appraiser within fifteen (15) days after the last of the two is selected. You and we will share equally the appraisers' fees and expenses. The appraiser must complete its appraisal within thirty (30) days after its appointment.

15.F. COVENANT NOT TO COMPETE.

Upon termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration, neither you nor any of your owners (or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, independent contractor, consultant, lessor, representative, or agent in any Competitive Business located or operating at the Premises, or within a ten (10) mile radius of your Premises.

If any person restricted by this Section 15F fails to comply with these obligations as of the date of termination or expiration, the two (2) year restricted period for that person will commence on the date the person begins to comply with this Section 15F, which may be the date a court order is entered enforcing this provision.

You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 15F will not deprive you of your personal goodwill or ability to earn a living.

15.G. NON-SOLICITATION AND NON-INTERFERENCE.

On termination or expiration of this Agreement, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 15G begin to comply with this Section 15G, whichever is later, neither you nor any of your owners (or their immediate family members) will:

- (a) recruit or hire any person who is then or was, within the immediately preceding twenty-four (24) months, employed by us, any of our affiliates, or one of our franchise owners without our consent or that of the relevant employer;

- (2) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any customers, vendors, or consultants; or

- (a) engage in any other activity that might injure the goodwill of the Marks and/or the Franchise System.

15.H. CONTINUING OBLIGATIONS.

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

16.A. INDEPENDENT CONTRACTORS.

You and we understand and agree that each of us is an independent business and that you and we are and will be independent contractors. This Agreement does not create a fiduciary relationship between you and us, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously to all persons (including customers, suppliers, public officials, and employees) as your Business' owner, and indicate clearly that you operate your Business separately and independently from our business operations. You agree to place notices of independent ownership on all interior and exterior signage, forms, business cards, stationery, advertising, and other materials that we may require from time to time. You may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in our name or on our behalf or represent that your and our relationship is anything other than franchisor and franchise owner.

We have no right or duty to direct your employees in the course of their employment for you. You are solely responsible for the terms and conditions of employment of your employees. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Business' operation or the business you conduct under this Agreement.

We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property, or other taxes, whether levied upon you or your Business, due to the business you conduct. You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us (except for our income taxes).

16.B. NO LIABILITY FOR ACTS OF OTHER PARTY.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Business' operation or the business you conduct under this Agreement.

16.C. TAXES.

We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property, or other taxes, whether levied on you or your Business, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

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16.D. INDEMNIFICATION.

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of your Business’ operation, the business you conduct under this Agreement, or your breach of this Agreement, including those alleged to be or found to have been caused by the Indemnified Party’s gross negligence or willful misconduct, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction.

For purposes of this indemnification, “**claims**” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim for indemnity under this Section. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover under this Section.

17. ENFORCEMENT.

17.A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if any part of this Agreement is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation for any reason (in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction), that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s validity.

If any applicable and binding law or rule of any jurisdiction requires more notice of this Agreement’s termination or of our refusal to enter into a successor franchise agreement, than this Agreement requires, or some other action that this Agreement does not require, or h any provision

of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

17.B. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction on the other under this Agreement, effective on delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective on delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist on the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Air Fitness Studios; the existence of franchise agreements for other Air Fitness Studios which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalties or Marketing Fund Contributions due afterward.

17.C. COSTS AND ATTORNEYS' FEES.

The prevailing party in any arbitration or litigation arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorney's fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

17.D. RIGHTS OF PARTIES ARE CUMULATIVE.

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise

or enforcement of any other right or remedy which we or you are entitled by law to enforce.

17.E. ARBITRATION.

We and you agree that all controversies, disputes, or claims between us or our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to:

- (1) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates);
- (2) our relationship with you;
- (3) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 17.E, which we and you acknowledge is to be determined by an arbitrator, not a court); or
- (4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of our then-current principal place of business. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid or, except as expressly provided in this Article 17, award any punitive, exemplary, or multiple damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive, exemplary, or multiple damages against any party to the arbitration proceedings).

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

We and you agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between us and our affiliates, or our and their respective shareholders,

officers, directors, agents, and employees, on the one hand, and you (or your owners, guarantors, affiliates, and employees) may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) or brought on your behalf by any association or agency. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

Despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that we and you must contemporaneously submit our dispute, controversy or claim for arbitration on the merits as provided in this Section.

You and we agree that, in any arbitration arising as described in this Section, requests for documents shall be limited to documents that are directly relevant to significant issues in the case or to the case's outcome; shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded. With respect to any electronic discovery, you and we agree that:

- A. production of electronic documents need only be from sources used in the ordinary course of business. No such documents shall be required to be produced from back-up servers, tapes or other media;
- B. the production of electronic documents shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;
- C. the description of custodians from whom electronic documents may be collected shall be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute; and
- D. where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, subject to allocation of costs in the final award as provided herein.

In any arbitration arising out of or related to this Agreement, each side may take no more than three depositions. Each side's depositions are to consume no more than a total of 15 hours, and each deposition shall be limited to 5 hours. There are to be no speaking objections at the depositions, except to preserve privilege.

The provisions of this Section are intended to benefit and bind certain third party non-

signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section

17.F. GOVERNING LAW.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

17.G. CONSENT TO JURISDICTION.

SUBJECT TO SECTION 17E ABOVE AND THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT CLOSEST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS, AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, WE AND YOU (AND YOUR OWNERS) AGREE THAT ANY OF US MAY ENFORCE ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR YOUR BUSINESS IS LOCATED.

17.H. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16D, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

17.I. BINDING EFFECT.

This Agreement is binding on us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.

17.J. LIMITATIONS OF CLAIMS AND CLASS ACTION BAR.

EXCEPT FOR CLAIMS ARISING FROM YOUR NONPAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. HOWEVER, THE PARTIES AGREE THAT, IN ORDER TO COMPLY WITH THIS PROVISION, EITHER PARTY MAY COMMENCE A JUDICIAL OR ARBITRATION PROCEEDING BEFORE A RELATED MEDIATION PROCEEDING IS DECLARED COMPLETED.

ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND A PROCEEDING BETWEEN US AND OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES) MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) OR BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT, NOR MAY ANY CLAIMS OF ANOTHER PARTY OR PARTIES BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN YOU AND US. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

17.K. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Operations Manual (which may be periodically modified, as provided in this Agreement) and the related documents, constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Business. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Notwithstanding anything to the contrary contained in this Agreement, and only to the extent that Franchisee and/or the Franchised Business is located in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin, then no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance

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

Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as expressly provided in this Agreement, nothing in this Agreement is intended or deemed to confer any rights or remedies on any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “**affiliate**” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term “**control**” means the power to direct or cause the direction of management and policies. The use of the term “**including**” in this Agreement, means in each case “including, without limitation”.

If two or more persons are at any time the owners of your Business, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “**owner**” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your Business or an ownership interest in you), including any person who has a direct or indirect interest in you (or a transferee), this Agreement or your Business and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a “**controlling ownership interest**” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

The term “**person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

Unless otherwise specified, all references to a number of days shall mean calendar days

and not business days.

The term “**your Business**” includes all of the assets of the Air Fitness Studio you operate under this Agreement, including its revenue and the Lease.

18. DELEGATION OF PERFORMANCE.

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

19. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered:

- (a) at the time delivered by hand;
- (b) at the time delivered electronically and, in the case of the Royalty, Marketing Fund Contributions, and other amounts due, at the time we actually receive payment via the EFT Authorization;
- (c) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or
- (d) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of the Premises.

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

20. BUSINESS JUDGMENT.

We retain the right to operate, develop and change the Franchise System and the products and services offered by Air Fitness Studios in any manner that is not specifically prohibited in this Agreement. Whenever we have reserved the right in this Agreement to take or refrain from taking any action, or to prohibit you from taking or refraining from any action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information then readily available to us and on our judgment of what is in our best interests, the best interests of our affiliates and/or the best interests of Air Fitness Studios as a whole at the time the decision is made, regardless of whether we could have made other reasonable, or even arguably preferable, alternative decisions and regardless of whether our decision or action

promotes our interests, those of our affiliates or any other person or entity.

21. EXECUTION

This Franchise Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Franchise Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Franchise Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Franchise Agreement. You agree that the electronic signatures or digital signatures (each an “e-Signature”) of any party to this Franchise Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party’s intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party’s e-Signature.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

K SQUARED FRANCHISING LLC, a Delaware limited liability company

Sign: _____

Name: _____

Title: _____

DATED*: _____

(*Effective Date of this Agreement)

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY,
OR PARTNERSHIP):**

Entity Name

Signature

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

Signature

Print Name

DATED: _____

EXHIBIT A

TO THE FRANCHISE AGREEMENT

**Effective Date: This Exhibit A is current and complete
as of _____, 20_____**

You and Your Owners

1. Form of Owner.

(a) You operate as a sole proprietorship: ____ Yes ____ No

(b) You operate as a _____ corporation, limited liability company, or _____ partnership (CHECK ONE). You were formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____ (INSERT ANY ASSUMED NAME OR DBA THAT YOU HAVE USED). The following is a list of your directors, if applicable, and officers as of the effective date shown above:

<u>Name of Each Director/Officer</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. **Owners.** The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Owner's Name</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Name and Address of Operating Partner.**

- (a) Name: _____
- (b) Postal Address: _____

- (c) E-mail Address: _____
- (d) Telephone Number: _____
- (e) Fax Number: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT
PREMISES

1. The Premises of your Business will be located:

[If the Premises has not been determined as of the Effective Date, use the following language: “within an area to be defined within [COUNTY] county, [STATE]”]

EXHIBIT C

TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

This “Agreement” is made and entered into as of _____, 20____, by and among _____ (“**Franchisee**”), K SQUARED FRANCHISING LLC, a Delaware limited liability company (“**Franchisor**”), and _____, being [an employee of Franchisee who will have access to Confidential Information], [an officer], or [a director] or [general partner] or [managing member] or [a third party who will have access to Confidential Information] of Franchisee (“**Covenantor**”).

1. PREAMBLES.

Franchisor has executed or intends to execute a “**Franchise Agreement**” with Franchisee under which Franchisor grants to Franchisee certain rights with regard to the operation of an Air Fitness Studio. Before allowing Covenantor to have access to the Confidential Information and as a material term of the Franchise Agreement necessary to protect Franchisor’s confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards and procedures authorized or required by Franchisor from time to time for use in the operation of Franchisee’s Air Fitness Studio, and Franchisor’s proprietary rights in and Franchisee’s right to use the Confidential Information, Franchisor and Franchisee require that Covenantor enter into this Agreement.

As a condition of Covenantor’s employment or continued employment with Franchisee or Covenantor’s appointment as a director or officer of Franchisee, or Covenantor’s receipt of other compensation from Franchisee and to induce Franchisor to enter into the Franchise Agreement, Covenantor agrees to enter into this Agreement. Due to the nature of Franchisor’s and Franchisee’s business, any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause Franchisor and Franchisee substantial harm.

2. DEFINITIONS.

Certain terms that are capitalized in this Agreement are defined in this section or at the places they first appear.

- a. THE TERM “**COMPETITIVE BUSINESS**” AS USED IN THIS AGREEMENT MEANS ANY BUSINESS OPERATING, SUPPORTING, OR SOLICITING, OR GRANTING FRANCHISES OR LICENSES TO OTHERS TO OPERATE, SUPPORT OR SOLICIT, ANY HEALTH, WELLNESS, FITNESS OR WORKOUT BUSINESS OFFERING GROUP CLASSES (EXCLUDING ANY AIR FITNESS STUDIOS OPERATED UNDER A FRANCHISE AGREEMENT WITH FRANCHISOR OR ITS AFFILIATE).
- b. THE TERM “**CONFIDENTIAL INFORMATION**” AS USED IN THIS AGREEMENT MEANS CERTAIN CONFIDENTIAL AND PROPRIETARY INFORMATION RELATING TO THE DEVELOPMENT AND OPERATION OF AIR FITNESS STUDIOS, WHICH INCLUDES, BUT IS NOT LIMITED TO:

(1) TRAINING AND OPERATIONS MATERIALS, INCLUDING THE OPERATIONS MANUAL; (2) THE SYSTEM STANDARDS AND OTHER METHODS, FORMATS, SPECIFICATIONS, STANDARDS, SYSTEMS, PROCEDURES, SALES AND MARKETING TECHNIQUES, KNOWLEDGE, AND EXPERIENCE USED IN DEVELOPING AND OPERATING AIR FITNESS STUDIOS; (3) MARKET RESEARCH, PROMOTIONAL, MARKETING AND ADVERTISING STRATEGIES AND PROGRAMS FOR AIR FITNESS STUDIOS; (4) STRATEGIC PLANS, INCLUDING EXPANSION STRATEGIES AND TARGETED DEMOGRAPHICS; (5) KNOWLEDGE OF, SPECIFICATIONS FOR AND SUPPLIERS OF, AND METHODS OF ORDERING, OPERATING ASSETS AND OTHER PRODUCTS AND SUPPLIES; (6) ANY COMPUTER SOFTWARE OR SIMILAR TECHNOLOGY WHICH IS PROPRIETARY TO FRANCHISOR OR THE FRANCHISE SYSTEM, INCLUDING DIGITAL PASSWORDS AND IDENTIFICATIONS AND ANY SOURCE CODE OF, AND DATA, REPORTS, AND OTHER PRINTED MATERIALS GENERATED BY, THE SOFTWARE OR SIMILAR TECHNOLOGY; (7) KNOWLEDGE OF THE OPERATING RESULTS AND FINANCIAL PERFORMANCE OF ANY AIR FITNESS STUDIOS; (8) INFORMATION GENERATED BY, OR USED OR DEVELOPED IN, ANY AIR FITNESS STUDIO'S OPERATION, INCLUDING INFORMATION RELATING TO CUSTOMERS SUCH AS CUSTOMER NAMES, ADDRESSES, TELEPHONE NUMBERS, E- MAIL ADDRESSES, CREDIT CARD INFORMATION, BUYING HABITS, PREFERENCES, DEMOGRAPHIC INFORMATION AND RELATED INFORMATION, AND ANY OTHER INFORMATION CONTAINED FROM TIME TO TIME IN THE COMPUTER SYSTEM OF ANY AIR FITNESS STUDIOS; (9) ANY OTHER INFORMATION DESIGNATED AS CONFIDENTIAL OR PROPRIETARY BY FRANCHISOR.

3. PROTECTION OF CONFIDENTIAL INFORMATION.

Covenantor agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on behalf of Franchisee taking into consideration the confidential nature of the Confidential Information. Covenantor may disclose the Confidential Information only as agent for Franchisee. Covenantor acknowledges and agrees that neither Covenantor nor any other person or entity will acquire any interest in or right to use the Confidential Information under this Agreement or otherwise other than the right to utilize it as authorized in this Agreement and that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business would be detrimental to Franchisor and Franchisee and would constitute a breach of Covenantor's obligations of confidentiality and an unfair method of competition with Franchisor and/or other Air Fitness Studios owned by Franchisor or franchisees.

Covenantor acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Franchisor. The Confidential Information will be disclosed to Covenantor solely on the condition that Covenantor agrees to the terms and conditions of this Agreement. Covenantor therefore agrees that during the term of the Franchise Agreement and thereafter, he or she: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make

unauthorized copies of any portion of the Confidential Information disclosed or in written form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor and Franchisee to prevent unauthorized use or disclosure of or access to the Confidential Information.

Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Covenantor do not apply to (a) disclosure or use of information, methods, or techniques which are generally known and used in the industry (as long as the availability is not because of a disclosure by Covenantor or Covenantor's agents, and such disclosure or use is not otherwise prohibited by this Agreement), provided that Covenantor has first given Franchisor written notice of his or her intended disclosure and/or use; and (b) disclosure of the Confidential Information in legal proceedings when Covenantor is legally required to disclose it, provided that Covenantor has first given Franchisor the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to Franchisor that the information required to be disclosed will be treated confidentially.

Covenantor shall have no right to any confidential information related to any other business model that Franchisor operate or offer franchises for; however, if Covenantor receive any such confidential information from any source, including Franchisor or its affiliates, Covenantor will treat it as "Confidential Information" as defined in this Agreement. Covenantor further acknowledges and agrees that certain of Franchisor's affiliates or franchisees operating other business models may obtain information about Air Fitness Studios, and such receipt does not impact the confidential nature of such information or the classification of such information as Confidential Information under the terms of this Agreement.

4. IN-TERM RESTRICTIVE COVENANT.

Covenantor acknowledges and agrees that Franchisor and Franchisee would be unable to protect the Confidential Information against unauthorized use or disclosure and Franchisor would be unable to achieve a free exchange of ideas and information among Air Fitness Studios if persons authorized to use the Confidential Information were permitted to engage in, have ownership interests in or perform services for Competitive Businesses. Covenantor therefore agrees that for as long as Covenantor is (a) a director, officer, general partner, or managing member of Franchisee, (b) an employee of Franchisee who will have access to Confidential Information, or (c) a third party who has been given access to Confidential Information by the Franchisee, neither Covenantor nor Covenantor's spouse shall (i) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business; or (ii) perform services as a director, officer, member, employee, manager, consultant, lessor, representative, agent or otherwise for any Competitive Business. Covenantor further acknowledges that the restrictions contained in this Section will not hinder his or her activities or those of members of his or her immediate family under this Agreement or in general.

5. POST-TERM RESTRICTIVE COVENANTS

Upon the first to occur of: (a) termination or expiration without renewal of the Franchise Agreement; (b) the date as of which Covenantor is neither (i) a director, officer, general partner or managing member of Franchisee or (ii) an employee of Franchisee who will have access to Confidential Information; or (c) termination or expiration without renewal of the agreement in

which Covenantor provides goods or services to Franchisee (each of these events is referred to as a “**Termination Event**”), Covenantor agrees that for a period of two (2) years commencing on the effective date of a Termination Event, neither Covenantor nor Covenantor’s spouse shall have any direct or indirect interest as a disclosed or beneficial owner in, or assist or perform services as a director, officer, manager, employee, consultant, lessor, representative, agent or otherwise for, a Competitive Business located or operating within a ten (10) mile radius of the premises of the franchised business operated pursuant to the Franchise Agreement.

6. SURRENDER OF DOCUMENTS.

Covenantor agrees that as of the effective date of a Termination Event Covenantor shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Covenantor and return to Franchisee or to Franchisor if directed by Franchisor all copies of the Confidential Information loaned or made available to Covenantor.

7. COSTS AND ATTORNEYS’ FEES.

In the event that Franchisor or Franchisee is required to enforce this Agreement in an action against Covenantor, Covenantor shall reimburse Franchisor and/or Franchisee if it/they prevail (whether or not awarded a money judgment) for its/their reasonable attorneys’ fees, whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal.

8. WAIVER.

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

9. SEVERABILITY.

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible. Such other portions shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if Covenantor is a party thereto or upon Covenantor’s receipt of a notice from Franchisor that it will not enforce the section, paragraph, term or provision in question.

10. RIGHTS OF PARTIES ARE CUMULATIVE.

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

11. BENEFIT.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. In the event Franchisor does not execute this Agreement (regardless of the reason) Franchisor shall be deemed a third party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

12. EFFECTIVENESS.

This Agreement shall be enforceable and effective when signed by Covenantor regardless of whether and when Franchisor or Franchisee signs this Agreement.

13. GOVERNING LAW.

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the State of Delaware without regard to its conflict of laws principles.

14. EXECUTION.

This Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement. You agree that the electronic signatures or digital signatures (each an “e-Signature”) of any party to this Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party’s intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party’s e-Signature.

[Signature page to follow]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day, month, and year first set forth below.

INDIVIDUAL:

(signature)

Name: _____, an individual
(please print your name in the blank provided above)

Date: _____

FRANCHISEE:

(d/b/a _____)

Sign: _____

Name: _____

Title: _____

Date: _____

EXHIBIT D

TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (“GUARANTY”) is given by the persons indicated below who have executed this Guaranty (each a “Guarantor”) to be effective as of the Effective Date of the Agreement (defined below).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “Agreement”) by K SQUARED FRANCHISING LLC (the “Franchisor”), and _____ (“Franchisee”), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement on demand if Franchisee fails or refuses punctually to do so; (3) liability shall not be contingent or conditioned on pursuit by Franchisor of any remedies against Franchisee or any other person; (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement; (5) Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement; and (5) at our request, Guarantor provides the updated financial information to us as may be reasonably necessary to demonstrate his or her ability to satisfy the obligations of the franchise owners under the Agreement.

Guarantor hereby consents and agrees that:

(a) Guarantor’s liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other owners of Franchisee;

(b) Guarantor shall render any payment or performance required under the Agreement on demand if Franchisee fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

Guarantor agrees to be personally bound by the arbitration obligations under Section 17E of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 17E of the Agreement in accordance with its terms.

By signing below, the undersigned spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. Each of the undersigned Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Capitalized terms that are used but not defined in this Guaranty will have the meanings ascribed to them in the Agreement.

This Guaranty may be executed in duplicate, and each copy so executed shall be deemed an original. This Franchise Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Guaranty transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Guaranty. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Guaranty shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature to be effective as of the Effective Date.

GUARANTOR(S)	SPOUSE(S)
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____
Name: _____ Sign: _____ Address: _____ _____ _____	Name: _____ Sign: _____ Address: _____ _____ _____

EXHIBIT E
TO THE FRANCHISE AGREEMENT

RIDER AND SPECIAL STIPULATIONS

TO LEASE AGREEMENT DATED _____
BY AND BETWEEN

_____, AS "LANDLORD"
AND

_____, AS "TENANT" FOR THE
DEMISED PREMISES ("PREMISES") DESCRIBED THEREIN

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "Lease"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Consent to Collateral Assignment to Franchisor; Disclaimer. Landlord acknowledges that Tenant intends to operate an Air Fitness Studio (a "Business") in the Premises, and that Tenant's rights to operate a Business and to use the "AIR" name, trademarks and service marks (the "Marks") are solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and K SQUARED FRANCHISING LLC ("Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then- standard franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

2. Use of Premises. Tenant shall only use the Premises for purposes of a Business.

3. Compliance of Premises With Applicable Law. Landlord represents and warrants that as of the date hereof the Premises are in compliance with all applicable law.

4. Radius/Relocation. Any radius restrictions or relocation provisions found in the Lease are hereby deleted and of no further force or effect.

5. Tenant's Signage. Notwithstanding anything in the Lease contained to the contrary or in conflict, Landlord hereby grants and approves the following signage rights:

5.1. Landlord agrees to allow Tenant to use Franchisor's standard sign and awning package to the maximum extent permitted by local governmental authorities.

5.2 Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon as approved by Franchisor, including without limitation Franchisor's logo.

6. Sales Information. Notwithstanding anything in the Lease contained to the contrary or in conflict, on Franchisor's request, Landlord agrees to provide Franchisor with all sales and other information Landlord may have related to the operation of Tenant's Business at the Premises.

7. Use of the Marks. Notwithstanding anything in the Lease contained to the contrary or in conflict, Landlord hereby grants and approves Tenant the right to display the Marks at the Premises, subject only to the provisions of applicable law.

8. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing on receipt thereof by Franchisor, Franchisor shall have fifteen (15) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than (i) fifteen (15) days after Franchisor's receipt of such notice as to monetary defaults or (ii) thirty (30) days after Franchisor's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

K SQUARED FRANCHISING LLC
16472 Samuel Paynter Boulevard
Milton, DE 19968

9. Non-disturbance from Mortgage Lenders. Notwithstanding anything contained in the Lease to the contrary or in conflict, it shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to Section 8 immediately above).

CHECK THE FOLLOWING PARAGRAPH THAT APPLIES. CHECK ONLY ONE. IF NONE IS CHECKED, THEN CLAUSE a) BELOW WILL BE APPLICABLE, AND CLAUSE b) BELOW WILL BE DEEMED DELETED.

A) Landlord represents and warrants that on the date hereof no mortgage, deed of trust, deed to secure debt or similar encumbrance encumbers the Premises.

B) A mortgage, deed of trust or deed to secure debt currently encumbers the Premises. It is a condition precedent to Tenant's obligations under this Lease that the holder of such encumbrance enter into a written subordination and non-disturbance agreement with Tenant, in form acceptable to Franchisor.

10. Financing of Trade Fixtures by Franchisor and Security Interest. Any security interest and/or Landlord's lien in Tenant's trade fixtures, 'trade dress', equipment and other personal property in the Premises is hereby subordinated to any security interest and pledge granted to Franchisor in such items. The parties acknowledge that there may be certain personal property in the Premises which are not owned by Tenant, which property shall not be subject to any lien of Landlord. On request, Landlord shall grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

11. Tenant Approvals. Notwithstanding anything in the Lease to the contrary, if Tenant is unable to obtain licenses, building permits, signage permits, variances, subdivision approvals, special use permits and other governmental approvals necessary to construct and operate a Business (all of the foregoing licenses, permits and approvals are hereinafter referred to as the "Tenant Approvals") within one hundred eighty (180) days after Landlord's approval of Tenant's Plans, Tenant may terminate this Lease by written notice to Landlord, effective as of the date of delivery of written notice to Landlord thereof and any remaining security deposit shall be returned to Tenant, and any rentals paid in advance shall be prorated accordingly.

12. Default. Notwithstanding anything in the Lease to the contrary, a default under the Lease shall constitute a default under the Franchise Agreement.

13. Third Party Beneficiary. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

14. Franchisor Right to Enter. Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's abandonment, Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the location). Landlord agrees that Franchisor or its appointee may enter on the Premises for purposes of assuming the management and operation of Tenant's location as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease. Further, on the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter

on the Premises for the purpose of removing all signs and other material bearing the "Air" name or trademarks, service marks or other commercial symbols of Franchisor.

15. Amendments. Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor's prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

16. Copy of Lease. Landlord agrees to provide Franchisor with a copy of the fully-executed Lease within ten (10) days of its full execution by Landlord and Tenant to the address shown in paragraph 8 above.

17. Counterparts. This Rider may be executed in one or more counterparts, each of which shall cumulatively constitute an original. PDF/Faxed signatures of this Rider shall constitute originals of the same. A signed copy of this Rider transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Rider. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Rider shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

[Signature page follows]

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD:_____

TENANT: _____

By:_____

Name:_____

Title: _____

By:_____

Name:_____

Title: _____

EXHIBIT C

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AIR® Google Portal

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- Broker Requirements
- Corporate Contact List
- Pre-opening Manual
- Sample Chart of Accounts
- Sample Opening Checklist
- Sample Space Plan

2. STUDIO MANAGEMENT TOOLS

AIR Draft Client Emails

- AIR Draft Emails (Word)
- Kids+Teens Programming Draft Emails

AIR Parties

- Public Event Booking Agreement
- Private Event Booking Agreement

Clean for Classes

- Sample Clean for Classes Agreement
- Sample Weekly Cleaning Checklist

Consent Forms

- Informed Consent Form (2 per page)
- Informed Consent Form (1 per page)

How-tos

- Facebook Ads
- Arketa
- Kids+Teens Activities
- YELP and Google
- Files
 - Hammock Tie Video
 - Groupon
- Sample Groupon Agreement

Class Descriptions and Pricing Sheets

- Tier 1 Pricing Sheet
- Tier 2 Pricing Sheet
- Class Descriptions and Pricing Options Flyer Tier 1
- Class Descriptions and Pricing Options Flyer Tier 2
- Workshops
 - Example Workshop Offerings for all studio (both AIR Branded and not)
- Owner Conferences
 - 2025 Conference Agenda and follow up notes/summaries
- Manuals and Checklists
 - Manager Manual
 - Front Desk Manual
 - Quality Assurance Checklist for staff

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Sample retreat pricing spreadsheet

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2026

- Basic 4 and Elite 8 Sale
- Class Pack Sale
- Early Bird Kids Sessions
- Evergreen Marketing
- Gift Card Sales
- New Client Private Session Sale
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- Instagram Story Templates

Brand Assets + Logos

- Logos
- Style Guide 2026
- Updated AIR Triangle

Editable Templates

- Previous Years
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- 2025
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- Studio Location Shoots
- AIR Corporate Shoots

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- Previous Year Stories
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Studio Business Materials

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3. RECEPTIONIST TOOLS

- AIR Greeter Manual

4. TRAINER TOOLS

- Kids Instructor Program and Junior Trainer Program
- Sample New Hire Paperwork
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- W2 Employees
- Training Agreements and Evaluation Forms
- AIR Confi Agreement
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5. Reporting

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- AIR Quarterly Numbers Review
- AIR 2025 Year End Business Review

EXHIBIT D
FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF K SQUARED FRANCHISING LLC

K Squared Franchising, LLC

(A Delaware Limited Liability Company)

**Financial Statements with Report of Independent Auditors
December 31, 2025, 2024, and 2023**

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Report of Independent Auditors

To the Members of
K Squared Franchising, LLC

Opinion

We have audited the accompanying financial statements of K Squared Franchising, LLC (the Company), a Delaware limited liability company, which comprise the balance sheets as of December 31, 2025, 2024, and 2023, and the related statement of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, 2024, and 2023, and the results of its operations and its cash flows for the year ended December 31, 2025, 2024, and 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after April 2, 2026.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore 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 audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

DA Advisory Group PLLC

Troy, MI
April 2, 2026

K Squared Franchising, LLC
BALANCE SHEETS
As of December 31, 2025, 2024, and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 50,960	\$ 126,164	\$ 134,975
Royalties receivable	<u>15,590</u>	<u>8,939</u>	<u>8,891</u>
Total current assets	66,550	135,103	143,866
Noncurrent assets:			
Computers and equipment	1,813	1,813	1,813
Accumulated depreciation	<u>(1,813)</u>	<u>(1,208)</u>	<u>(604)</u>
Property and equipment, net	-	605	1,208
Other assets:			
Intangibles - royalty system	<u>420,379</u>	<u>420,379</u>	<u>420,379</u>
Total other assets	420,379	420,379	420,379
Total noncurrent assets	420,379	420,984	421,587
Total assets	<u>\$ 486,929</u>	<u>\$ 556,087</u>	<u>\$ 565,454</u>
LIABILITIES AND MEMBERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 5,525	\$ -	\$ -
Deferred revenue, current portion	<u>-</u>	<u>-</u>	<u>22,500</u>
Total current liabilities	5,525	-	22,500
Total liabilities	<u>5,525</u>	<u>-</u>	<u>22,500</u>
Members' equity	<u>481,404</u>	<u>556,087</u>	<u>542,954</u>
Total liabilities and members' equity	<u>\$ 486,929</u>	<u>\$ 556,087</u>	<u>\$ 565,454</u>

see accompanying notes

K Squared Franchising, LLC
STATEMENT OF OPERATIONS

For the Years Ended December 31, 2025, 2024, and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
REVENUE			
Franchise fees	\$ 14,000	\$ 25,750	93,000
Royalty income	112,078	92,503	85,474
Technology fees	34,710	-	-
Marketing income	22,418	18,501	18,011
Total revenues	<u>183,206</u>	<u>136,754</u>	<u>196,485</u>
OPERATING EXPENSES			
Operating expenses	<u>96,747</u>	<u>51,456</u>	<u>50,524</u>
Total operating expenses	<u>96,747</u>	<u>51,456</u>	<u>50,524</u>
Operating income (loss)	<u>86,459</u>	<u>85,298</u>	<u>145,961</u>
OTHER INCOME			
Other income	-	49	1,416
Interest income	<u>3,057</u>	<u>5,287</u>	<u>149</u>
Net other income	<u>3,057</u>	<u>5,336</u>	<u>1,565</u>
Net income	<u>\$ 89,516</u>	<u>\$ 90,633</u>	<u>\$ 147,525</u>

see accompanying notes

K Squared Franchising, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Years Ended December 31, 2025, 2024, and 2023

	<u>Total Equity</u>
BALANCE, December 31, 2022	<u>\$ 529,429</u>
Capital distributions	(134,000)
Capital contributions	-
Net income	<u>147,525</u>
BALANCE, DECEMBER 31, 2023	<u>\$ 542,954</u>
Capital distributions	(77,499)
Capital contributions	-
Net income	<u>90,633</u>
BALANCE, DECEMBER 31, 2024	<u>\$ 556,087</u>
Capital distributions	(164,199)
Capital contributions	-
Net income	<u>89,516</u>
BALANCE, DECEMBER 31, 2025	<u>\$ 481,404</u>

see accompanying notes

K Squared Franchising, LLC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025, 2024, and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 89,516	\$ 90,633	\$ 147,525
Change in:			
Royalties receivable	(6,651)	(48)	(1,417)
Accounts payable	5,525	-	-
Depreciation	604	604	604
Deferred revenue	<u>-</u>	<u>(22,500)</u>	<u>22,500</u>
Net cash provided by operating activities	88,995	68,689	169,213
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions	-	-	-
Capital distributions	<u>(164,199)</u>	<u>(77,499)</u>	<u>(134,000)</u>
Net cash used in financing activities	(164,199)	(77,499)	(134,000)
Net change in cash and cash equivalents	\$ (75,204)	\$ (8,809)	\$ 35,213
Cash and cash equivalents at beginning of year	<u>126,164</u>	<u>134,975</u>	<u>99,762</u>
Cash and cash equivalents at end of year	<u>\$ 50,960</u>	<u>\$ 126,164</u>	<u>\$ 134,975</u>
Total cash and cash equivalents	<u>\$ 50,960</u>	<u>\$ 126,164</u>	<u>\$ 134,975</u>

see accompanying notes

K Squared Franchising, LLC
Notes to the Financial Statements
December 31, 2025, 2024, and 2023

1. Organization

K Squared Franchising, LLC (the “Company”) is a Delaware limited liability company formed in February 2022 and began transacting business in April 2022. The Company was formed to award franchises for its unique fitness studio concept, offering athletic conditioning and training at athletic training studios.

For the years ended December 31, 2025, 2024, and 2023, total contributed capital was \$0, \$0 and \$0, respectively. For the years ended December 31, 2025, 2024, and 2023, total distributions were \$164,199, \$77,499, and \$134,000, respectively.

2. Summary of significant accounting policies and nature of operations

Basis of presentation

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

The Company maintains its cash in bank deposit accounts which could exceed federally insured limits. The Company has not experienced an instance where cash held in the account exceeded insured limits since their inception and have not had losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents

Concentration of credit risk

The Company is subject to credit risk related to amounts due from franchisees. The financial condition of the franchisees is largely dependent upon the underlying business trends of the brands and market conditions within the industries represented. The concentration of risk is mitigated by the number of franchisees and the short-term nature of the receivables from the franchisees.

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different

K Squared Franchising, LLC
Notes to the Financial Statements
December 31, 2025, 2024, and 2023

2. Summary of significant accounting policies and nature of operations (continued)

from the results that would have been obtained under the allowance method. For the periods ended December 31, 2025, 2024, and 2023, there were no write-offs, and no allowance deemed necessary.

Revenue and expenses

Operating income consists of contractual franchise royalties based on a percentage of monthly sales which are recognized as revenue in the month earned as well as revenue from other contractual agreements.

Initial franchise fees are recognized as revenue once substantially all of the initial services of the Company required by franchise agreement have been performed and no other material conditions or obligations related to the determination of substantial performance exist. For the years ended December 31, 2025, 2024, and 2023, initial franchise fees collected were \$0, \$3,250, and \$115,500, respectively. As of December 31, 2025, 2024, and 2023, the total amount of deferred franchise fees were \$0, \$0, and \$22,500, respectively.

Other revenue sources include initial franchise fees, transfer fees, and renewal fees, as well as royalties, technology fees, marketing fund fees, and other service fees. Initial franchise fees for new franchisees relate to marketing and initial set up of the franchisee, royalties, technology, and other service fees that are invoiced and earned either monthly or when a franchisee signs a franchise agreement.

Revenue recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers (“ASC 606”) which outlines a single, comprehensive model for accounting for revenue from contracts with customers.

Under ASC 606, revenue is recognized in accordance with a five-step model, as follows: identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations and recognizing revenue when (or as) the Company satisfies a performance obligation.

The Company derives its revenues primarily from franchisees in accordance with contractual agreements.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

The remainder of performance obligations represent a single performance obligation and are recognized over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract with each franchisee.

K Squared Franchising, LLC
Notes to the Financial Statements
December 31, 2025, 2024, and 2023

2. Summary of significant accounting policies and nature of operations (continued)

Advertising expenses

Advertising and marketing costs are expensed as incurred and amount to \$11,484, \$14,697, and \$14,468, for the years ended December 31, 2025, 2024, and 2023, respectively.

Property and equipment

Property and equipment will be stated at cost. Depreciation will be computed using the straight-line method of depreciation over the estimated useful life of the assets.

Royalties receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. No write-offs were made in the reporting period.

3. Intangible Assets

In accordance with ASC 350, Goodwill and Other Intangible Assets, the Company will test its intangible assets and franchise intellectual property for impairment on an annual basis, and between annual tests, if events occur or circumstances change that would more likely than not reduce the fair value below its carrying amount. At December 31, 2025, intangible assets consisted of long-term contracts with franchisees purchased by the Company and no impairment has been assessed as of this date.

4. Income taxes

Income taxes on Company income are levied on the Members at the individual level. Accordingly, all profits and losses of the Company are recognized on the Members' respective tax return. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions, noting none at the Company level.

5. Related party transactions

The Company has one franchise owned by a related party. Related party transactions with this specific location include total royalty income of \$9,590, \$7,374, and \$6,916 for the years ended December 31, 2025, 2024, and 2023, respectively.

K Squared Franchising, LLC
Notes to the Financial Statements
December 31, 2025, 2024, and 2023

6. Commitments and contingencies

The Company must assess if they are a party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, there are no matters of such kind, or involve such amounts, that they are aware of or require disclosure.

7. Subsequent events

Subsequent events have been evaluated through April 2, 2026, which is the date the financial statements were available to be issued. No significant events or transactions were identified that would require adjustment to the financial statements

EXHIBIT E

LIST OF CURRENT AND FORMER FRANCHISEES

Table 1.
LIST OF CURRENT FRANCHISEES ASOF DECEMBER 31, 2025 –
OPEN AND OPERATING

<u>Legal Entity</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Telephone</u>
West Valley Aerial LLC	3810 South Estrella Parkway, Suite 303	Goodyear	AZ	602 730 0083
O2Zona, LLC	2824 E IndianSchool Rd	Phoenix	AZ	(602) 633-4432
JENNS IN AIR, LLC	11747 W Pico Blvd.	Los Angeles	CA	(213) 393-1278
Airborne Acrobatics LLC	4433 W 29 th Ave	Denver	CO	(630) 344-9531
ZEN MENDING AND MASSAGE LLC	2217 N. Clybourn Ave	Chicago	IL	(872) 529-5928
YZ MOVEMENT, LLC	549 Lincoln Ave	Winnetka	IL	(224) 216-2588
RGONZ, LLC	1317 Michigan Ave.	Chicago	IL	(312) 533-9166
Flair Fitness, LLC	3312 N. Halsted Ave	Chicago	IL	224-216-4099
New Gregoire Ventures LLC	236 S Washington Street, Suite 107	Naperville	IL	(630) 791 0237
Upplesidedown Wellness LLC	1280 Springfield Avenue	New Providence	NJ	(732) 595- 8555
Upplesidedown Wellness LLC	15 Village Plaza	South Orange	NJ	(732) 595-8555
G Fit LLC	605 N Polk Street, Suite F	Pineville	NC	(980) 500-9713
A Two Z LLC	960 Green Street, Ann Arbor, MI 48104	Ann Arbor	MI	734 999 0059

Table 2.

**LIST OF FRANCHISEES AS OF DECEMBER 31, 2025 –
WHO HAVE SIGNED BUT NOT YET OPENED**

<u>Legal Entity</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Telephone</u>
N/A				

**LIST OF FRANCHISEES FOR THE AIR FITNESS STUDIO
FRANCHISE PROGRAM WHO HAD AN OUTLET
TERMINATED, CANCELED, NOT RENEWED, OR OTHERWISE
VOLUNTARILY OR INVOLUNTARILY CEASED TO DO
BUSINESS IN THE 2025 FISCAL YEAR.**

<u>Legal Entity</u>	<u>City</u>	<u>State</u>	<u>Telephone</u>	<u>Notes</u>
AIRIN LLC	Chicago	IL	(224) 216-4099	Outlet still operational; transferred to new owner.
AIRIN LLC	Winnetka	IL	(224) 216-4099	Outlet still operational; transferred to new owner.
Silk Sisters LLC	Los Angeles	CA	(213) 442-9385	Outlet still operational; transferred to new owner.

EXHIBIT F

SAMPLE GENERAL RELEASE

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE
("RELEASE AGREEMENT")

K SQUARED FRANCHISING, LLC. ("we," "us," or "our") and the undersigned franchisee, _____ ("you" or "your"), currently are parties to a certain franchise agreement (the "Franchise Agreement") dated _____, 20____. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation] _____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, members, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "Franchisor Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, "Claims") that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Franchisor Parties, including without limitation, Claims (1) arising out of or related to the Franchisor Parties' obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Franchisor Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Releasing Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

This Release Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Release Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Release Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Release Agreement. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Release Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date stated below.

K SQUARED FRANCHISING LLC., a Delaware limited liability company

Sign: _____
Name: _____
Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

Entity Name

Signature

Name: _____

Title: _____

DATED: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

Signature

Print Name

DATED: _____

EXHIBIT G

STATE ADDENDA AND AGREEMENT RIDERS

NASAA REQUIRED MODIFICATIONS TO ITEM 22 OF THE FDD –

IN ADDITION TO CERTAIN STATE SPECIFIC ADDENDA THAT FOLLOW, THE FOLLOWING LANGUAGE SHALL BE APPLICABLE IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

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

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
K SQUARED FRANCHISING LLC.**

The following are additional disclosures for the Franchise Disclosure Document of K SQUARED FRANCHISING LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITE www.airfitnow.com HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT www.dfpi.ca.gov.

4. The following risk factors are added to the State Cover Page of the Disclosure Document:

5. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS WE CONTROL.

6. WE HAVE BEEN IN BUSINESS FOR SUCH A SHORT PERIOD OF TIME THAT OUR FRANCHISES ARE A HIGHER RISK INVESTMENT THAN FRANCHISORS WITH A LONGER-TERM OPERATING HISTORY.

5. The following is added at the end of Item 3:

Neither we, our parent, predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

6. The following sentence is added to the end of Item 6:

The highest commercial contract rate of interest permissible in California is 10%.

7. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator which is in or within a 50 mile radius of our then-current principal place of business with the costs being borne as provided in the Franchise Agreement.

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

ILLINOIS

1. **Illinois law** governs the franchise agreements.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. The following risk factors are added to the page entitled: **Special Risks to Consider About *This Franchise***:
 - **Short Operating History**. This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.
 - **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets [perhaps including your house] at risk if your franchise fails.
 - **Supplier Control**. You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your

franchised business.

NEW YORK STATE ADDENDUM TO FDD

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 RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN 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 THAT 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, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. 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 that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends 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 a franchisee”: “You may terminate the agreement on any grounds available by law.”

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

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

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

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

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATESPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA**

THIS RIDER is made and entered into by and between K SQUARED FRANCHISING LLC., a Delaware limited liability company, with its principal business address at is 16472 Samuel Paynter BLVD, Milton, DE 19968 (“we”), and _____, whose principal business address is _____, (“you”, “your”).

1. We and you are parties to that certain Franchise Agreement dated _____, 20____(the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in California and the Air Fitness Studio that you will operate under the Franchise Agreement will be located in California, and/or (b) you are domiciled in California.
2. The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning nonrenewal and termination of the Agreement. The Federal Bankruptcy Code also provides rights to you concerning termination of the Agreement upon certain bankruptcy-related events. To the extent the Agreement contains a provision that is inconsistent with these laws, these laws will control.
 - b. If you are required in the Agreement to execute a release of claims, such release shall exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.
 - c. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.
 - d. If the Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Agreement, the covenant may be unenforceable under California law.
 - e. If the Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.
 - f. If the Agreement requires that it be governed by a state’s law, other than the State of California, such requirement may be unenforceable.
3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Agreement, we reserve the right to challenge the enforceability

of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee has initiated.

4. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the date stated on the first page hereof.

K SQUARED FRANCHISING LLC, a Delaware limited liability company

Sign: _____

Name: _____

Title: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY,
OR PARTNERSHIP):**

Entity Name

Signature

Name: _____

Title: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

Signature

Print Name

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER is made and entered into by and between K SQUARED FRANCHISING LLC., a Delaware limited liability company, with its principal business address at is 16472 Samuel Paynter BLVD, Milton, DE 19968 (“we”), and _____, whose principal business address is _____, (“you”, “your”).

1. We and you are parties to that certain Franchise Agreement dated _____, 20____(the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Air Fitness Studio that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.
2. **Illinois law** governs the franchise agreements.
3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
4. Franchisees rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the date stated on the first page hereof.

K SQUARED FRANCHISING LLC, a Delaware limited liability company

Sign: _____

Name: _____

Title: _____

FRANCHISE OWNER

**(IF YOU ARE A CORPORATION,
LIMITED LIABILITY COMPANY,
OR PARTNERSHIP):**

Entity Name

Signature

Name: _____

Title: _____

FRANCHISE OWNER

**(IF YOU ARE AN INDIVIDUAL AND
NOT A LEGAL ENTITY):**

Signature

Print Name

EXHIBIT H
PRE-CLOSING QUESTIONNAIRE

PRE-CLOSING QUESTIONNAIRE

[To be completed by Franchisee and all Owners before signing Franchise Agreement]

DO NOT COMPLETE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS WILL BE LOCATED IN: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

As you know, you and K SQUARED FRANCHISING LLC (the “Franchisor”) are about to enter into a franchise agreement for the development, opening and operation of an AIR® franchised outlet (the “Outlet”). The purpose of this Questionnaire is to determine if any improper sales practices have occurred, including, whether any statements or promises were made to you Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question. **The answers you provide in this Questionnaire are material to Franchisor and Franchisor is relying on all such answers in agreeing to enter into a franchise relationship with you.**

1. Have you received and personally reviewed Franchisor’s Franchise Disclosure Document?

Yes____ No____

2. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes____ No____

3. Have you received and personally reviewed the K SQUARED FRANCHISING LLC Franchise Agreement and all accompanying Exhibits?

Yes____ No____

4. Has any employee or other person speaking on behalf of Franchisor made any statement, representation or promise concerning the revenue, profits or operating costs of an AIR® Outlet operated by Franchisor or any of its affiliates?

Yes____ No____

5. Has any employee or other person speaking on behalf of Franchisor made any statement, representation (aside from the disclosure provided in Item 19 of the FDD) or promise concerning the revenue, profits or operating costs of an AIR® Outlet operated by a franchisee?

Yes____ No____

6. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning any an AIR® Outlet that is contrary to, different from, or in addition to, the information contained in the Disclosure Document?

Yes____ No____

7. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the amount of money you may earn or revenue you may derive in operating an AIR® Outlet ?

Yes____ No____

8. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the amount of revenue an AIR® Outlet will generate?

Yes ___ No ___

9. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the costs you may incur in operating an AIR® Outlet that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___

10. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating an AIR® Outlet?

Yes ___ No ___

11. Has any employee or other person speaking on behalf of Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___

12. Do you understand that Franchisor's approval of a location for the Outlet does not constitute an assurance, representation or warranty of any kind as to the successful operation or profitability of the Outlet at the location?

Yes ___ No ___

13. Do you understand that the approval of Franchisor of a financing plan for operation of the Outlet does not constitute any assurance that such financing plan is favorable, or not unduly burdensome, or that the Outlet will be successful if the financing plan is implemented?

Yes ___ No ___

14. Do you understand that in all dealings with you, the officers, directors, employees and agents of Franchisor act only in a representative capacity and not in an individual capacity and such dealings are solely between you and Franchisor?

Yes ___ No ___

If you have answered "Yes" to any of questions 4 through 11, please provide a full explanation by attaching an additional page. You understand that your answers are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

PROSPECTIVE FRANCHISEE/APPLICANT:

By: _____

Print Name: _____

Date: _____

By: _____

Print Name: _____

Date: _____

EXHIBIT I
STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

Rev. April 2, 2024

The following States require that the Franchise Disclosure Document be registered or filed with the State, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

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

State	Effective Date
Illinois	
New York	
Michigan	
Washington	Pending

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.

In states that do not require a franchise registration or exemption filing, the effective date of this disclosure document is the issuance date of April 23, 2026

EXHIBIT J

RECEIPTS

**RECEIPT
(OUR COPY)**

Rev. April 2, 2024

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

If K SQUARED FRANCHISING LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign abiding agreement with, or make a payment to, K SQUARED FRANCHISING LLC or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If K SQUARED FRANCHISING 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 A.

The franchisor offering the franchise: K SQUARED FRANCHISING LLC, 16472 Samuel Paynter Boulevard, Milton, DE 19968, (631) 680-5802. The individual franchise seller who offered you an Air Fitness Studio is:

☐ <u>David Sharpe</u>	☐ _____	☐ _____
<u>K SQUARED FRANCHISING LLC</u>	_____	_____
<u>16472 Samuel Paynter Blvd.</u>	_____	_____
<u>Milton, DE 19968</u>	_____	_____

Issuance Date: April 23, 2026.

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

I have received a Disclosure Document dated April 23, 2026 that included the following Exhibits:

Exhibit A	State Administrators/Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Table of Contents to Operations Manual
Exhibit D	Financial Statements
Exhibit E	List of Current and Former Franchisees
Exhibit F	Sample General Release
Exhibit G	State Addenda and Agreement Riders
Exhibit H	Pre-Closing Questionnaire
Exhibit I	State Effective Dates
Exhibit J	Receipts

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

Sign: _____

Title: _____

(Print Name): _____

Dated: _____
(Do not leave blank)

If an individual:

Sign: _____

(Print Name): _____

Dated: _____
(Do not leave blank)

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it, by mail or e-mail, to K SQUARED FRANCHISING LLC, 16472 Samuel Paynter Boulevard, Milton, DE 19968; email: info@airfitnow.com.

**RECEIPT
(YOUR COPY)**

Rev. April 2, 2024

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

If K SQUARED FRANCHISING LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign abinding agreement with, or make a payment to, K SQUARED FRANCHISING LLC or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If K SQUARED FRANCHISING 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 A.

The franchisor offering the franchise: K SQUARED FRANCHISING LLC, is 16472 Samuel Paynter BLVD, Milton, DE 19968 (631) 680-5802. The individual franchise seller who offered you an Air Fitness Studio is:

☐ <u>David Sharpe</u>	☐ _____	☐ _____
<u>K SQUARED FRANCHISING LLC</u>	_____	_____
<u>16472 Samuel Paynter Blvd.</u>	_____	_____
<u>Milton, DE 19968</u>	_____	_____

Issuance Date: April 23, 2026

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

I have received a Disclosure Document dated April 23, 2026 that included the following

Exhibits:

- Exhibit A State Administrators/Agents for Service of Process
- Exhibit B Franchise Agreement
- Exhibit C Table of Contents to Operations Manual
- Exhibit D Financial Statements
- Exhibit E List of Current and Former Franchisees
- Exhibit F Sample General Release
- Exhibit G State Addenda and Agreement Riders
- Exhibit H Pre-Closing Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipts

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

Sign: _____

Title: _____

(Print Name): _____

Dated: _____

(Do not leave blank)

If an individual:

Sign: _____

(Print Name): _____

Dated: _____

(Do not leave blank)