

FRANCHISE DISCLOSURE DOCUMENT

ILKB LLC

A New York Limited Liability Company
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(516) 543-0041

E-mail: franchiseinfo@ilovekickboxing.com

URL: www.ilovekickboxing.com



As an iLoveKickboxing.com franchisee you will operate a single retail outlet providing fitness services to retail customers using designated or authorized workout procedures, methods and techniques. The total investment necessary to begin operation of an iLoveKickboxing.com Outlet ranges from \$110,000 to \$299,850. This includes \$39,900 that must be paid to the franchisor and its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Scott Ferrari at 3601 Hempstead Turnpike, Suite 503, Levittown, New York 11756; telephone (516) 543-0041.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's homepage 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.

The issuance date is **December 5, 2013**.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with the state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit F for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION OR ARBITRATION ONLY IN NEW YORK. OUT-OF-STATE LITIGATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE OR ARBITRATE WITH US IN NEW YORK THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

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

This franchise is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	May 29, 2013 [amended January 21, 2014]
Hawaii	February 4, 2014
Illinois	September 16, 2013 [amended January 6, 2014]
Maryland	September 3, 2013 [amendment pending]
Minnesota	[registration pending]
Michigan	[registration pending]
New York	June 3, 2013 [amended January 27, 2014]
Rhode Island	July 25, 2013 [amended January 6, 2014]
Virginia	October 11, 2013 [amended January 14, 2014]
Washington	July 25, 2013 [amended January 3, 2014]
Wisconsin	May 2, 2013 [amended January 3, 2014]

In all states that do not have franchise registration laws, the effective date is January 28, 2014.

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TABLE OF CONTENTS

<u>Item No.</u>	<u>Name</u>	<u>Page</u>
1	The Franchisor, and any Parents, Predecessors, and Affiliates	1
2	Business Experience	3
3	Litigation	3
4	Bankruptcy	3
5	Initial Fees	3
6	Other Fees	4
7	Estimated Initial Investment.....	6
8	Restrictions on Sources of Products and Services.....	8
9	Franchisee's Obligations.....	10
10	Financing.....	11
11	Franchisor's Assistance, Advertising, Computer Systems, and Training	11
12	Territory	19
13	Trademarks	20
14	Patents, Copyrights, and Proprietary Information	21
15	Obligation to Participate in the Actual Operation of the Franchise Business.....	22
16	Restrictions on What the Franchisee May Sell	22
17	Renewal, Termination, Transfer, and Dispute Resolution.....	22
18	Public Figures.....	25
19	Financial Performance Representations	25
20	Outlets and Franchisee Information	26
21	Financial Statements	28
22	Contracts	28
23	Receipts.....	29

Exhibits

"A"	Franchise Agreement <i>Exhibits to Franchise Agreement:</i> Exhibit 1: Territory and Location of Outlet Exhibit 2: Names and Addresses of Principal Equity Owners
"B"	Financial Statements
"C"	List of Franchise Outlets
"D"	List of Terminated Franchises
"E"	Multi Outlet Agreement <i>Exhibit to Multi Outlet Agreement:</i> Exhibit 1: Development Schedule
"F"	State Administrators
"G"	Addendum to Franchise Disclosure Document, Franchise Agreement and Multi Outlet Agreement for Illinois Franchisees
"H"	Receipts

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language, this disclosure document uses "ILKB", "we" or "us" to mean ILKB LLC, the franchisor. "You" or "your" means the individual, corporation or other entity who buys the iLoveKickboxing.com franchise.

The Franchisor, Parents and Affiliates

We are the franchisor for the iLoveKickboxing.com system. Our principal business address is 3601 Hempstead Turnpike, Suite 503, Levittown, New York 11756.

We have no parent entity.

Our affiliated entity FC Online Marketing, Inc. ("FCOM"), whose principal business address is 3601 Hempstead Turnpike, Suite 503, Levittown, New York 11756, provides the following products or services to iLoveKickboxing.com franchisees: website design, search engine optimization, lead generation, new customer membership processing and fulfillment, and other online marketing services. From 2009 to 2011, FCOM offered member-subscriber agreements which met the definition of franchise agreements but it no longer does so, and it does not now offer franchises in any line of business. Otherwise, ILKB is not controlled by, controlling, or under common control with any other entity that that provides goods or services to our franchisees or that offers franchises in any line of business.

Predecessors

We have no predecessor.

Name Used by the Franchisor

We conduct business under the name "iLoveKickboxing.com". We do not conduct business under any other name.

Agent for Service of Process

Our agent for service of process in Illinois is the Attorney General of Illinois, whose principal business address is 500 South Second Street, Springfield, Illinois 62701.

Business Organization Used by the Franchisor

We are a New York limited liability company that was organized on January 18, 2012.

The Franchisor's Business

ILKB acts solely as a franchisor of iLoveKickboxing.com franchises. We began offering iLoveKickboxing.com franchises in April 2012. We do not directly operate retail businesses of the type being franchised and we do not engage in other business activities.

Our franchise is a license to independently own and operate a single retail outlet (“Outlet”) providing kickboxing and other related fitness programs and services to retail customers using the iLoveKickboxing.com website marketing format we developed and manage, and other designated or authorized iLoveKickboxing.com techniques and formats. The standard Outlet contains a full complement of kickboxing equipment, accessories and related supplies as well as dressing rooms and showers for the use of retail customers.

If you want to and are financially and operationally qualified in our judgment to do so, you and ILKB may enter into a Multi-Outlet Agreement (“MOA”), under which you will be granted the right to open and operate either 3 or 5 Outlets under a mutually agreed timetable and within a negotiated development area. The form of MOA is attached as Exhibit E to this disclosure document.

General Market for Franchised Products and Services

The general market you will operate the business in primarily involves individuals interested in kickboxing, mixed martial arts and fitness. The market for iLoveKickboxing.com Services and Products are all individuals within a reasonable proximity to the Outlet. This type of business is developed and expanding, and is not seasonal.

All Outlets must display brochures and/or 12” by 12” interior signage describing the availability of the iLoveKickboxing.com franchise opportunity.

Industry Specific Laws or Regulations

You will need a business license, reseller’s permit, and possibly other licenses and permits. You will also have to comply with other local laws and rules applicable to the Outlet.

Competition

Our franchisees compete with LA Boxing, CKO Boxing, Title Boxing and 9 Rounds, and other retail businesses that offer services and products comparable to the iLoveKickboxing.com Services and Products, and other fitness centers, health clubs and retail businesses that offer services and products comparable to the iLoveKickboxing.com Services and Products.

Prior Experience of Franchisor

The iLoveKickboxing.com concept was developed by Michael Parrella in 2009. Although ILKB does not own any iLoveKickboxing.com outlets or equivalent retail businesses, there are currently 4 equivalent retail businesses owned by related companies that are located at (i) 1040 South Broadway, Suite 7, Hicksville, New York, (ii) 231 Voice Road, Carle Place, New York, (iii) 149 West 27th Street, New York City, New York and (iv) 303 East 43rd Street, New York City, New York. Since 2009, FCOM has entered into Subscription Membership Agreements with individuals and entities that use FCOM’s products, software, services, servers and website to conduct kickboxing businesses at their own facilities. None of these subscribers use iLoveKickboxing.com trademarks to identify their businesses and none of them are required to conduct their businesses under a marketing plan or system prescribed by FCOM. There are currently 238 of these subscribers, located in the U.S., Australia and the United Kingdom.

ILKB has not previously offered franchises of this or any other type of business. Nor have we ever offered franchises in other lines of business. ILKB does not engage in other business activities.

ITEM 2: BUSINESS EXPERIENCE

Michael Parrella: Manager and Chief Executive Officer

Mr. Parrella was named Manager and Chief Executive Officer of ILKB at our inception in January 2012. He also serves as Principal of Master Parella's Martial Arts Center (now doing business as iLoveKickboxing.com, Carle Place, New York (since July 1991) and Chief Executive Officer of FCOM, Levittown, New York (since December 2009).

Scott Ferrari: President and Director of Franchise Development

Mr. Ferrari was named Director of Franchise Development of ILKB in June 2012 and President of ILKB in December 2013. From May 2008 to December 2011, he served as President of Specialty Beverage and Supplement Inc., Holbrook, New York.

Vinny Iufreddo: Director of Franchise Operations

Mr. Iufreddo was named Director of Franchise Operations of ILKB at our inception in January 2012. From September 2009 to June 2011, he served as Supervisor Refinishing Department for Atrium Management/Dejana Industries, Port Washington, New York.

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

If you are acquiring the rights to open only one Outlet, when you sign the Franchise Agreement, you must pay a lump sum initial franchise fee of \$39,900.

The Illinois Attorney General's Office has required that we obtain a certificate of deposit ("CD") to insure availability of funds to refund the initial franchise fee (if necessary) because of ILKB's financial condition. We have obtained a CD in the amount of \$10,000 and this account has been verified.

If you are acquiring the rights to open multiple outlets, in addition to the Franchise Agreement for the initial Outlet you would also sign an MOA and pay us at that time a non-refundable development fee equal to \$90,000 for the right to open 3 Outlets or \$120,000 for the right to open 5 Outlets.

The initial franchise fee or development fee paid under an MOA are fully earned by ILKB when paid. After initial training has been successfully completed by you, no refunds are available. If you do not successfully complete initial training, or if we cannot agree on a suitable site for your Outlet within 90 days after you sign the Franchise Agreement, we may unilaterally cancel the

Franchise Agreement, and if we do so, we will refund the remaining balance of the initial franchise fee and development fee you paid us after we deduct our expenses relating to processing of your Franchise Agreement and any assistance we have provided you up to the date of cancellation.

There are no other initial fees or payments for services or goods received from us or our affiliates before your Outlet opens.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	6% of the Gross Revenues received during each calendar month	Paid monthly on the 3rd business day of the month ²	The monthly Royalty is payable beginning the 61st day after the effective date of your Franchise Agreement. Gross Revenues include all revenues from the franchise location but do not include documented refunds, chargebacks, credits and allowances to customers or sales or use taxes.
Marketing and Promotion Fee ³	1% of monthly Gross Revenues ⁴	Paid monthly on the 3rd business day of the month following the month in which the Gross Revenues were received ²	Gross Revenues include all revenue from the sale of all products and services and all other income of every kind and nature related to your franchise operation, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include sales tax or any other taxes you collect from customers for payment to an appropriate tax authority. On a regional or system-wide basis, ILKB may also impose an additional assessment upon some or all franchisees for one-time advertising or promotional activities if 2/3 of all affected franchised outlets agree to such additional assessment by affirmative vote.
New Customer Lead Generation Fees ¹	Up to 100% of initial vendor payments	Within 30 days after a vendor relationship is established	You must participate in all iLoveKickboxing.com "Lead Generation Programs" set up withgroupon.com and other designated third party promotional companies. ILKB will retain all one-time upfront revenues paid by the third party promotional company to cover our expenses incurred in setting up and managing the Lead Generation Program. After that, you will be able to use a conversion program for new client leads to transfer the client directly to you, allowing you to receive all subsequent revenues from that new client. ⁵

Type of Fee	Amount	Due Date	Remarks
Initial Training Fee for Additional Attendees ¹	\$100 - \$200 ⁴ (for each attendee)	At time of training ²	Initial Training is provided to your General Manager, at least one "Kickboxing Trainer" (as defined in the Franchise Agreement) and one Principal Equity Owner (if your General Manager is not a Principal Equity Owner) at no additional charge. You must pay us a fee for each additional attendee of Initial Training as follows: Principal Equity Owners and replacement General Managers - \$200; additional Fitness Trainers - \$100. Also, you must pay the costs of travel, lodging and meals for all of your attendees.
Transfer Fee ¹	\$10,000 ⁴	Not later than 10 days before the transfer ²	The transfer fee covers our costs in reviewing the qualifications of the assignee and providing initial franchise training to the assignee. There is no transfer fee if franchise is transferred to a corporation owned solely by you. No fee is due if franchise is transferred to your personal representative, conservator or heir upon your death or legal disability (if you are an individual) or dissolution (if you are an entity).
Fine for Loss or Unauthorized Copying of Operations Manual ¹	\$1,000 ⁴	On demand ²	If you lose or allow the unauthorized copying of the Confidential Operations Manual (the "Manual") or any other confidential manuals or proprietary materials loaned to you by us, you may be required to pay us a penalty of up to \$1,000 within 30 days after our demand for payment, and you will be deemed to be in violation of the Franchise Agreement and all other agreements you have with ILKB and our affiliated entities.
Late Payment Penalty ¹	5% of the delinquent amount plus interest ²	Immediately upon demand for payment ²	You must also reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

1. All fees are imposed by and are paid to ILKB. All fees are non-refundable.

2. If any payment is not paid when due, you must pay interest on the unpaid amount at an annual percentage rate ("APR") of 18% (unless interest rates on delinquent payments in the state in which your Outlet is located are limited by law to a lesser percentage, in which case that percentage will apply). Interest begins from the date payment was due.

3. In addition to the Marketing and Promotion Fee, you must also spend in your Territory at least \$2,000 on a grand opening advertising and promotion of your Outlet within the first 30 days after the Opening Date, using the grand opening promotional program that we approve. And you must spend up to \$3,000 each 12 months year on referral and transformations contests and promotions arranged or authorized by us, details of which will be in the Manual.

4. This fee may be adjusted based on changes since the effective date of the Franchise Agreement in the annual average of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI"), or the highest similar future index if these figures become unavailable.

5. All one-time upfront revenues from Lead Generation programs will be collected and paid directly to ILKB. You must register each new customer on-line with ILKB and provide him or her with one pair of official iLoveKickboxing.com boxing gloves (at your expense, current price to you is \$15.99 per pair). When you follow the conversion program to convert a new customer lead generated from the applicable program, you will then receive the subsequent revenues generated directly from that new customer.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee ¹	\$39,900	Lump sum; non-refundable	When you sign the Franchise Agreement.	ILKB
Travel and living expenses while training ²	\$900 to \$1,500	As incurred	During training	Travel and Lodging Vendors
Real property ³	\$12,000 to \$30,000	As incurred	Before opening	Landlord and contractors
Equipment, fixtures, other fixed assets, leasehold improvements and decorating costs ⁴	\$18,000 to \$147,500	Lump sum	Before opening	Vendors
Architectural services and engineering ⁴	\$3,000 to \$7,500	Lump sum	Before opening	Designated or approved vendors
Signs ⁵	\$4,500 to \$8,000	Lump sum	Before opening	Designated vendor
Insurance ⁶	\$1,200	Lump sum	Before opening	Insurance company
Legal costs ⁷	\$2,500 to \$4,500	As arranged	Before opening	Attorney
Initial inventory and supplies ⁸	\$3,500 to \$6,000	Not applicable	Not applicable	Not applicable
Miscellaneous opening costs ⁹	\$500 to \$2,000	As incurred	Immediately before, during and just after opening	Advertisers
Grand opening advertising expense ¹⁰	\$2,000 to \$3,500	As incurred	Immediately before, during and just after opening	Advertisers
Additional funds – 1st 3 months ¹¹	\$22,000 to \$48,000	As incurred	After opening	Employees, suppliers, utilities, etc.
TOTAL¹²	\$110,000 to \$299,850			

(1) This fee must be paid in full at the time indicated. In order to be eligible to sign the Franchise Agreement, you may be required to provide us with reasonable proof of your financial ability to make the initial investment described above and you must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the Outlet.

(2) Training typically is accomplished within 4 full days at ILKB headquarters and these expenses represent your travel and lodging costs.

(3) You will need to rent a suitable retail site for your Outlet and the rent or lease deposit amount will vary depending on the location. A security deposit and first month's rent are standard requirements to enter into a commercial lease, and the estimate above includes 3 months of rent and the deposit.

(4) You will need to conduct the necessary build-out of your leased space according to our requirements. The amounts listed in this type of expenditure are estimates that are based on basic build out of our Outlet design but do not include many variables related to the pre-existing condition of any one location. The cost of your build-out may be reduced by a Tenant Improvement ("TI") allowance or rebate from the landlord, which varies depending on the terms of each lease agreement. However, you will be required in most cases to complete the build-out, satisfy all related invoices to contractors and service providers and obtain a Certificate of Occupancy in order to qualify for the TI rebate from the landlord. Architectural renderings and building permits may be required for the build-out of your Outlet, the cost for which has been included in these estimates. Real estate expenses and TIs (if any) related to "conversions" would be substantially lower. Presently, the only items of equipment you must obtain are punching bags, specialized flooring, lockers and showers. You will also need to purchase a point of sale system, business computer, printer, printed materials (such as business cards and brochures), referral gifts and promotional items. The cost of equipment ranges from \$500 to \$2,000. The cost of operational materials ranges from \$250 to \$750.

(5) The quantity, size, type and cost of signs will vary substantially per lease space and in accordance to stipulations of each landlord and local governmental regulations. These estimates include the average filing fees for obtaining the necessary sign permits.

(6) The currently required minimum coverage and limits of insurance are (i) General Liability at minimum limits of \$1,000,000 per occurrence / \$3,000,000 annual aggregate including Products / Completed Operations and Professional Liability, (ii) Auto Liability at minimum limits of \$1,000,000 combined single limit covering all owned, hired and non-owned vehicles, and (iii) Workers' Compensation to meet the statutory coverage of the state where your Outlet is located.

(7) This is an estimate only regarding the fees for an attorney to advise you on this franchise opportunity. Legal fees will vary considerably.

(8) This refers to the initial inventory of authorized products to be sold in the Outlet and other items of merchandise and supplies you must stock in order to open for business.

(9) This includes security deposits, utility deposits, business licenses and other prepaid expenses.

(10) You must spend at least \$500 within first 30 days to build local customer awareness of your Outlet. Recommendations on how to promote the grand opening of your Outlet will be provided by us, including promotional ideas, sample advertising copy and flier design.

(11) Although ILKB does not require minimum funds for you to start your business, there are some expenses you will incur when you begin your franchise operations, such as inventory, supplies and employees. It is always a good idea to have some cash reserves available to cover initial operating expenses. This estimates the additional funds you will need for your first 3 months of operation. These expenses include payroll costs. These figures are estimates and we cannot guarantee that you will not have additional expenses during your first 3 months of operation. ILKB relied on over 21 years of experience of our CEO in determining these figures. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

(12) This estimates your initial startup expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. If you do not open for business, you may receive a refund from suppliers for unused inventory, unspent advertising and canceled insurance. Otherwise the payments listed in the table above are nonrefundable. ILKB does not finance any part of the initial investment. ILKB relied on over 21 years of experience of our CEO in determining these figures. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods or Services, including Computer and Point of Sale System

You must purchase or lease a specified point-of-sale computer ("POS") system, containing operational software designated by ILKB (see section 8.4 of the Franchise Agreement). You must also purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Manual or otherwise by ILKB in writing for use in connection with the Outlet (the "Computer System").

You must purchase items bearing our trademarks (including logoed apparel and ball caps, and printed materials) only from sources we designate or approve. Also, you must use in the development and operation of your Outlet those fixtures, items of equipment, including kickboxing equipment, storage equipment, display cases, cash registers and computer systems, storefront, supplies and signs that we have approved as meeting our specifications and standards for appearance, function, design, quality and performance. You must place or display at the premises of your Outlet (interior and exterior) only such signs, emblems, lettering, logos, and display materials that we approve in writing. Under no circumstances can you sign any lease as if you were ILKB, or on behalf of us.

Franchisor or its Affiliates Acting as Approved Suppliers

ILKB does not sell or lease any goods, services, supplies or equipment related to establishing operating the franchised business. However, you must purchase boxing gloves and apparel only from our approved suppliers. You must also purchase printing, advertising and other products that are used at the Outlet only from FCOM and required or approved suppliers. You will receive a list of required and approved suppliers at initial training and through later updates to this list by e-mail.

Our officers own an interest in FCOM. Otherwise, there are no suppliers in which any of our officers owns an interest.

Approved Suppliers and Approval of Alternative Suppliers

We only designate or approve suppliers who demonstrate to our satisfaction the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on factors established by us, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may designate a single or multiple

suppliers for any given item or service and may concentrate purchases with one or more suppliers.

The current list of approved products and suppliers is found in the Manual. We may make changes to these lists or other parts of the Manual, which we will provide to you. If you desire to purchase products other than those provided by approved suppliers, you must submit to us a written request for approval of the proposed supplier together with such evidence of conformity with our specifications and program specifications as we may reasonably require. We will have the right to require that our representative be permitted to inspect the supplier's facility and that samples from the supplier be delivered for evaluation and testing, either to us or to an independent testing facility designated by us. A charge not to exceed the reasonable costs of evaluation and testing must be paid by you. Our criteria for supplier approvals are contained in the Manual. Within 60 days after our receipt of the completed request or completion of the evaluation and testing (if required by us), we will notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. You must not sell or offer for sale any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

We may revoke our approval of particular products or suppliers if we determine in our sole discretion that the products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing or selling any disapproved product.

We may also consider the impact of an additional supplier (and consequent reductions in supplier volume and increase in distribution expense) on the overall supply chain being utilized by the system.

Issuance of Specifications and Standards

ILKB issues specifications and standards regarding authorized ILoveKickboxing.com products and services to its franchisees through the Manual and other communications in writing or by email. ILKB also issues specifications and standards regarding authorized ILoveKickboxing.com products and services to its designated and approved suppliers in writing or by email. ILKB may modify these specifications and standards at any time but only after delivering written notification of the modifications and providing its franchisees or suppliers a reasonable amount of time to implement the modifications.

Revenue from Franchisee Purchases

ILKB has not received any revenues as a result of the sale of proprietary products or supplies you must purchase in accordance with our specifications, although we may do so in the future. Purchases from ILKB, designated vendors and approved suppliers in establishing your Outlet will range from 10% to 66% of your total initial investment, and in operating your Outlet will range from 5% to 10% of your total monthly expenses.

In 2012, neither ILKB nor any affiliate received revenues, rebates or other material consideration as a result of required purchases or leases by iLoveKickboxing.com franchisees.

Cooperatives

ILKB is not presently involved in any purchasing or distribution cooperatives.

Negotiated Purchase Arrangements

ILKB does not negotiate purchase agreements with suppliers for the benefit of iLoveKickboxing.com franchisees, although we may do so in the future.

Material Benefits Based on Franchisee Purchases

ILKB does not provide any material benefits to you if you buy from sources we approve.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise Agreement	Section in Multi Outlet Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	7.1, 7.2	Exhibit 1	6,11
b.	Pre-opening purchases/leases	7.2, 7.3	2.2	8
c.	Site development and other pre-opening requirements	7.1, 7.2	2.1	6, 7, 11
d.	Initial and ongoing training	6.1-6.4	Not applicable	11
e.	Opening	7.2, 7.3	2.4	11
f.	Fees	4.1-4.8, 5.2(i), 8.2(c), 12.2(b)(vii)	3.1,3.2	5, 6
g.	Compliance with standards and policies/ operating manual	8.1-8.3	Not applicable	11
h.	Trademarks and proprietary information	8.8, 9.1-9.5	5.2	13,14
i.	Restrictions on products/services offered	3.2, 8.1, 8.13(a)	1.1	16
j.	Warranty and customer service requirements	8.1(b)	Not applicable	11
k.	Territorial development and sales quotas	3.3	Exhibit 1, 1.2,1.5, 2.4	12
l.	Ongoing product/service purchases	7.3	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5.2(f), 7.2	Not applicable	11
n.	Insurance	8.10	Not applicable	6, 8
o.	Advertising	4.3, 4.4, 10.1, 10.2	5.2	6,11
p.	Indemnification	16.2	Not applicable	6
q.	Owner's participation/management/staffing	6.1, 6.2, 8.1(a)	Not applicable	11,15
r.	Records and reports	8.7	Not applicable	6
s.	Inspections and audits	8.7(e), 8.11	Not applicable	6,11
t.	Transfer	12.1-12.7	4	17
u.	Renewal	5.2	1.3	17
v.	Post-termination obligations	11.2,15.1	6	17
w.	Non-competition covenants	11.1-11.3	5	17
x.	Dispute resolution	14.1-14.5	7	17
y.	Compliance with anti-terrorism and other federal laws	16.13	9.10	Not applicable

ITEM 10: FINANCING

ILKB does not offer direct or indirect financing. ILKB does not guarantee your note, lease or obligation.

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

Except as listed below, ILKB is not required to provide you with any assistance.

Our Pre-Opening Obligations

Before you open your business, ILKB will:

- (1) Provide you with initial training and orientation in the iLoveKickboxing.com system and how to operate the Outlet (see section 6.1 of the Franchise Agreement and the Training Program described below in this Item 11). You must successfully complete initial training to our satisfaction before you can open your Outlet.
- (2) Designate your franchise territory (see section 3.1 and Exhibit 1 of the Franchise Agreement).
- (3) Provide you with a suggested general plan for the layout; furnishing and equipping of your Outlet (see section 7.2(a) of the Franchise Agreement).
- (4) Assist you in selecting a site for your Outlet, but we reserve the sole right of final consent to the location (see section 7.2(b) of the Franchise Agreement). We will notify you of our consent to or disapproval of the proposed site for your Outlet within 5 business days after you have identified this location to us. You and your landlord may be required by us to complete and sign a rider or addendum to the lease that (i) grants us an option to assume your position as lessee under the lease for the Outlet premises if you are in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify us if you are in default) or the Franchise Agreement, and (ii) requires the landlord to fully cooperate with us in completing de-identification of the Outlet if the Franchise Agreement is terminated or expires without being renewed. The factors that ILKB considers in consenting to a site for the Outlet include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease or rental terms. ILKB does not typically own and lease to you the premises on which the Outlet will be located. Our review and consent to the location of the Outlet is no guarantee or assurance that you will be successful there.
- (5) Provide you with a copy of the Manual (see section 7.2 of the Franchise Agreement).

Length of Time to Open the Outlet

We estimate the typical length of time between the signing of the Franchise Agreement (when you make your first payment to us for the franchise) and the opening of your Outlet will be no more than 180 days. Factors that may affect this time period include the satisfactory completion of initial training by your designated attendees, location of an acceptable site, ability to obtain an appropriate lease, financing arrangements, compliance with zoning and local ordinances,

weather conditions, shortages, the contractor's ability to complete construction of the Outlet, and delivery and installation of equipment, fixtures and signs. If you have not located a site for your Outlet that is acceptable to us within 120 days after the effective date of your Franchise Agreement (required by section 7.2(a) of the Franchise Agreement), we may cancel the Franchise Agreement on the basis of your failing to find an acceptable site and if we do so, we will refund your Franchise Fee less reasonable costs (for example, transportation expenses and salaries of ILKB representatives while inspecting a prospective site) we incur up to the date of cancellation. If after we had consented to the site for your Outlet, you have not begun operating your Franchised Business within 180 days after the effective date of your Franchise Agreement, ILKB may cancel your Franchise Agreement on the basis of your failing to open your Outlet at the site we have consented to and if we do so, we are not obligated to refund your Franchise Fee or any other amounts you have paid us up to the date of cancellation.

Our Obligations During the Operation of the Franchise

During the operation of the franchised business, ILKB:

- (1) Will be reasonably available by phone and e-mail for guidance in all phases of the operation and management of your Outlet (see section 6.2(b) of the Franchise Agreement). We do not provide you with assistance in hiring employees.
- (2) May visit you periodically at no cost to you to provide additional sales and administrative review and assistance, and if you request this assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging (see section 6.2(c) of the Franchise Agreement).
- (3) Will notify you if the general state of repair, appearance or cleanliness of your Outlet or its fixtures, equipment or signs do not meet our standards, and specify the action you must take to correct the deficiency (see section 8.11 of the Franchise Agreement).
- (4) May conduct a system-wide mandatory meeting (or annual convention) not more than once a year (usually held in Levittown, New York, but typically no more than 1 day in duration). Attendance of the General Manager at these meetings will be mandatory (and is highly recommended for all of your Principal Equity Owners). You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings (see section 6.3 of the Franchise Agreement).
- (5) Will provide you with access to the Outlet website (see section 6.2(a) of the Franchise Agreement).
- (6) May suggest prices for ILKB Services and Products you sell at your Outlet, and may restrict your advertising of prices that are different from what we recommend (see section 8.1(b) of the Franchise Agreement).

Advertising Program for the Franchise System

We intend to use targeted print media (and in the future, local radio and television) in our advertising efforts, but we reserve the right to use other media to market and promote the Brand. We will be using in-house advertising personnel to do this, but we also intend to hire advertising and public relations firms to assist us in these efforts.

You must pay ILKB a monthly Marketing and Promotion Fee of 1% of your monthly Gross Revenues (section 4.3(a) of the Franchise Agreement). Although we are not required to spend all Marketing and Promotion Fees you pay us in or near the area around your Outlet, we will make every effort to do so. Marketing and Promotion Fees collected from iLoveKickboxing.com franchisees will be spent for national, regional and local advertising, public relations, market research, and promotional campaigns designed to promote and enhance the value of the Brand and its general public recognition and acceptance, thereby benefiting all iLoveKickboxing.com franchises, including you.

Marketing and Promotion Fees are deposited into our operating bank account, but administratively segregated on our records to be used for iLoveKickboxing.com advertising and promotion activities. No interest on the Marketing and Promotion Fees that you deposit will not be imputed for your benefit or paid to you.

ILKB will provide general advertising programs and sales promotion, campaign and sample advertising materials. You may develop advertising materials for your own use, at your own cost. But we must approve all advertising materials in advance and in writing.

We also will be working withgroupon.com and other third party promotional companies to develop Lead Generation Programs to develop new clients for iLoveKickboxing.com franchisees. You must participate in these programs. ILKB will use in-house personnel to set up and administer the Lead Generation Programs and we will incur expenses to do so. ILKB will retain 100% of any revenues generated from any Lead Generation Program as reimbursement for set up and administrative expenses. You must follow the conversion program described in the Confidential Operations Manual for new customer leads generated from the applicable program to convert leads into new customers of yours and retain revenues generated from those customers (see section 4.4 of the Franchise Agreement). Any advertising of our trademarks in your franchised territory must be done in compliance with the guidelines contained in the Manual.

ILKB will develop and manage various media campaigns (Pay-Per-Click, Facebook, Mall Kiosk, Search Engine Optimization, Call Center, etc.) for you. These campaigns are optional. If you choose to participate, you will be required to provide ILKB with a budget and authorization to purchase on your behalf advertising space and any direct advertising costs specific to a campaign, and ILKB will use its in-house personnel to develop and manage the related advertising and content for that specific campaign.

We do not yet have a franchisee council that advises us on advertising policies, but we may establish one in the future, and if we do so, we will request input on advertising informally from franchisees.

ILKB is not presently involved in any advertising cooperatives. However, we reserve the right to create advertising cooperatives in the future. If we do so, ILKB owned or affiliated outlets will contribute to the cooperative on the same basis as iLoveKickboxing.com franchisees. ILKB has the right to require cooperatives to change, dissolve or merge.

We require that you spend at least \$2,000 on Grand Opening Advertising and promotion in connection with the opening of your Outlet (see section 4.3(c) of the Franchise Agreement). We also require that you spend at least \$30,000 during the first 12 months after your Outlet opens for business and then at least \$20,000 for each subsequent 12 month period, on the local advertising and promotion of your Outlet (see section 4.3(d) of the Franchise Agreement).

On a national or regional basis, ILKB may impose an additional assessment on all affected iLoveKickboxing.com franchisees for special advertising or promotional activities if 2/3 of all affected franchised Outlets agree to this additional assessment, confirmed in writing by each franchisee (see section 4.3(e) of the Franchise Agreement).

ILKB will determine, in our sole discretion, the cost, form or media, content, format, production and timing, including regional or local concentration and seasonal exposure, location and all other matters involving advertising, public relations and promotional campaigns. ILKB has not yet collected nor expended any Marketing and Promotion Fees. However, if we do so, we anticipate Marketing and Promotion Fees would be spent as follows: 93% on the production of advertisements and other promotional materials and media placement and 7% on other miscellaneous expenses.

If we did not expend all Marketing and Promotion Fees collected for one year, the amount remaining would be retained for future advertising, marketing and promotion. If requested in writing by a franchisee in good standing, ILKB would provide the requesting franchisee on or before each March 31 with an unaudited statement describing the annual receipts and expenditures of Marketing and Promotion Fees during the calendar year that just ended.

None of the Marketing and Promotion Fees would be used primarily for the solicitation for new franchise sales.

Electronic Cash Registers and Computer Requirements

You must purchase or lease a specified computerized membership scanner and point of sale credit card collection system ("POS") system, containing operational software designated by ILKB (see section 8.4 of the Franchise Agreement). We will recommend approved suppliers of the POS and the required software but we have no other obligation to provide or to assist you in obtaining the POS system. You must license or sublicense the software designated by ILKB from our designated vendor and enter into a software license agreement (for an estimated monthly cost of \$149) on the designated vendor's then-current form (see section 8.4(c) of the Franchise Agreement). You will use your POS system to complete point-of-sale transactions and track and manage your daily income, create accounts for customers, track lead information and schedule appointments. ILKB must have independent access to your POS system and there are no contractual limits on our independent access to the information and data stored on your POS system. ILKB is responsible for all ongoing maintenance and repairs and upgrades. If we update the POS system you will receive a 30 day notice. We may

require you to update, upgrade or replace the POS System, including hardware and/or software, upon 90 days written notice, but you will not be required to replace the POS system any more frequently than once every 3 years.

You must also purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by ILKB in writing for use in connection with the Outlet (the "Computer System"). And ILKB requires you to maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium specified by ILKB) at all times and be capable of accessing the Internet via a third party network designated by ILKB in the Confidential Operations Manual or otherwise in writing. You are responsible for all ongoing maintenance and repairs and upgrades to the Computer System. We estimate that the annual cost for you to provide maintenance, repairs or updates to the Computer System will not exceed \$400. We may require you to update or replace the Computer System upon 30 days written notice, but you will not be required to replace the Computer System any more frequently than once every 3 years. You must allow us and/or our designated affiliate, to poll the Computer System on a daily or other basis at such times and in such manner as established by us or our designated affiliate, with or without notice, and to retrieve such transaction information including sales, sales mix, usage and other operations data as we or our designated affiliate deems appropriate. You must always have and maintain adequate anti-virus software in any computer you use to communicate with ILKB directly or through our master web site (see section 8.4(b) of the Franchise Agreement).

Operations Manual

ILKB will provide you with password protected access to an encrypted version of our confidential Manual, which contains a total of 106 pages (see section 8.2 of the Franchise Agreement). The Manual contains mandatory and suggested specifications, standards and procedures for operation of your Outlet.

We will periodically modify the Manual, and you must comply with these changes when you receive them. The Manual is confidential and remains our property. If you lose portions you have printed or allow unauthorized access to or duplication of the Manual or any other confidential manuals or proprietary materials loaned to you by us, you may be required to pay us the sum of \$5,000 (this amount may be adjusted by changes in the Consumer Price Index since the effective date of the Franchise Agreement) within 30 days after our demand for payment, and you will be deemed to be violation of the Franchise Agreement and all other agreements you have with ILKB (see section 8.2(c) of the Franchise Agreement).

The following is the Table of Contents of the Manual as of the date of this disclosure document:

Topic	Number of Pages
SECTION 1 - INTRODUCTION Purpose Confidentiality Modifications to Manual	1
SECTION 2 - OUR PHILOSOPHY iLoveKickboxing.com Vision Statement and Core Values Our Philosophy	4

Topic	Number of Pages
Go A.P.E.!! A – Appreciation P – Passion E – Enthusiasm	
SECTION 3 - PRE-OPENING PROCEDURES Getting Started Selection of the Site for your Franchised iLoveKickboxing.com Site Location Know Your Parameters Important Lease Considerations Site Location Evaluation Form Traffic Generators in The Trade Area iLoveKickboxing.com Center Design Overview Build Out Requirements	10
SECTION 4 - LICENSES, PERMITS & INSURANCE Federal Requirements State Requirements City Business License Overview Selecting the Name of Your Legal Entity Building Permits Required Labor Posters Insurance Requirements	4
SECTION 5 – REQUIRED EQUIPMENT Equipment List Required Construct List Required Computer, Report and Record Systems	6
SECTION 6 - HUMAN RESOURCES Overview Job Descriptions Hiring Guidelines Conducting the Interview Company Overview Employee Information New Hire Checklist Employee Information	18
SECTION 7 - JUST PRIOR TO OPENING Pre-Sale Marketing Getting Even More Clients Plastic Gift Cards Calling/Texting your Clients Getting Referrals From Your Clients Grand Opening	15
SECTION 8 - CLOSING THE SALE Closing Clients	2
SECTION 9 – THE ILOVEKICKBOXING.COM WORKOUT Class Structure Done-For-You Class Workouts Music Playlists Class Structure	3
SECTION 10 – CENTER POLICIES AND OPERATIONS	10

Topic	Number of Pages
Management & Operating Procedures Overcoming Objections Trainers Operational Management Quality Control ILKB Center Complaints Employee Requirements Closing Procedures	
SECTION 11 - ACCOUNTING, REPORTS & RECORDS Financial Reporting Marketing, Advertising and Promotion Electronic Funds Transfer Monthly Report	2
SECTION 12 - TRADEMARKS & LOGOS The iLoveKickboxing.com Service Mark Using the Logo Grammatical Guidelines Other Standards of operations & logo use Protection of Trade Secrets	7
SECTION 13 - GRAPHIC STANDARDS Stationery Printing Specifications	4
SECTION 14 - APPROVED SUPPLIERS Purpose How the Program Works How to Get Approval Approved Supplier List	2
SECTION 15 - APPENDIX	18
Total Pages	106

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Day 1 – Environmental Training Website Function, Navigation, Event Manager and Email Registrations.	0	.5	Levittown, New York
Designated Software: Creating New Accounts, Entering Lead Data, Scheduling, Contracts, Creating Member Key Tags, Reporting and Daily Income.	0	1.5	Levittown, New York
The Front Desk	0	.5	Levittown, New York
The Main Lobby	0	.5	Levittown, New York
The Pro-Shop	0	.5	Levittown, New York
The Training Floor	0	.5	Levittown, New York
The Bathroom/Locker Areas	0	.5	Levittown, New York
Day 2 – Sales Training The Greeting, First Impression, Building Rapport and welcoming.	0	.5	Levittown, New York
The Fitness Assessment Form	0	1.0	Levittown, New York
Pre-Framing For Class and Setting Up the Enrollment	0	.5	Levittown, New York
Obtaining Feedback	0	.5	Levittown, New York

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Reviewing Goals/ Commitment/ Schedule	0	.5	Levittown, New York
Membership Presentation	0	.5	Levittown, New York
Day 3 – Situational Training Greeting Walk-Ins	0	1.0	Levittown, New York
Phone Procedures	0	2.0	Levittown, New York
Miscellaneous Occurrences	0	.5	Levittown, New York
Day 4 – Physical Training ILKB Class Format	0	2.5	Levittown, New York
Day 5 – Teaching	1.5	0	Levittown, New York
Employee Guidelines	1.0	0	Levittown, New York
Training Recap	3.0	0	Levittown, New York

Initial training is typically provided within 30 days before your Outlet opens and is scheduled as necessary (but no more frequently than monthly). All classroom training takes place at or near our headquarters in Levittown, New York, or another training center designated by ILKB. All on-the-job training takes place in an iLoveKickboxing.com operating location in or near Levittown, New York.

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our principal instructor is Michael Parrella, who founded the company and has been with ILKB since our inception in January 2012, and who has over 21 years experience in the subject matters he teaches. The principal instructor is sometimes assisted by our operations staff and other ILKB employees.

ILKB does not charge for this training or service for the designated General Manager and one other trainee (each additional trainee may have to pay ILKB up to \$100 per day per person for training). You must pay all travel and living expenses of persons you send to training.

The successful completion of initial training by your designated General Manager is a condition to your opening of an Outlet to the public, and must be fulfilled within 180 days after you sign the Franchise Agreement. The failure of your designated General Manager to successfully complete the training may result in the termination of your Franchise Agreement; provided however that if your designated General Manager fails to complete initial training satisfactorily, you will have the option of sending a replacement approved by us to initial training. You must then reimburse ILKB for our costs in providing this replacement training plus a training fee of \$200 per day per person of training.

No additional training programs or refresher courses are required. However, you can request additional on-site training and/or assistance at any time. ILKB may provide it at our option, but the Franchise Agreement does not require us to do so.

We may periodically conduct an annual conference, convention or training session, and if we do, we will determine its duration, curriculum and location (section 6.3 of the Franchise Agreement). Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your General Manager and all other Principal Equity Owners).

You must pay all the expenses incurred by your trainees or attendees in connection with the Initial Training Program and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses (section 6.1(e) of the Franchise Agreement).

ITEM 12: TERRITORY

Each Franchise is granted only for one specific Outlet at a site consented to by ILKB. You will receive a franchise territory ("Territory") within a defined area surrounding your Outlet based on population density (typically varying from ¼ mile in densely populated metropolitan area to 5 miles in rural areas, based on population density) as determined by ILKB. By "franchise territory" we mean that so long as you continue to fulfill your material obligations under your Franchise Agreement (as reasonably determined by us) under your Franchise Agreement, ILKB will not grant an iLoveKickboxing.com franchise to any other person nor will we or any of our affiliates operate an iLoveKickboxing.com Outlet within your Territory. You will not receive the exclusive right to use our trademarks in your Territory and you may face competition from other channels of distribution or competitive brands that we control.

You may relocate your Outlet with our written consent, which will not be unreasonably withheld. Not less than 90 days before the desired date of relocation (unless prior notice is impractical because of a required relocation in which event your notice must be given as soon as possible), you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location. Within 20 business days after we receive your request, ILKB will either approve or disapprove in writing such closure or relocation in our sole discretion. If we disapprove of a proposed relocation, you may request an alternative proposed new location.

If you enter into an MOA, you will be granted an exclusive (so long as the MOA is in effect) right to open a mutually agreed number of additional Outlets under a mutually agreed development schedule. If you fail to achieve the development schedule, you may still open Outlets within the development area but will lose the exclusive right to do so, and we may allow others to open additional Outlets within the development area. You must enter into a separate Franchise Agreement for each additional Outlet you open under the MOA, and these agreements will grant a separate franchise Territory within a defined area surrounding each Outlet. Otherwise, ILKB does not grant you options or rights of first refusal to open additional Outlets, and you may not open additional iLoveKickboxing.com businesses or engage in activities that are equivalent to the franchised business outside the Territory.

We reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems. We reserve all rights to market and sell ILKB Services and Products under our principal trademarks or different trademarks at venues other than Outlets and through other channels of distribution, including the Internet, within your Territory and anywhere else. We are not required to pay you compensation for soliciting or accepting orders in your Territory through other channels of distribution.

Although you are not restricted from selling iLoveKickboxing.com products or services to customers residing outside your Territory, except when advertising cooperatively with other Outlet, you are restricted from advertising outside your Territory without our prior written

consent. You may not engage in any mail order solicitations, catalog sales, telemarketing or television solicitation programs, or use any other advertising media outside of your territory without our prior written approval. However, we understand that many forms of advertising (such as radio and print ads in publications) may reach into the territories of other iLoveKickboxing.com franchisees. So long as this is incidental and not a specifically directed marketing or advertising effort by you, we will not restrict you from doing this type of advertising.

You may not offer or sell iLoveKickboxing.com products or services directly or indirectly through the Internet, except as authorized by us in the Manual or otherwise in writing. We will publish all website content and we may provide you with a presence on our master web site (www.iLoveKickboxing.com) and if we do this, you must participate in this web site. We will maintain the "Uniform Resource Locator" (or "URL") and you may never own any Internet domain name that contains any of the Marks. Under no circumstances are you authorized to establish your own personal website for the purpose of advertising your Outlet or our principal trademarks.

ILKB has not established and does not intend to establish company-owned retail outlets selling iLoveKickboxing.com services and products in your Territory. Although we have no current plans to do so, we reserve the right to offer and sell other types of franchises that are not directly competitive with the iLoveKickboxing.com franchise.

The continuation of your exclusive rights to the Territory does not depend on you attaining a minimum level of sales, revenues or market penetration, or other contingency. The continuation of your exclusive rights to develop Outlets under the MOA does depend on your meeting the development schedule described in the MOA. Neither the Territory granted by the Franchise Agreement nor the development area described in the MOA may be altered except if you and ILKB mutually agree. You will maintain rights to your Territory and the development area described in the MOA even if the population in those geographic areas increases.

ITEM 13: TRADEMARKS

You are licensed to operate and identify the Outlet under the principal trademark "iLoveKickboxing.com" and other current or future trademarks. The principal trademark "iLoveKickboxing.com" was registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"), on August 9, 2011, registration number 4009496.

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending interference, opposition or cancellation proceedings involving our trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of trademarks listed in this Item in a manner material to the franchise. There is no pending material federal or state court litigation regarding our use or ownership rights in the trademarks. All required affidavits have been filed.

All trademarks are owned by our affiliated company FCOM, which granted ILKB a royalty-free trademark license (the "Trademark License") and exclusive right to use and franchise the principal trademark and associated trade names, trademarks, service marks, logotypes and other commercial symbols (collectively, the "Marks") and copyrights and proprietary materials in the United States by and to operators of Outlet. The Trademark License does not contain

any significant limitations on our right to use or license the Marks to you, and will continue for a term of 25 years, with the right to renew the Trademark License for additional consecutive periods of 25 years. If the Trademark License were to be terminated, (i) ILKB would have the right to change the name under which we and our franchisees operate and continue to operate and license the existing Outlet under a different name, or (ii) iLoveKickboxing.com franchisees would have the right to continue to use the Marks while operating their franchised Outlets for not less than the existing term of their Franchise Agreements. Except as described above, no agreements limit our rights to use or license the use of the trademarks.

You must follow our rules when you use the Marks. You cannot use a Mark as part of an entity name or with modifying words, designs or symbols except for those which ILKB licenses to you. You may not use the Marks in connection with the sale of any unauthorized product or service, or in any manner that we have not authorized in writing.

ILKB has the right to control any administrative proceedings or litigation involving a Mark licensed to you by ILKB. You must notify ILKB promptly when you learn about an alleged infringement, unfair competition, unauthorized third party use of or challenge to your use of the Mark. We then will promptly take the action we think appropriate. ILKB must indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition or similar claims about the Marks. ILKB will have no obligation to defend or indemnify you if the claim against you relates your use of the Marks in violation of the Franchise Agreement.

If you learn that any third-party whom you believe is not authorized to use the Marks is using them or any variant of them, you must promptly notify us. ILKB will determine whether or not we wish to take any action against the third party. You will have no right to make any demand or to prosecute any claim against an alleged infringer for the infringement of the Marks.

You must modify or discontinue the use of a Mark if ILKB modifies or discontinues it. You must not directly or indirectly contest our rights to the Marks, trade secrets or business techniques that are part of our business.

There are no infringing uses or superior previous rights known to ILKB that can materially affect your use of the Marks in this state or any other state in which the franchised business is to be located.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietor information in the Manual, which is described in Item 11.

Our intellectual property, whether the subject of a patent, copyright or not, also is protected by common law principles which limit the use of our confidential proprietary information, except as we have licensed it. We will enforce those rights as we determine.

Our Proprietary Rights in Other Confidential Information

You may never reveal any of our confidential proprietary information to another person or use it for another person or business. You may not copy any of our confidential proprietary information or disclose it to a third party except as we authorize. You must also promptly tell us when you learn about unauthorized use of any of our confidential proprietary information. ILKB is not obligated to take any action but will respond to your notification of unauthorized use as we think appropriate. ILKB will indemnify you for any loss you sustain as a result of any action brought by a third party concerning your authorized use of our confidential proprietary information.

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

ILKB is seeking franchisees whose principal owner plans to actively participate in the direct management and operation of your initial Outlet (the principal owner is responsible for but need not directly operate additional Outlets opened under an MOA). You must employ at least one designated General Manager (if you are a sole proprietor, this could be you) who has successfully completed our initial training program. You must disclose the identity of the General Manager to us and if he or she is for any reason no longer acting as General Manager, you must notify us immediately and in writing. The General Manager cannot have an interest or business relationship with any of our business competitors. The General Manager must devote his or her full time during normal business hours to the management, operation and development of the Franchised Business. ILKB does not require your General Manager to have any ownership interest in your business, although he or she may do so. If the General Manager does not own at least a 20% equity interest in your franchisee entity, he or she may be required to sign a non-competition agreement similar to the non-competition agreement contained in your Franchise Agreement.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell at your Outlet only ILKB Services and Products and other goods and services that we designate as required for all franchisees or have approved.

ILKB has the right to change and add other authorized goods and services that you will be required to offer. There are no limits on our right to do so except that the additional investment required of you for equipment, supplies and initial inventory will not exceed \$25,000 per year, unless you and ILKB agree otherwise.

There are no restrictions on the customers to whom you may sell ILKB Services and Products and related products at your Outlet.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SECTION IN MULTI OUTLET AGREEMENT	SUMMARY
a.	Length of the franchise term	5.1	1.3	The initial term of the Franchise Agreement is 5 years from the date your Outlet opens. The term of the MOA is until all Outlets have been opened under the Development Schedule.
b.	Renewal or extension of the term	5.2	Not Applicable	If you are in good standing, you can add additional 5 year terms.
c.	Requirements for franchisee to renew or extend	5.2	Not Applicable	Sign Renewal Franchise Agreement (or addendum to existing Franchise Agreement extending its term), pay renewal fee, remodel your Outlet (if necessary) and sign mutual release. The Franchise Agreement you sign at renewal may have materially different terms and conditions than your original Franchise Agreement, but the boundaries of the Territory and the recurring fees you pay us will remain the same.
d.	Termination by franchisee	13.1(a)	1.3	You may terminate the franchise agreement on any grounds available by law.
e.	Termination by franchisor without cause	Not applicable	Not applicable	Not applicable.
f.	Termination by franchisor with cause	13.1	6.1	ILKB can terminate only if you are in material default.
g.	“Cause” defined – curable defaults	13.3	6.1	You have 30 days to cure monetary defaults and other defaults that can be cured.
h.	“Cause” defined – non-curable defaults	13.2	Not Applicable	Non-curable defaults: abandonment, obtaining any required component of the ILKB Services and Products from an unapproved supplier, closure of your Outlet for more than 7 days, repeated the same material obligation within a 12 month period even if cured, and your bankruptcy or insolvency.
i.	Franchisee’s obligations on termination or non-renewal	15.1	6.2	Obligations include removal of our Brand and other trademarks, return of all proprietary information and erasure of all copies of proprietary information, forwarding of telephone number and payment of amounts due (also see r, below).
j.	Assignment of contract by franchisor	12.1	Not Applicable	No restriction on our right to assign. (However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor is willing and financially able to assume the franchisor’s obligations under the franchise agreement.)
k.	“Transfer” by franchisee – defined	12.2(a)	4.2	Includes transfer of contract or assets or ownership change.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SECTION IN MULTI OUTLET AGREEMENT	SUMMARY
l.	Franchisor's approval of transfer by franchisee	12.2	4.1	ILKB has the right to approve all transfers (including transfers of more than 50% of the equity or controlling interest in a franchisee entity), but we will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	12.2	4.1	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new franchisee (see r. below).
n.	Franchisor's right of first refusal to acquire franchisee's business	12.3	Not Applicable	ILKB can match any legitimate offer for your business.
o.	Franchisor's option to purchase franchisee's business	15.2(d)	Not Applicable	Only applicable when the Franchise Agreement terminates or expires.
p.	Death or disability of franchisee	12.6	Not Applicable	Franchise must be assigned by estate to approved buyer within 270 days.
q.	Non-competition covenants during the term of the franchise	11.1, 11.3	5.1	No involvement in competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires	11.2, 11.3	5.1	No competing business for 1 year within 25 miles of your Outlet or any other ILKB Outlet (this obligation also applies to you if you assign your franchise). The MOA refers to the non-competition covenant in the last Franchise Agreement you sign.
s.	Modification of the agreement	8.2, 16.15	9.2	No modifications generally, but Manual subject to change.
t.	Integration/merger clause	16.15	9.11	Only the terms of the franchise agreement are binding (subject to state and federal law). Any representations or promises outside of the disclosure document, Franchise Agreement and MOA may not be enforceable. Nothing in the Franchise Agreement, MOA or in any related agreement disclaims or is intended to disclaim representations made in the iLoveKickboxing.com Franchise Disclosure Document.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SECTION IN MULTI OUTLET AGREEMENT	SUMMARY
u.	Dispute resolution by arbitration or mediation	14.1-14.5	7.1	Except for certain claims, the parties agree in the Franchise Agreement to submit disputes initially to mediation before a neutral franchise attorney appointed with your approval by Franchise Dispute Resolution Services ("FDRS") under its Mediation Guidelines (available at www.franchise-dispute.com). If the mediation is unsuccessful, any dispute must then be arbitrated before an arbitrator from Judicial Arbitration and Mediation Services ("JAMS") in accordance with (i) JAMS' Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000) or (ii) JAMS' Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000 or more). Or if the parties mutually agree, the dispute may be submitted to arbitration by a neutral franchise attorney nominated by FDRS and selected by the parties under its Arbitration Guidelines, or by another arbitration organization providing arbitrators with experience in franchise disputes.
v.	Choice of forum	14.2(b), 14.3	7.1	Mediation and arbitration proceedings must take place in Nassau County, New York. Litigation must take place in an appropriate court in Illinois, subject to applicable state law.
w.	Choice of law	16.14	9.1	The Federal Arbitration Act (9 U.S.C. §1 <i>et seq.</i>) governs the arbitration of disputes under the Franchise Agreement and Multi Outlet Agreement (subject to applicable state law). Otherwise, Illinois law governs the Franchise Agreement and all related matters, documents and agreements.

ITEM 18: PUBLIC FIGURES

We do not currently pay or provide any other benefit to a public figure for the right to use his or her name 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 franchised and/or franchisor-owned outlets, if there is a reasonable basis for 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.

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Chief Executive Officer, Mr. Michael Parrella, ILKB LLC, 3601 Hempstead Turnpike, Suite 503, Levittown, New York 11756, (516) 554-4298; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

[Table No. 1]
SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2010 TO 2012

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2010	0	0	0
	2011	0	0	0
	2012	0	45	+45
Company-Owned	2010	1	0	1
	2011	1	2	+1
	2012	2	4	+2
Total Outlets	2010	1	1	0
	2011	1	2	+1
	2012	2	49	+47

[Table No. 2]
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR) FOR YEARS 2010 TO 2012

State	Year	Number of Transfers
--	2010	0
	2011	0
	2012	0

[Table No. 3]
STATUS OF FRANCHISED OUTLETS FOR YEARS 2010 TO 2012

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Delaware	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	4	0	0	0	0	4
Florida	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	3	0	0	0	0	3
Massachusetts	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	3	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Minnesota	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
Nebraska	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
Nevada	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
New Jersey	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	8	0	0	0	0	8
New York	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	15	0	0	0	0	15
Ohio	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
Pennsylvania	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
Rhode Island	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	3	0	0	0	0	3
Utah	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
Washington	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
Totals	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	45	0	0	0	0	45

Note: between January 1, 2013 and December 5, 2013, 32 additional Outlets have opened (29 in the U.S., 1 in Ontario, Canada and 2 in Australia).

[Table No. 4]
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2010 TO 2012

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
New York	2010	1	0	0	0	0	1
	2011	1	1	0	0	0	2
	2012	2	2	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Totals	2010	1	0	0	0	0	1
	2011	1	1	0	0	0	2
	2012	2	2	0	0	0	4

[Table No. 5]
PROJECTED OPENINGS AS OF DECEMBER 31, 2012

State or Country	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Florida	1	1	0
Illinois	2	2	0
Massachusetts	3	3	0
New Jersey	0	1	0
New York	11	11	0
Pennsylvania	1	1	0
Rhode Island	0	1	0
Texas	0	1	0
Utah	1	1	0
Australia	0	2	0
Canada (Ontario)	0	1	0
Totals	19	26	0

Exhibit C lists the names, addresses and telephone numbers of all iLoveKickboxing.com franchised outlets as of December 5, 2013.

Exhibit D lists the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year or that has not communicated with us within the 10 weeks ending on the issuance date of this disclosure document (December 5, 2013). If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Outlet. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. However, during the last 3 fiscal years, ILKB has not signed any agreements with current or former franchisees that included confidentiality clauses.

ILKB has not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the Outlet franchise system being offered. There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit B to the disclosure document contains our (i) audited financial statement for the fiscal year ended December 31, 2012, (ii) unaudited balance sheet as of January 31, 2013, and (iii) unaudited profit and loss statement for January 2013.

ITEM 22: CONTRACTS

Exhibit A - Franchise Agreement
Exhibit E - Multi-Outlet Agreement

ITEM 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit H at the very end of this disclosure document.

iLoveKickboxing.com

FRANCHISE AGREEMENT

EXHIBIT A

iLoveKickboxing.com

FRANCHISE AGREEMENT

TABLE OF CONTENTS

RECITALS.....	1
I. DEFINITIONS	1
II. THE FRANCHISED BUSINESS	3
2.1 Our Business.....	3
2.2 The Franchise System.....	3
III. GRANT OF FRANCHISE	3
3.1 Grant of Franchise.....	3
3.2 Reserved Rights.....	3
3.3 Promotion and Development of Your Outlet.....	3
3.4 Extent of Grant.....	4
3.5 Electronic Execution and Copies.....	4
3.6 Obligations of Entity Franchisee.....	4
IV. PAYMENTS BY YOU.....	4
4.1 Initial Franchise Fee.....	4
4.2 Royalty.....	5
4.3 Marketing, Advertising and Promotion.....	5
4.4 Lead Generation Programs and Other Contests and Promotions.....	5
4.5 Electronic Funds Transfer.....	5
4.6 Fees Fully Earned; No Setoff on Payments.....	6
4.7 Late Fee; Interest on Delinquent Payments.....	6
4.8 No Accord or Satisfaction.....	6
V. INITIAL TERM AND RENEWAL TERMS.....	6
5.1 Initial Term.....	6
5.2 Renewal Terms.....	6
5.3 Notice of Expiration Required by Law.....	7
VI. TRAINING AND ASSISTANCE	7
6.1 Initial Training.....	7
6.2 Training and Assistance after Opening.....	8
6.3 Mandatory Meetings.....	8
6.4 Proprietary Materials.....	9
VII. OPENING OF OUTLET AND FRANCHISED BUSINESS	9
7.1 Your Outlet.....	9
7.2 Building Out Your Outlet.....	9
7.3 Initial Inventory.....	10
7.4 Marketing and Advertising Boundaries.....	10
VIII. OPERATION OF FRANCHISED BUSINESS	10
8.1 Operational Requirements.....	10
8.2 Confidential Operations Manual.....	11
8.3 Standards of Operation.....	12
8.4 Point of Sale System and Computer System.....	12
8.5 Maintenance, Upgrades and Refurbishments to the Outlet.....	13
8.6 Relocation of Your Outlet.....	13
8.7 Record Keeping and Reporting Requirements.....	14
8.8 Signs and Display Materials.....	14
8.9 Telephone Numbers.....	14
8.10 Insurance.....	15
8.11 Review and Inspection.....	15
8.12 Compliance with Laws.....	15

8.13 Web Site and Internet Marketing	15
8.14 Intranet.	16
8.15 Franchise Advisory Council.	16
IX. PROPRIETARY MARKS	16
9.1 License of the Marks.	16
9.2 Your Business Name.	17
9.3 Trade Secrets and Proprietary Information.	18
9.4 Modification of Marks and Trade Dress.	18
9.5 Mark Infringement Claims and Defense of Marks.	18
X. MARKETING AND PROMOTION	19
10.1 Use of Marketing and Promotion Fees.	19
10.2 Advertising Content and Costs.	19
XI. NON-COMPETITION COVENANTS.....	19
11.1 In Term Non-Competition Covenants.....	19
11.2 Post Termination Non-Competition Covenants.	19
11.3 General Provisions regarding Non-Competition Covenants.	20
XII. ASSIGNMENT.....	20
12.1 Assignment by Us.	20
12.2 Assignment by You.	20
12.3 Right of First Refusal.	21
12.4 Transfers to Certain Family Members.	22
12.5 Transfers to Affiliated Entities.	22
12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner.	22
12.7 Consent to Transfers.	22
XIII. DEFAULT AND TERMINATION.....	23
13.1 General.....	23
13.2 Immediate Termination.	24
13.3 Termination After Notice.	24
13.4 Description of Default.....	25
13.5 Statutory Limitations.....	25
13.6 Extended Cure Period.	25
13.7 Our Right to Cure Your Defaults.....	25
13.8 Waiver and Delay.....	25
13.9 Recovery of Lost Royalty.....	25
13.10 Collection Costs.	25
13.11 Continuance of Business Relations.	25
XIV. DISPUTE RESOLUTION.....	26
14.1 Mediation.....	26
14.2 Arbitration.	26
14.3 Injunctive Relief.	27
14.4 Legal Fees and Expenses.	27
14.5 Survival.....	27
XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION	27
15.1 Your Obligations.....	27
15.2 Our Rights as Franchisor.....	28
XVI. GENERAL TERMS AND PROVISIONS	29
16.1 Notices.....	29
16.2 Indemnity.	29
16.3 Your Relationship to Us as Franchisee.....	30
16.4 No Third Party Beneficiaries.	30
16.5 Survival of Covenants.....	30

16.6 Successors and Assigns.	30
16.7 Joint and Several Liabilities.	30
16.8 Titles for Convenience Only.....	30
16.9 Gender.....	30
16.10 Severability; Partial Invalidity.	30
16.11 Counterparts.	31
16.12 Electronic Execution and Copies.....	31
16.13 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.	31
16.14 Governing Law.	32
16.15 Entire Agreement.	32
XVII. EFFECTIVENESS OF AGREEMENT.....	32
XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS	32
18.1 Acknowledgments and Representations.....	32
18.2 Additional Information Respecting You and Your Principal Equity Owners.....	33
EXHIBIT 1 - TERRITORY AND LOCATION OF OUTLET	36
EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS.....	37

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and entered into as of _____, 20__ (the "Effective Date"), by and among ILKB LLC, a New York limited liability company, doing business as iLoveKickboxing.com ("ILKB", "we", "us" or "our"), and _____ ("you" or "your"), and (if you are not a sole proprietorship) each person owning 20% or more of your entity, who will sign and be a party to this Agreement (in such context, "Principal Equity Owner"), with reference to the following facts:

RECITALS

An entity affiliated with us (the "Owner of the Marks") owns the iLoveKickboxing.com trademarks, service marks and other intellectual property and all rights in respect thereof. The Owner of the Marks has authorized us to license them to iLoveKickboxing.com franchisees.

You desire to be franchised and licensed by us to use our "System" (as defined in Article I below), "Marks" (as defined in Article I below) and goodwill to conduct the "Franchised Business" (as defined in Article I below) from a specific "Outlet" (as defined in Article I below and identified in Exhibit 1 attached).

We are willing to grant you a "Franchise" (as defined in section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term "Abandoned" means cessation of operation of the Franchised Business for a period of 10 consecutive days, without our prior written consent. A repeated pattern of inactivity at your Outlet for periods of less than 10 consecutive days may result in your Franchised Business being deemed Abandoned if in our judgment such inactivity adversely impacts the Franchised Business. However, your Franchised Business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond your control, provided that you give us notice of any such closure within 10 days after the initial occurrence of the event resulting in such inactivity, and we acknowledge in writing that such inactivity is due to one of the foregoing causes, and provided further that you re-establish the Franchised Business and be fully operational within 180 days after the initial occurrence of the event resulting in such inactivity or such longer period as we may permit.

Anniversary Year. The term "Anniversary Year" means the 12-month period between the "Opening Date" (as defined below in this Article I) and the first anniversary thereof and between each succeeding anniversary.

Confidential Operations Manual. The term "Confidential Operations Manual" means the manual or manuals (regardless of title) containing policies and procedures to be adhered to by you in performing under this Agreement, including all amendments and supplements thereto provided to you from time to time.

Control. The term "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

Consumer Price Index or CPI. The term "Consumer Price Index" or "CPI" means the annual average of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor (or the highest similar future index if these figures become unavailable).

Franchised Business. The term "Franchised Business" means (i) the providing of kickboxing and other related fitness programs and services to retail customers using designated or authorized iLoveKickboxing.com techniques and formats (ii) the sale to retail customers of "ILKB Services and Products" (as defined below in this Article I), and other services we authorize in the Confidential Operations Manual and (iii) the operation and marketing of an Outlet within the "Territory" (as defined in this Article I), pursuant to our "System" (as defined below in this Article I) and business methods and procedures set forth by us.

General Manager. The term "General Manager" means the individual (may be a Principal Equity Owner) that has been designated by you as the person responsible for the day-to-day operation of the Outlet, and who has successfully completed Initial Training.

Gross Revenues. The term "Gross Revenues" means all revenues, however generated or received, that are derived by you from operating the Franchised Business at or through your Outlet, excluding only applicable sales or use taxes and legitimate refunds, and not modified for uncollected accounts.

ILKB Services and Products. The term "ILKB Services and Products" means (i) a variety of kickboxing and other fitness products and accessories supplied by ILKB, designated vendors and approved suppliers for use and resale by you at your Outlet and (ii) other goods and services that we specifically authorize you to offer and sell at your Outlet, in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by us).

Initial Training. The term "Initial Training" means training in the System provided by us, as described in section 6.1 hereof.

Kickboxing Trainer. The term "Kickboxing Trainer" means an individual that has been designated by you as a provider of iLoveKickboxing.com training techniques to retail customers and who has successfully completed Initial Training or otherwise been certified by ILKB as a qualified kickboxing trainer.

Marks. The term "Marks" means the proprietary marks that are associated with the iLoveKickboxing.com system and associated designs in respect of which registrations have been obtained from or applied for with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, trade names, logos, insignias, designs and other commercial symbols which we now or hereafter are authorized to use and use or authorize others to use to identify the Franchised Business.

Opening Date. The term "Opening Date" means the day you open your Outlet, furnished, inventoried and equipped in accordance with our requirements, and you begin operating the Franchised Business at your Outlet.

Outlet. The term "Outlet" means a retail kickboxing studio that ILKB has consented to that is exclusively dedicated to the operation of the Franchised Business under the Marks and in accordance with the System. The standard Outlet contains a full complement of kickboxing equipment, accessories and related supplies as well as dressing rooms and showers for the use of retail customers.

Proprietary Information. The term "Proprietary Information" means all non-public information, knowledge, know-how and technologies that we designate as confidential, proprietary or trade secrets, including the Confidential Operations Manual, processes, procedures, business formats, business systems, financial information, marketing strategies and programs, operational techniques, service concepts, artwork, e-mail, electronic media, graphics, layouts, slogans, names, titles, text, bulletins, instruction sheets, or supplements thereto, and any proprietary equipment, videotapes, videodiscs, forms, advertising matter, the Marks, devices, insignias and designs.

System. The term "System" means comprehensive marketing and operational systems prescribed by us to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes (i) the Marks, (ii) know-how relating to ILKB Services and Products, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (vi) related materials, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that we make available to you. In our sole discretion, we may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public.

Territory. The term "Territory" means the designated and agreed geographical area surrounding your Outlet as set forth in Exhibit 1 attached hereto.

Trade Dress. The term "Trade Dress" means the unique and distinctive layout, design and color schemes relating to the Outlet, and the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packaging related to ILKB Services and Products.

Transfer. The term "Transfer" means a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise.

II. THE FRANCHISED BUSINESS

2.1 Our Business.

We are engaged in the administration, development, operation and licensing of businesses that operate Outlets offering the Franchised Business, using the Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with ILKB and our affiliated companies. Our activities in general, and our system (including proprietary products and services; logos; equipment and operations; designs and layouts for the Outlets; marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and our business reputation.

2.2 The Franchise System.

As a result of our expenditure of time, skill, effort and money, we have developed and supervise the franchise System under the Marks operated in accordance with the provisions of this Agreement and our Confidential Operations Manual, as amended from time to time.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise.

(a) By our respective signatures below, we hereby grant to you, and you hereby accept, a license ("Franchise") to participate in and use the System by conducting the Franchised Business at your Outlet within your Territory as described in Exhibit 1 attached hereto, in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof and any additional term unless sooner terminated. So long as you comply with this Agreement, we will not authorize another iLoveKickboxing.com franchisee to operate, or operate ourselves, an Outlet in your Territory.

(b) You acknowledge that we may have granted and may in the future operate or grant other licenses and franchises for kickboxing businesses outside the Territory. **YOU MAY NOT USE OUR MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE OUTLET WITHOUT THE EXPRESS PRIOR WRITTEN PERMISSION OF ONE OF OUR EXECUTIVE OFFICERS, WHICH PERMISSION, IF GRANTED, WILL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS AND SUBJECT REVENUES THEREFROM TO PAYMENT OF ROYALTY AND MARKETING AND PROMOTION FEES.**

3.2 Reserved Rights.

(a) Nothing contained herein accords you any right, title or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information or goodwill of ours, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS YOU ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT YOUR OUTLET AND NOWHERE ELSE UNLESS WE SPECIFICALLY ALLOW YOU TO OFFER ILKB SERVICES AND PRODUCTS ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO ILKB.**

(b) We reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems. We reserve all rights to market and sell ILKB Services and Products at venues other than Outlets and through other channels of distribution anywhere, including within your Territory.

3.3 Promotion and Development of Your Outlet.

You must (i) diligently and effectively promote, market and engage in the Franchised Business at your Outlet; (ii) develop, to the best of your ability, the potential for future Franchised Business within your Territory; and (iii) devote and focus a substantial portion of your professional attentions and efforts to such promotion and development.

3.4 Extent of Grant.

(a) You understand and agree that you are licensed hereby only for the operation of your Franchised Business at and from your Outlet and only within your Territory (unless we specifically agree otherwise on a case by case basis).

(b) You may not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

3.5 Electronic Execution and Copies.

(a) An executed copy of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this and the following section as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) You acknowledge and agree that we may create an electronic record of any or all agreements, correspondence or other communication between us or involving third parties, and those we may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. You agree that, notwithstanding any statute, regulation or other rule of law to the contrary, any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee.

(a) If you are an entity, you must provide us at the Effective Date with a copy of your entity's organizational document and by-laws, operating agreement or other agreement between the equity owners.

(b) If you are an entity, you must place the following legend on all certificates evidencing an equity interest:

"THE TRANSFER OF THE EQUITY INTEREST IN THE COMPANY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT DATED _____, 20 ____ BETWEEN THIS COMPANY AND ILKB LLC. REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT AND THE RESTRICTIVE PROVISIONS CONTAINED THEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE FORMATIONAL AND GOVERNING DOCUMENTS OF THIS COMPANY."

IV. PAYMENTS BY YOU

4.1 Initial Franchise Fee.

(a) If this Agreement relates to a single Outlet, the "Initial Franchise Fee" payable hereunder is \$39,900. If this Agreement relates to an additional Outlet opened under a Multi Outlet Agreement ("MOA"), the Initial Franchise Fee for this Agreement was included in the "Development Fee" you paid under the MOA.

(b) The Initial Franchise Fee for a single Outlet is due and payable in full, by cashier's check or money order or wire transfer to our bank account, when you sign this Agreement. The Illinois Attorney General's Office has imposed a certificate of deposit ("CD") requirement because of our financial condition. **The Initial Franchise Fee is fully earned by ILKB when paid.**

(c) If before your successful completion of initial training, we decide, in our sole discretion, that you should not operate an iLoveKickboxing.com business, or if you do not obtain our approval to the location of your Outlet within 90 days after the Effective Date (see section 7.2 below), we may cancel this Agreement. If we cancel this Agreement for either of those reasons, we will refund the Initial Franchise Fee (and if applicable, the Development Fee) you have paid, less any expenses we have incurred relating to our activities on your behalf. **Otherwise, the Initial Franchise Fee (and if applicable, the Development Fee) is not refundable**

4.2 Royalty.

(a) Beginning on the 61st day after the Opening Date, you must pay us a monthly "Royalty" of 6% of the Gross Revenues you receive during each calendar month.

(b) Royalties are due and payable on the third business day following the month in which applicable Gross Revenues were received, and are to be accompanied by a Royalty Fee report (itemizing applicable Gross Revenues) in the form prescribed by ILKB.

4.3 Marketing, Advertising and Promotion.

(a) Beginning on the Opening Date, you must pay us a monthly "Marketing and Promotion Fee" of 1% of your monthly Gross Revenues.

(b) Marketing and Promotion are due and payable on a monthly basis on the third business day following the month in which applicable Gross Revenues were received.

(c) Within the first 30 days after the Opening Date, you must spend in your Territory at least \$2,000 on the grand opening advertising and promotion of your Outlet, using the grand opening advertising and promotional program that we approve.

(d) Commencing on the Opening Date, you must spend at least \$30,000 during the initial 12 months thereafter, and then at least \$20,000 for each subsequent 12 month period, on the local marketing, advertising and promotion of your Outlet, using marketing and promotional materials pre-approved or otherwise authorized in writing by us ("Local Advertising"). Within five business days after we ask for it, you must report to us all details of your Local Advertising for the previous 30 days.

(e) On a regional or system-wide basis, we may impose an additional assessment upon affected franchisees for special designated advertising or promotional activities if two-thirds of all affected iLoveKickboxing.com franchised outlets agree to such additional assessment by affirmative vote.

(f) With respect to regional or system-wide advertising, including without limitation advertising done as a result of Marketing and Promotion Fee contributions, we determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

4.4 Lead Generation Programs and Other Contests and Promotions.

(a) You must fully participate with any iLoveKickboxing.com "Lead Generation Program" we set up with a third party promotional company (such as Groupon). We will retain 100% of one-time upfront fees paid by the third party promotional company. You must register each new customer on-line with ILKB and provide him or her with one pair of boxing gloves (at your expense). You may then follow the conversion program outlined in the Confidential Operations Manual to convert a new customer lead, after which you will receive all subsequent revenues generated from that customer.

(b) You must also fully participate with any referral and transformations contests and promotions arranged or authorized by ILKB. Details regarding such contests and promotions will be set forth in the Confidential Operations Manual.

4.5 Electronic Funds Transfer.

We require payment of the Royalty and Marketing and Promotion Fees by electronic funds transfer ("EFT") or such other automatic payment mechanism that ILKB may designate directly from your account into our operating account. If we do so, you must execute or re-execute and deliver to us bank-required EFT pre-authorized draft forms and other instruments to enable us to draw directly from your bank account your Royalty and Marketing and Promotion Fees and other sums payable under the terms of this Agreement. You must also, in addition to those terms and conditions set forth in the Confidential Operations Manual, maintain a single bank account for such payments and must maintain such minimum balance in such account as we may reasonably specify from time to time. You must not alter or close such account except upon our prior written approval. Any failure of yours to

implement such EFT system in strict accordance with our instructions will constitute a material default of this Agreement.

4.6 Fees Fully Earned; No Setoff on Payments.

All payments made by you to us under this Agreement are fully earned and non-refundable when paid to us. All payments to be made by you to us will be made without setoff, deduction, defense, counterclaim or claims in recoupment.

4.7 Late Fee; Interest on Delinquent Payments.

(a) Any payment of Royalty and Marketing and Promotion Fees not received by ILKB when due will be delinquent and will be subject to a late payment penalty of 5% of the amount past due.

(b) All delinquent amounts will bear interest from the date payment was due at an annual percentage rate ("APR") of 18% (unless interest rates on delinquent payments in the state in which your Outlet is located are limited by law to a lesser percentage, in which case that APR will apply), and you must reimburse ILKB immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

4.8 No Accord or Satisfaction.

If you pay, or we otherwise receive, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due us. We may accept any check or payment in any amount without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term.

The initial term of this Agreement (applicable solely to the Outlet franchised hereunder) commences on the Effective Date and expires on the fifth anniversary of the Opening Date, unless sooner terminated pursuant to the provisions of this Agreement.

5.2 Renewal Terms.

(a) You may renew your Franchise relationship for a successor five-year term commencing on the expiration date of the previous term, unless:

(i) You have given us written notice of your intention not to renew this Agreement at least 90 days before the expiration of the initial term or any successor term; or

(ii) We have given you, at least 180 days before the expiration of the initial term or any successor term, written notice of our intention not to renew this Agreement, which must be for one of the following reasons:

(A) You are not in good standing under this Agreement, including your failure to cure any outstanding default for which notice has been given;

(B) We are exercising any then-current right of ours to purchase the Franchise;

(C) We are permitting you, during the 180 days before the expiration of the initial term or any successor term, to transfer the Franchise to a transferee meeting our then-current qualifications and requirements; or

(D) You received from ILKB six or more notices of material default of this Agreement during the entire term that is expiring, or two or more notices of material default during the last 12 months of the term that is expiring.

(b) At the time of renewal, you must (i) then be solvent (which means that you are able to pay your debts as and when promised by you and that you have assets that are greater than your debts), (ii) have not abandoned the Outlet, (iii) not be operating the Franchise in a manner that endangers public health or safety or materially

harms the iLoveKickboxing.com brand or reputation, and (iv) not have knowingly submitted false or incomplete reports to us during the initial term.

(c) At the time of renewal, neither you, nor any of your principal officers or managers (if you are an entity), must have been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in our sole and absolute judgment, to have an adverse effect on the Marks, the System, or the goodwill associated with the Marks or System.

(d) As a condition to renewing your Franchise rights, not later than 90 days before the end of the term that is expiring, we and you would sign a mutual release and you must then sign either (i) our then-current standard Renewal Franchise Agreement or (ii) an addendum to this Agreement extending its term for an additional five year term. **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE THEN-CURRENT RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT, PROVIDED THAT THE ECONOMIC TERMS OF AND THE BOUNDARIES OF THE TERRITORY IN THE RENEWAL FRANCHISE AGREEMENT WILL NOT VARY FROM THE TERMS OF THIS AGREEMENT WITHOUT YOUR CONSENT.** The then-current Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, you must have satisfied all monetary obligations owed by you to us and to our affiliates and all other material obligations under this Agreement.

(f) Before or not later than 90 days after your execution of a Renewal Franchise Agreement for an additional term, you must make such physical modifications to your Outlet as are reasonably necessary so that they are substantially consistent with the then current System requirements, and so that they can accommodate new ILKB Services and Products, if any. You must also bring your Outlet and equipment, materials and supplies into compliance with the standards then applicable to new iLoveKickboxing.com franchises.

(g) There is no fee payable in connection with the Renewal Franchise Agreement or the additional term.

5.3 Notice of Expiration Required by Law.

If applicable law requires that we give a longer period of notice to you than herein provided prior to the expiration of the initial term or any successor term, we will give such additional required notice. If we do not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until you have received such required additional notice.

VI. TRAINING AND ASSISTANCE

6.1 Initial Training.

(a) It is of paramount importance that you, your General Manager, your Kickboxing Trainers, the Principal Equity Owners, and your other key employees and representatives understand the Franchised Business and the System, that your General Manager has been trained how to operate the Franchised Business, and that your General Manager and Kickboxing Trainers have been trained how to provide proprietary kickboxing training and techniques to retail customers. Accordingly, we will provide to your General Manager, Kickboxing Trainers and your Principal Equity Owners an Initial Training program, providing an orientation to the System and instruction on how to operate the Franchised Business. You may not open and operate your Franchised Business until your General Manager and at least one of your Kickboxing Trainers have satisfactorily completed Initial Training. You acknowledge and agree that ILKB will solely determine whether or not you, your General Manager and your Kickboxing Trainers have satisfactorily completed Initial Training.

(b) The failure of your designated General Manager and at least one of your Kickboxing Trainers to complete Initial Training to our satisfaction will be grounds for termination of this Agreement; provided, however, that your General Manager and Kickboxing Trainer who fails to successfully complete Initial Training will have the opportunity to either retake Initial Training or you may send one replacement, approved by us, to the next available Initial Training program.

(c) We will determine the contents and manner of conducting the Initial Training program in our discretion, however, the training course will be structured to provide practical training in the implementation and operation of

the Franchised Business and may include such topics as iLoveKickboxing.com standards, marketing and customer service techniques, reports and equipment maintenance.

(d) There is no separate fee payable to us for the Initial Training program provided to your initial General Manager, one of your Kickboxing Trainers and one of your Principal Equity Owners desiring to attend. You must pay us a fee for each additional attendee of Initial Training as follows: Principal Equity Owners and replacement General Managers - \$1,500; additional Kickboxing Trainers - \$750.

(e) All costs and expenses (including travel, hotel and meal) of your attendees of Initial Training will be your sole responsibility. All persons attending Initial Training on your behalf must have a demonstrable relationship to the management and operation of your Franchised Business.

6.2 Training and Assistance after Opening.

(a) After you open your Franchised Business, we will provide you with access to the ILKB website, which may include access to a digital copy of the Confidential Operations Manual, as well as workout and marketing videos.

(b) After you open your Franchised Business, we will provide you with access to iLoveKickboxing.com "Mentor Training" (details of which are contained in the Confidential Operations Manual), as well as telephone and e-mail assistance at your request or otherwise as we deem necessary to instruct in all phases of the operation of the Franchised Business. Our field representatives may visit your Outlet and Territory from time to time, but the frequency and duration of any such visits by our representatives is in our sole discretion. In addition, we will be available on an ongoing basis at our national headquarters for consultation and guidance with respect to the operation and management of the Franchised Business.

(c) After you open your Franchised Business, and upon reasonable notice, we may require attendance of your designated personnel at training courses, seminars, conferences or other programs other than Initial Training or mandatory meetings (described in section 6.3 below) that are deemed by us to be relevant or appropriate to the operation of your Franchised Business. You specifically agree that only persons trained by us or under our supervision will have overall responsibility for the operation of the Outlet and Franchised Business, and that you will send your General Manager to us for additional training if we request this.

(d) We may but are not required to make available to you optional staff training courses, coaching and business mentoring programs, seminars, conferences, or other programs, in a suitable location selected by us.

(e) In addition to updates to the Confidential Operations Manual, we may provide you with additional materials relating to the Franchised Business. We may also from time to time make available to you for purchase other materials relevant to the System and the Franchised Business.

(f) All costs and expenses (including travel, hotel and meal) of your attendees at any post-opening training, conferences or meetings will be your sole responsibility. All persons attending post-opening training, conferences or meetings on your behalf must have a demonstrable relationship to the management and operation of your Franchised Business.

(g) In the event of any Transfer of your Franchised Business (which must be done in full compliance with section 12.2 of this Agreement), the transferee must be trained by us as a condition of our consent to such Transfer. The transferred Franchised Business may not be opened or re-opened by the transferee until we accept the transferee in writing as being qualified to operate the Franchised Business and we have otherwise consented to the Transfer in accordance with this Agreement.

6.3 Mandatory Meetings.

Not more often than once each year, we may conduct a system-wide meeting or series of regional meetings to discuss iLoveKickboxing.com business activities or other matters relating to the Franchised Business. Attendance of the General Manager at these meetings will be mandatory (and is highly recommended for all of your Principal Equity Owners). You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. The mandatory meetings referenced in this section 6.3 are in addition to any voluntary convention or sales conference that may be coordinated by us.

6.4 Proprietary Materials.

At Initial Training and other training programs and conferences, we may provide you with confidential and proprietary information ("Proprietary Information"), as well as training materials, training curricula and related materials for your use in the training of your staff. All of these items are and will remain our property. You must not yourself nor allow your employees or others, to copy, reproduce, disseminate or otherwise reveal to third parties any of the foregoing Proprietary Information and related materials without our express prior written consent.

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 Your Outlet.

The Franchised Business may only be operated from your Outlet. If your Outlet has not been identified when you sign this Agreement, but the general location of the Territory is identified, the exact location of your Outlet will be inserted into a restated Exhibit 1 attached to this Agreement as soon as its location has been determined. In order to promote the orderly and timely service of iLoveKickboxing.com customers, you may not deliver ILKB Services and Products or other products or services outside your Territory without our prior written consent.

7.2 Building Out Your Outlet.

(a) Premises acceptable to ILKB from which your Outlet will be operated must be located and secured by you and reviewed and consented to by ILKB within 90 days after the Effective Date. If you have not located a site for your Outlet that is acceptable to ILKB within 120 days after the Effective Date, ILKB may cancel your Franchise Agreement on the basis of your failing to find an acceptable site and if ILKB does so, we will refund your Initial Franchise Fee less costs ILKB has incurred up to the date of cancellation. You must build out your Outlet (and commence operation of the Franchised Business there) within 180 days after the Effective Date, using architects, project managers, contractors, subcontractors, architectural plans and key equipment suppliers designated by ILKB (or one of our affiliated companies) or otherwise reasonably acceptable to ILKB. You must commence operation of the Franchised Business at your Outlet as soon as practicable after your receipt of a certificate of occupancy (or equivalent document) from the responsible local government authority. If after you have located and secured suitable premises for your Outlet, you have not commenced operation of the Franchised Business within 180 days after the Effective Date, ILKB may terminate this Agreement effective on written notice, in accordance with Article X of this Agreement and if ILKB does so, you will not be entitled to receive any refund of your Initial Franchise Fee. If this Agreement is for a second or subsequent Outlet owned by you, you must commence operation of the Franchised Business at the Outlet within (i) the time period specified in the Development Schedule included in an MOA you executed, or (ii) if you did not execute an MOA, then in accordance with the timelines specified above in this section 7.2(a). We will give you an automatic one-month extension to open the Outlet beyond the mandatory dates specified above in this section 7.2(a) if we deem in our sole discretion that you have made a diligent effort to open, but were unable to do so due to reasons beyond your reasonable control.

(b) ILKB will assist you in the site selection process and we reserve the sole right of final review and consent to any location of the Outlet. ILKB uses available demographic information to help you evaluate the site and the area in which it is located, and analyze area income figures, traffic patterns, visibility, population density, competition, zoning, parking, accessibility and other related, relevant circumstances. **Our final review and consent to your Outlet is not a guarantee that an iLoveKickboxing.com business can be successfully operated there or elsewhere in your Territory.**

(c) ILKB will provide you with a sample prototype layout for your Outlet. At your sole expense, you must employ architects, designers, engineers or others designated or approved by ILKB to complete, adapt, modify or substitute the sample plans and specifications for the Outlet. The architect must submit a complete set of final plans and specifications to ILKB before commencing construction of the Outlet. ILKB will review these plans and specifications and accept them as stated, or provide you with our comments on the plans and specifications. ILKB has complete and uncontested control over all design including designating architect, contractors, and other third parties and you may not choose your own contractors, architects or third party designers. And, you may not commence construction of the Outlet until ILKB consents in writing to the final plans, specifications and contractors to be used in constructing the Outlet. ILKB will consult with you, to the extent ILKB deems necessary, on the construction and equipping of the Outlet, but it is and will remain your sole responsibility to diligently construct, equip and otherwise make ready, and then open the Outlet. You are responsible, at your expense, for obtaining all zoning classifications, permits, clearances, certificates of occupancy and center clearances which may be required by governmental authorities.

(d) You must use licensed general contractors, designers, vendors and architects accepted by ILKB before performing construction work at the Outlet. ILKB expressly disclaims any warranty of the quality or merchantability of any goods or services provided by architects, contractors, or any other persons or entities which ILKB may refer to you. ILKB will not be responsible for delays in the construction, equipping or decoration of the Outlet or for any loss resulting from the Outlet design or construction since ILKB has no control over the landlord or developer and numerous construction or related problems which could occur, and consequent delay in the opening of your Outlet. ILKB must approve in writing any and all changes in the Outlet plans prior to construction of the Outlet or the implementation of such changes.

(e) ILKB must have access to your Outlet while work is in progress. We may make video records of construction in process, and may require such reasonable alterations to or modifications in the construction of the Outlet as ILKB deems necessary. Your failure to promptly commence the design, construction, inventorying, equipping and opening of the Outlet with due diligence will be grounds for the termination of this Agreement. And if you do not complete the build out of the Outlet in a reasonable time, ILKB can complete the build out, all expenses of which will then be paid or reimbursed by you. Before opening of the Outlet and prior to final inspections by any governmental agency, representatives of ILKB will complete a final "walk through" inspection of the Outlet and issue a written consent to open. Any deficiencies noted by ILKB as a result of this inspection must be corrected by you within 30 days or this Agreement may be terminated without any liability to ILKB.

(f) Unless otherwise agreed to in writing by you and ILKB, although ILKB will assist you with site selection, you have the sole responsibility for locating and obtaining suitable premises for your Outlet. You and your landlord may be required by us to execute a rider to your lease, or other agreement or written understanding that (i) grants ILKB an option to assume your position as lessee under the lease for the Outlet premises if you are in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify ILKB if you are in such default) or this Agreement, and (ii) requires the landlord to fully cooperate with ILKB in completing identification of the Outlet in the event this Agreement is terminated or expires without being renewed.

(g) ILKB has the right to regularly inspect your Outlet and any other site where you conduct the Franchised Business.

7.3 Initial Inventory.

Not later than 30 days before the Opening Date, you must order from (and if necessary pre-pay to) ILKB the items specified in the "Outlet Development Materials" section of the Confidential Operations Manual for a complete initial inventory of designated kickboxing equipment, other fitness equipment, accessories and other authorized items that is appropriate for your type of Outlet, with delivery scheduled for not later than two business days before the Opening Date. Thereafter, you must buy designated kickboxing equipment, fitness equipment and accessories, and other authorized items only from vendors designated by ILKB or suppliers approved by ILKB. You must buy interior and exterior signs, other materials containing the Marks, and apparel containing the Marks only from suppliers approved by ILKB.

7.4 Marketing and Advertising Boundaries.

You may not directly promote, advertise or otherwise market your Outlet outside the boundaries of the Territory or other advertising boundary that we designate, except with the express permission of the franchisee in whose territory the advertising is conducted. The marketing and advertising boundaries are determined by us and may be changed by us or overlap with the territories of other iLoveKickboxing.com franchised Outlets as market conditions or type of media warrant, all in our sole discretion. Such marketing and advertising boundaries may exceed the Territory provided herein, in our sole discretion.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements.

(a) At all times you must be, or employ, a "full time" General Manager who will devote his or her entire time during normal business hours, as defined in the Confidential Operations Manual, to the management, operation and development of the Franchised Business. The General Manager must ensure that you fulfill your obligations to your customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours.

(b) You must only operate the Franchised Business at your Outlet, in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provide to you by us in writing. You may only provide ILKB Services and Products to customers who in your reasonable judgment are capable of receiving or using them. You may not engage in the sale or delivery of ILKB Services and Products outside of your Outlet except as we may authorize in the Confidential Operations Manual or otherwise in writing. You must use the standard signs and formats that we prescribe in operating the Outlet and conducting the Franchised Business. To protect and maintain the integrity, reputation and goodwill of the System and the Marks, we require that you comply with the methodology we prescribe in providing ILKB Services and Products to customers. We may (i) recommend prices for ILKB Services and Products and (ii) restrict your advertising of prices that are inconsistent with these recommended prices.

(c) Your Franchised Business must be open on a full-time basis in accordance with the hours of operation as designated in the Confidential Operations Manual. The obligation to remain open will not apply in the event of natural or man-made disasters or public emergencies.

(d) You must promptly satisfy any *bona fide* indebtedness that you incur in operating your Franchised Business. Contractors, subcontractors, vendors and suppliers providing services to the Franchised Business must be paid in accordance with the terms of their agreements with you.

(e) You must notify us in writing within 10 days after you receive actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect your operations in the Territory or your ability to meet your obligations hereunder.

(f) Upon the occurrence of any event that occurs at the Outlet or in the Territory that has caused or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or us or our affiliates, you must immediately inform our designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic messaging medium authorized by us for this purpose. You must cooperate fully with us with respect to our response to an incident described in this section 8.1(f).

(g) If there is any *bona fide* dispute as to any liability for taxes assessed or other indebtedness, you may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, you may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Business or any of its improvements.

(h) You may not engage in any co-branding in the Outlet or in connection with the Franchised Business except with our prior written consent. We are not required to approve any co-branding chain or arrangement except in our discretion, and only if we recognize that co-branding chain as an approved co-brand for operation within the System. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not us) that is featured or incorporated within your Outlet or the Franchised Business you operate in your Territory or is adjacent to your Outlet and operated in a manner which is likely to cause the public to perceive it to be related to the Outlet and Franchised Business licensed and franchised hereunder.

8.2 Confidential Operations Manual.

(a) You must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be provided to you. You may have access to a digital copy of the Confidential Operations Manual on our website. You may also be provided with a hard copy of all or portions of the Confidential Operations Manual at Initial Training or afterwards. We have the right to modify the Confidential Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next business day after the digital copy maintained on our website is changed.

(b) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated iLoveKickboxing.com franchisees. As modified by us from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by us from time to time, will not alter your fundamental status and rights under this Agreement. If there is any discrepancy

or dispute about the version of the Confidential Operations Manual that you may have printed and maintain, the master copy of the Confidential Operations Manual that we maintain at our headquarters and available on our website will be the controlling version and will supersede all prior versions.

(c) If you lose printed portions of, or allow unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to you by us, you may be required to pay us a fine of \$1,000 (this amount may be adjusted by changes in the CPI since the Effective Date) within 30 days after our demand for payment, and you will be deemed to be in violation of this Agreement and all other agreements you have with ILKB and our affiliated entities.

(d) Upon the expiration or termination of this Agreement for any reason whatsoever, you must immediately return to us any printed portions of the Confidential Operations Manual then in your possession. Except as specifically permitted by us, at no time may you, or your employees or agents, (i) make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except your authorized employees and agents when required in the operation of the Franchised Business.

8.3 Standards of Operation.

You agree that we, you and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at your Outlet and elsewhere in your Territory. Therefore, you agree to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement, the architectural plans and the Confidential Operations Manual as it may be revised from time to time, and as we may otherwise direct in writing. In order that we may establish and maintain an effective network of franchisees, you specifically agree that you must not display the Marks except in the manner we authorize.

8.4 Point of Sale System and Computer System.

(a) Within 30 days after we give you written notice to do so, you must purchase, use and maintain the computerized membership scanner and point of sale credit card collection system (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by ILKB in writing for use in connection with the Outlet (the "POS System"). If applicable, the POS System must be connected at all times to a dedicated broadband connection, digital subscriber line ("DSL") or other high-speed communications medium specified by ILKB, and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, in the manner designated by ILKB in the Confidential Operations Manual or otherwise by ILKB in writing for maintaining the POS System. You must obtain and maintain an annual maintenance agreement with the manufacturer or distributor of the POS System. The POS System must be electronically linked to ILKB. We may poll the POS System on a daily or other basis at such times and in such manner as determined by ILKB, with or without notice, and to retrieve such transaction information including sales, sales mix, usage and other operations data as ILKB deems appropriate. You must ensure that only adequately trained employees, in our discretion, are allowed to conduct transactions using the POS System. Within a reasonable time upon our request, you must apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to access and purchase ILKB Services and Products via such procedure, as specified by us. We may require you to update, upgrade or replace the POS System, including hardware and/or software, from time to time upon written notice, provided that you will not be required to replace the POS System any more frequently than once every three years.

(b) In addition to the POS System, you must purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by ILKB in writing for use in connection with the Outlet (the "Computer System"). ILKB requires you to maintain an e-mail account and connect the Computer System at all times to a dedicated broadband connection, DSL or other high-speed communications medium specified by ILKB, and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, in the manner designated by ILKB in the Confidential Operations Manual or otherwise by ILKB in writing. You must obtain all software and hardware, including digital still and video cameras, as ILKB may specify to enable you to provide ample security against viruses, send and receive e-mail, contact and track customers, perform accounting functions, perform marketing and access and transmit digital photos and streaming video or other multimedia signals and information to and from the Outlet, and you must, from time to time, upon our request transmit digital photos and real time video and audio signals of the Outlet

to ILKB, and in the form and manner prescribed by us. You must purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as we may from time to time require by 30 days written notice; provided however that you will not be required to update or replace the Computer System any more frequently than once every three years. Upon request, you must permit ILKB to access the Computer System, details of all classes you are providing at your Outlet and other files and data stored therein via any means specified, including electronic polling communications.

(c) ILKB will designate that certain computer software be used in the operation of the POS System and/or Computer System ("Designated Software"). You must license or sublicense such Designated Software from our designee and enter into a software license agreement on the software licensor's then-current form. ILKB will pay any related license or maintenance fees. From time to time, you must obtain and install upgrades, enhancements or replacements to the Designated Software. You must incorporate any required modifications or additions within 30 days after receiving written notice from ILKB, unless a longer time period is stated in the notice

(d) You may not install, and must prohibit others from installing, unauthorized software on the POS System and the Computer System. You must take all commercially reasonable measures to insure that no virus, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the POS System or the Computer System. You must from time to time communicate to ILKB all passwords, access keys and other security devices or systems necessary to permit ILKB to access the POS System and Computer System and obtain the data we are permitted to obtain under this Agreement, including accounting, sales, marketing, client and other information to assist in and support the operation of the Franchised Business.

(e) ILKB may use information relating to members of your Outlet to market other products and services directly to them.

8.5 Maintenance, Upgrades and Refurbishments to the Outlet.

(a) ILKB requires that you maintain, and from time to time refurbish, the Outlet to conform to the then-current building design, Trade Dress, and color schemes then applicable for an Outlet. Such maintenance and refurbishment may require expenditures by you on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Outlets or to accommodate new ILKB Services and Products. In this regard, the following requirements are applicable:

(i) You must maintain all equipment used at the Outlet on an as needed basis. And you must immediately and completely resolve to our satisfaction any maintenance deficiencies we identify.

(ii) You must make any and all upgrades to equipment and any technology used in your Outlet that we may require.

(iii) We may periodically require you to update the Trade Dress used at your Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to you in writing. Such updates may require you to install new color schemes, logos, signage or other visual elements. We anticipate that such Trade Dress updates will be required no more frequently than once every three years.

(b) ILKB will only require the types of modifications and expenditures described herein where there is good cause. In this context, "good cause" means that ILKB must make a good faith determination that your Outlet is substantially inconsistent with prevailing System-wide standards (or example, either in terms of the Trade Dress, the overall condition of the Outlet, or the type, quality or condition of the equipment needed to adequately prepare, promote and sell ILKB Services and Products) and that, as a result of its appearance or condition, your Outlet is either (i) not adequately positioned to promote and sell ILKB Services and Products as then required or (ii) damaging the integrity of the iLoveKickboxing.com image, brand and/or Marks.

8.6 Relocation of Your Outlet.

If you desire to relocate your Outlet, you may do so upon satisfying the following conditions:

(i) Not less than 90 days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible); you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written

details respecting any proposed new location. You and the landlord must execute a rider to your lease for the new location for the Outlet (or other agreement or written understanding) that (i) grants ILKB an option to assume your position as lessee under the lease for the relocated Outlet premises if you are in material default of either (x) the lease for the relocated Outlet premises (including an obligation of the landlord to notify ILKB if you are in such default) or (y) this Agreement, and (ii) requires the landlord to fully cooperate with ILKB in completing de-identification of the relocated Outlet in the event this Agreement is terminated or expires without being renewed and we do not exercise our option to assume the lease for the relocated Outlet premises.

(ii) Within 20 business days after receiving your request, ILKB will either approve or disapprove in writing such closure or relocation in our reasonable discretion. In the event of disapproval of a proposed relocation, you may request an alternative proposed new location pursuant to the provisions of this section 8.6.

8.7 Record Keeping and Reporting Requirements.

(a) You agree to implement and thereafter use specific accounting software as may be designated by ILKB to track, account for and report on the financial performance of the Franchised Business. On a monthly basis (not later than 10 business days after the end of each month), you must submit to us financial or statistical reports, records, statements or information as required in the Confidential Operations Manual or otherwise by us in writing.

(b) Within 90 days after the end of each fiscal year (or any permitted extension for filing same), you must submit to us a copy of Schedule C or equivalent portion of your federal tax return that relates to the Outlet and your operation of the Franchised Business.

(c) All financial or statistical information you provide to us must be accurate and correct in all material respects.

(d) We have the right to use any financial or statistical information that you provide us, as we deem appropriate. We will not identify you, your Outlet or your Territory as the source of the information, and will not disclose any of this information except (i) with your written consent, (ii) as required by law or compulsory order or (iii) in connection with audits or collections under this Agreement.

(e) We or our designated agents have the right, at all reasonable times, to examine, copy and audit the books, records and applicable portions of your tax returns that relate to the Outlet and your operation of the Franchised Business. We agree to maintain the contents of the Schedules C (or equivalent portion) of your tax returns in strict confidence and will not disclose them to any third party without your express written consent.

(f) You must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five years after the close of the fiscal year to which the books records and accounts relate.

8.8 Signs and Display Materials.

(a) All signs, display materials and other materials containing the Marks must be in full compliance with the specifications provided in, and in conformity with, the Confidential Operations Manual. We will designate or approve the suppliers of signs and display materials containing the Marks in accordance with Confidential Operations Manual guidelines.

(b) Subject to applicable governmental ordinances, regulations and statutes, you agree to post and maintain, at the Outlet, entirely at your expense, any minimum signage recommended by us. Any signage containing the Marks will be designed by a vendor designated by ILKB and manufactured by a vendor designated or approved by ILKB.

8.9 Telephone Numbers.

At your sole expense, you must list the telephone number for your Outlet in accordance with procedures prescribed by the Confidential Operations Manual. At the time of termination or expiration of this Agreement, for any reason, you must transfer the telephone numbers for your Outlet to us or cancel them and de-list them from any applicable telephone directory or other telephone number listing service.

8.10 Insurance.

(a) You must have in effect on the Opening Date and maintain during the term of this Agreement comprehensive general liability insurance, automobile insurance, and other insurance that is legally required for you to operate your business (*i.e.*, workers' compensation insurance) or that is reasonably prudent for your type of business. Policy coverage limitations and other terms relating to insurance will be set forth in the Confidential Operations Manual. Any policies of insurance that you maintain must contain a separate endorsement naming ILKB and the Owner of the Marks (and our other affiliates companies identified by us in writing) as additional insureds to the full extent of coverage provided under the insurance policies. You must provide us a copy of the policy and endorsement upon issuance and upon each and every renewal.

(b) You must promptly notify us of any and all claims against you or us under said policies of insurance and deliver to us certificates evidencing that such insurance are in full force and effect within 30 days after the Opening Date and each succeeding anniversary of the Opening Date. Such insurance certificate must contain a statement that the certificate cannot be canceled without 30 days prior written notice to you and to us. You must notify us in writing immediately regarding any cancellation, non-renewal or reduction in coverage or limits.

8.11 Review and Inspection.

(a) ILKB has the right to send representatives at reasonable intervals at any time during normal business hours, to your Outlet or other offices to review and inspect your operations, business methods, service, management and administration relating to the Franchised Business or its equivalent, to determine the quality thereof and the faithfulness of your compliance with the provisions of this Agreement and the Confidential Operations Manual.

(b) You must permit our representatives to access your Outlet and any other facility from which you sell ILKB Services and Products at any time during normal business hours to conduct reviews and inspections. You must cooperate with such reviews and inspections by rendering such assistance as our representatives may reasonably request and upon notice from us or our representatives, immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection.

8.12 Compliance with Laws.

You must (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (ii) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (iii) prepare and file all necessary tax returns and (iv) pay promptly all taxes imposed upon you or upon your business or property. You represent and warrant that you will obtain and at all times maintain all necessary permits, certificates or licenses necessary to conduct the Franchised Business in the locality within which the Outlet is situated. You must immediately notify us of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving you, or any entity affiliates with you, or any agent, employee, owner, director or partner of yours, which notification must include all relevant details in respect thereof, according to the procedures set forth in the Confidential Operations Manual.

8.13 Web Site and Internet Marketing.

(a) During the term of this Agreement, you will use the iLoveKickboxing website as specifically authorized by us in the Confidential Operations Manual or otherwise in writing to register new customers and market your Outlet. Otherwise, you may not (i) engage in Franchised Business directly or indirectly through the Internet, (ii) establish a website or social networking media outlet (such as Facebook, MySpace, Linked In, Twitter, *etc.*), or register an Internet domain or social networking media outlet name using any of the Marks, or (iii) otherwise advertise on the Internet or anywhere else, the mark "iLoveKickboxing.com", or any other Mark, or any mark similar to "iLoveKickboxing.com", or any combination or derivations thereof.

(b) Any alternative distribution methods and programs you would like to use to engage in the Franchised Business, including e-commerce, web sites, Internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, is subject to the prior written approval of ILKB, which approval will be in our sole discretion.

8.14 Intranet.

(a) We may, at our option, establish and maintain an "Intranet" through which iLoveKickboxing.com franchisees may communicate with each other, and through which we and you may communicate with each other and through which we may disseminate the Confidential Operations Manual, updates thereto and other confidential information. We will have discretion and control over all aspects of the Intranet, including the content and functionality thereof. We will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to you.

(b) You may use the Intranet, but only if you are in strict compliance with the standards and specifications, protocols and restrictions that we may establish from time to time regarding such use. Such standards and specifications, protocols and restrictions may relate to, among other things, (i) the use of abusive, slanderous or otherwise offensive language in electronic communications, (ii) communications between or among franchisees that endorse or encourage default of any iLoveKickboxing.com franchisee's franchise agreement, or other agreement with us or our affiliates, (iii) confidential treatment of materials that we transmit via the Intranet, (iv) password protocols and other security precautions, including limitations on the number and types of employees that may be granted access to the Intranet, (v) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, and (vi) a privacy policy governing our access to and use of electronic communications that franchisees post to the Intranet. You acknowledge that, as administrator of the Intranet, we can technically access and view any communication that any person posts on the Intranet. You further acknowledge that the Intranet facility and all communications that are posted to it will become our property, free of any claims of privacy or privilege that you or any other person may assert.

(c) You must establish and continually maintain (during all times that the Intranet is operational and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Confidential Operations Manual) with the Intranet that allows us to send messages to and receive messages from you, subject to the standards and specifications.

8.15 Franchise Advisory Council.

We may, at our option, establish a franchise advisory council (the "FAC"), which will be composed of franchisees of the System. The FAC will, among other functions requested by us, serve as a representative committee for franchisees of the System and facilitate and coordinate the sharing of information and ideas between franchisees of the System and us. If appointed or elected to do so, you (or your designee) must, at your own expense, participate as a member of the FAC. We reserve the right to set reasonable standards for appointment or election to the FAC and you acknowledge that if we establish the FAC, you may be required to pay a fee or otherwise contribute to the FAC as the FAC leadership or we may require. You acknowledge that the role of the FAC is advisory only, and we are not obligated to implement the FAC's recommendations. Neither you nor your designee will have the right to be appointed, elected, and if appointed or elected, to continue to serve on the FAC if you are in material default of this Agreement, or are not current in your financial obligations to us, and your landlord (if any), suppliers and vendors.

IX. PROPRIETARY MARKS

9.1 License of the Marks.

(a) We hereby grant you the right during the term hereof to use and display the Marks in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with you operation of the Franchised Business in the Territory. Neither you nor any Principal Equity Owner may use, display or permit the use or display of trademarks, trade names, service marks, insignias or logo types other than the Marks and other trademarks and service marks approved for use by us in connection with the Franchised Business. Neither you nor any Principal Equity Owner may use or display the Marks in connection with the operation of any business or other activity that is outside the scope of the Franchised Business. **You may only use the Marks on the Internet or other electronic media in the manner and as specifically authorized by us in the Confidential Operations Manual or otherwise in writing.** You agree to be responsible for and supervise all of your employees and agents in order to insure the proper use of the Marks in compliance with this Agreement.

(b) You acknowledge that the Marks have been licensed to us by the Owner of the Marks to use in the franchised System. You acknowledge and agree your use of the Marks is a temporary authorized use under this Agreement and that the Owner of the Marks retains all ownership interests in the Marks and that the Owner of the Marks, ILKB and the Owner of the Marks retain all ownership of the goodwill generated by the Marks. You

acknowledge that the use of the Marks outside the scope of the terms of this Agreement without our written consent is an infringement of the Owner of the Marks' and our exclusive rights, title and interest in and to the Marks. You agree that as between you and us, all rights to use the Marks within the franchised System are our exclusive property. You now assert no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of your franchised use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and our other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between you and us, remains vested solely in us, and the use thereof is only co-extensive with the term of this Agreement. You agree that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, you will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Marks.

(c) You acknowledge that we prescribe uniform standards respecting the nature and quality of ILKB Services and Products provided by you in connection with which the Marks are used. Nothing herein gives you any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and you agree that all of your use of the Marks under this Agreement inures to our benefit and the benefit of the Owner of the Marks.

(d) You and all Principal Equity Owners agree that all materials associated with ILKB, ILKB Services and Products or other services, artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by you, your employees, agents and subcontractors and any other party with whom you may contract to have such materials produced pursuant to this Agreement will become the sole property of the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, you hereby and irrevocably assign to us all such materials, artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing. Furthermore, you agree on behalf of yourself, your employees, your agents, your subcontractors and any other party with whom you may contract to have such materials produced, to promptly execute any and all appropriate documents in this regard.

(e) If necessary, you agree to join with us and share the expenses in any application to enter you as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, we may immediately apply to cancel your status as a registered or permitted user and you hereby consent to the cancellation and agree to join in any cancellation petition. You will bear the expense of any cancellation petition.

9.2 Your Business Name.

(a) In connection with your operation of the Outlet, you agree that at all times and in all advertising, promotions, signs and other display materials, on your letterheads, business forms, and at the Outlet and other authorized business sites, in all of your business dealings related thereto and to the general public, you will identify the Franchised Business solely under a trade name containing the Mark "iLoveKickboxing.com" and authorized by us ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on your letterhead, contract agreements, invoices, advertising and other written materials containing the Marks as we may direct.

(b) You must file and keep current a fictitious business name statement, assumed name certificate or similar document with respect to your Business Name in the county or other designated jurisdiction in which you are conducting business and at such other places as may be required by law. Before you commence engaging in the Franchised Business under the Marks, you must supply evidence satisfactory to us that you have complied with relevant laws regarding the use of fictitious or assumed names.

(c) On expiration or sooner termination of this Agreement, we may, if you do not do so, execute in your name and on your behalf any and all documents necessary, in our judgment, to end and cause a discontinuance of the use by you of the Marks and Business Name registrations and we are hereby irrevocably appointed and designated as your attorney-in-fact to do so.

(d) You further agree that you will not identify yourself as (i) us, (ii) a subsidiary, parent, division, shareholder, partner, agent or employee of ours or the Owner of the Marks or (iii) any of our other franchisees.

(e) If you are an entity and not an individual proprietor, you cannot use any of the Marks in your entity's legal name.

9.3 Trade Secrets and Proprietary Information.

(a) You acknowledge that the material and information now and hereafter provided or revealed to you pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are confidential trade secrets of ILKB and are revealed in confidence, and you expressly agree to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. We expressly reserve all rights with respect to the Marks, confidential trade secrets, methods of operation and other proprietary information, except as may be expressly granted to you hereby or in the Confidential Operations Manual. We will disclose to you certain of our trade secrets as reasonably needed for the operation by you of your Franchised Business by loaning to you, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the trade secrets, through training and assistance provided to you hereunder, and by and through the performance of our other obligations under this Agreement.

(b) You acknowledge that we are the sole owner of all Proprietary Information and our trade secrets; that such information is being imparted to you only by reason of your special status as a franchisee of the System; and that our trade secrets are not generally known to our industry or the public at large and are not known to you except by reason of such disclosure. You further acknowledge that you will acquire no interest in the Proprietary Information and trade secrets disclosed to you, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement. In addition, you acknowledge that the use or duplication of our trade secrets except as expressly permitted by this Agreement constitutes an unfair method of competition and that we will suffer irreparable injury thereby.

(c) You agree that you will not do or permit any act or thing to be done in derogation of any of our rights in connection with the Marks, either during the term of this Agreement or thereafter, and that you will use these only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, you and your employees and agents will not engage in any act or conduct that impairs the goodwill associated with the Marks.

9.4 Modification of Marks and Trade Dress.

We may add to, substitute or modify any or all of the Marks or Trade Dress from time to time, by directive in the Confidential Operations Manual. You must accept, use, display, or cease using, as may be applicable, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and must within 30 days of receiving notification, commence to implement such changes and use your best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks.

(a) If you receive notice or otherwise become aware of any claim, suit or demand against you by any party other than us, the Owner of the Marks or any of our affiliates on account of any alleged infringement, unfair competition or similar matter arising from your use of the Marks in accordance with the terms of this Agreement, or any misuse of the Marks by third parties on the Internet or otherwise, you must promptly notify us of any such claim, suit, demand or misuse. You will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without our prior written consent. We will defend, compromise or settle at our discretion any such claim, suit or demand and take steps to stop misuse at our cost and expense, using attorneys selected by us or the Owner of the Marks, and you agree to cooperate fully in such matters.

(b) We will indemnify you and hold you harmless from and against any and all judgments resulting from any claim, suit or demand arising from your authorized and proper use of the Marks in accordance with the terms of this Agreement. We have the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks being used by you or constitutes a misuse of the Marks, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

X. MARKETING AND PROMOTION

10.1 Use of Marketing and Promotion Fees.

(a) If and when we begin collecting Marketing and Promotion Fees pursuant to section 4.3(a) hereof, ILKB will expend, for the purposes of national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general public recognition and acceptance thereof, an amount equal to the aggregate Marketing and Promotion Fees stated in section 4.3 hereof and collected from all of its franchisees less a 15% administrative fee. No interest on unexpended Marketing and Promotion Fees will be imputed for your benefit or payable to you. If requested by you in writing not later than March 31 of any calendar year, we will provide you not later than May 31 of that year with a statement of receipts and expenditures of the aggregate Marketing and Promotion Fees relating to the preceding calendar year, certified to be correct by an officer of ILKB.

(b) In our sole discretion and as we deem appropriate, ILKB would be obligated to spend the Marketing and Promotion Fees collected from you and all other iLoveKickboxing.com franchisees (less our 15% administrative fee) on regional, local or national media or other marketing techniques or programs designated to promote the retail sale of ILKB Services and Products, the Marks and other aspects of the iLoveKickboxing.com brand, creative and production costs, and for other purposes deemed appropriate by us to enhance and promote the general recognition of iLoveKickboxing.com franchises.

(c) ILKB would also be authorized to spend Marketing and Promotion Fees collected from you and all other iLoveKickboxing.com franchisees for ILKB-approved initiatives, which may include branding and marketing studies, initiatives and research; test marketing new products or concepts; the development of marketing strategies, tools, initiatives, and materials; public relations; market research; annual conferences and travel to such conferences; and occasional selective regional and local advertising.

10.2 Advertising Content and Costs.

With respect to local, regional or system-wide advertising, we determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

XI. NON-COMPETITION COVENANTS

11.1 In Term Non-Competition Covenants.

(a) You acknowledge that you will receive valuable specialized training and access to our trade secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the System. In consideration for the use and license of such valuable information, you agree that you will not during the term of this Agreement operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to ILKB Services and Products or the Franchised Business, without our express prior written consent.

(b) It is the intention of both you and ILKB that you maximize the Franchised Business within the Territory, and any action of yours that diverts business to another entity or diminishes the Franchised Business being conducted in the Territory will be a material breach of this Agreement. Accordingly, neither you nor any Principal Equity Owner may, either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity, (i) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, (ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, or (iii) solicit without our prior consent any person who is at that time employed by us or any related entity to leave his or her employment.

11.2 Post Termination Non-Competition Covenants.

For a period of one year after termination of this Agreement or its expiration without renewal pursuant to section 5.2 of this Agreement, you agree that neither you nor any Principal Equity Owner may (either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in (direct or indirect as an employee,

officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to ILKB Services and Products or the Franchised Business, within a radius of 25 miles of your Outlet or any other authorized retail location selling ILKB Services and Products, without our express prior written consent. In all events, at all times following termination or expiration of this Agreement, you must refrain from any use, direct or indirect, of any of our proprietary information.

11.3 General Provisions regarding Non-Competition Covenants.

(a) You acknowledge that the restrictions contained in this Article XI are reasonable and necessary in order to protect our legitimate interests, and in the event of violation of any of these restrictions, we are entitled to recover damages including, without limitation, Royalties, Marketing and Promotion Fees and other fees that would have been payable if such business were included in the Franchised Business, and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies will be cumulative and in addition to any other rights or remedies to which we are entitled at law or in equity.

(b) This Article XI applies to your General Manager and other Principal Equity Owners, and each of your other managers, directors, officers, general partners and affiliates.

(c) Each provision of this Article XI is independent of each other provision of this Agreement. If any provision of this Article XI is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, you agree to be bound by the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and also agree to be bound by all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Us.

We have the right to Transfer this Agreement, and all of our rights and privileges hereunder to any other person, firm or corporation ("Our Assignee"); provided that, in respect to any Transfer ("Assignment by Us") resulting in the subsequent performance by our Assignee of the functions of franchisor hereunder: (i) at the time of Assignment by Us, Our Assignee must be financially responsible and economically capable of performing the obligations of franchisor hereunder; and (ii) Our Assignee must expressly assume and agree to perform such obligations. If there is an Assignment by Us, we will be relieved of all obligations or liabilities then existing or thereafter able to be asserted under this Agreement.

12.2 Assignment by You.

(a) This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of you and your Principal Equity Owners and the trust and confidence reposed in you and them by us. Therefore, neither your interest in this Agreement and the Franchise granted hereunder nor substantially all of your assets nor any of your other rights or privileges to operate as an iLoveKickboxing.com franchisee hereunder may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, "Assignment by You"), without our prior written consent and subject to our right of first refusal provided for in section 12.3 hereof. Our consent to a specific Assignment by You is not cumulative and will not apply to any subsequent assignments, in respect of each of which you must comply with this section 12.2.

(b) Should we elect not to exercise our right of first refusal, or should such right of first refusal be inapplicable, as herein provided, our consent to an Assignment by You will not be unreasonably withheld; provided, however, that it will not be unreasonable for us to impose, among other things, the following conditions precedent to our consent to any such Assignment by You:

(i) The assignee of yours ("Your Assignee") must complete our application for a franchise, and in connection therewith, you and Your Assignee must fully disclose in writing all of the terms and conditions of the Assignment by You;

(ii) Your Assignee and the principal equity owners of Your Assignee demonstrate that it has or they have the skills, qualifications and economic resources necessary, in our sole judgment, to conduct the business contemplated by this Agreement;

(iii) Your Assignee and each principal equity owner of Your Assignee expressly assumes in writing for our benefit all of your obligations under this Agreement;

(iv) Your Assignee executes the then current form of Franchise Agreement being used by us for the remainder of the term of this Agreement or, in our sole discretion, for the initial term of the then current form of Franchise Agreement (in our sole discretion, Your Assignee may be permitted to assume in writing this Agreement for the remainder of its term);

(v) You must have complied fully as of the date of any such Assignment by You with all of your obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us;

(vi) Your Assignee agrees that our Initial Training program described in section 6.1 hereof and any other training or orientation programs then required by us will be satisfactorily completed by necessary personnel within 30 days after the execution by Your Assignee of a Successor Franchise Agreement, provided, however, that Your Assignee must agree to pay for all of his, her or its expenses incurred in connection therewith, including any fee we charge for training (at the rate in effect at the time of transfer), travel, hotel and meal expenses; and

(vii) You must pay us a non-refundable "Transfer Fee" of \$10,000. The Transfer Fee is subject to adjustment in our discretion based on corresponding changes in the CPI since the Effective Date.

(c) You do not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever, nor subfranchise or otherwise transfer, or attempt to subfranchise or otherwise transfer the Franchised Business, or to transfer or subfranchise a portion but not all of your rights hereunder without our express prior written consent, which may be withheld for any reason in our sole discretion.

(d) Any attempt by you to assign or any purported Assignment by You in violation of this section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause this Agreement (and in our sole discretion any or all other agreements between you and us, or between you and our affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(e) Upon our consent to any Assignment by You, you must bring all accounts with us current and, together with ILKB, execute a mutual release.

12.3 Right of First Refusal.

Except for a transfer to your heirs, personal representatives or conservators in the case of death or legal incapacity as provided in section 12.6 hereof, your right to Transfer your interest in the Franchise granted by this Agreement under section 12.2 hereof is subject to our right of first refusal, which will be exercised as follows:

(i) You must serve upon us a written notice setting forth (A) all of the terms and conditions of any *bona fide* offer relating to a proposed Assignment by You, and (B) all available information concerning your Assignee including a detailed summary of how the proposed assignee meets our qualifications for a new iLoveKickboxing.com franchisee, and any other related information requested by us. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters that cannot be stated in monetary terms, such consideration will not be considered in connection with our right of first refusal.

(ii) Within 15 days after our receipt of such notice (or if we request additional information, within 10 days after receipt of such additional information), we may either (A) consent or withhold our consent to such Assignment by You, in accordance with section 12.2 hereof, or (B) at our option, accept the Assignment by You ourselves or on behalf of our nominee upon the terms and conditions specified in the notice.

(iii) If we elect not to exercise our right of first refusal and consent to the Assignment by You, you will for a period of 60 days, and subject to the provisions of section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by us), or if said 60-day period expires, we will again have such right of first refusal with respect thereto and you will again be required to comply with section 12.3(i) above.

Detailed terms of assignment must be delivered to us no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfers to Certain Family Members.

You or a Principal Equity Owner, if a natural person, may with our consent, which will not be unreasonably withheld, transfer the Franchised Business or an equity interest in your franchised entity to such person's spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to us, the performance of the transferee's obligations under this Agreement. No transfer under this section 12.4 will be subject to our right of first refusal set forth in section 12.3 hereof. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.5 Transfers to Affiliated Entities.

You or a Principal Equity Owner may without our consent, upon 30 days prior written notice to us, Transfer the Franchised Business or an equity interest in your franchised entity to an entity that is (i) organized for the purpose of operating the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided that adequate provision is made for the management of the Franchised Business. No Transfer under this section 12.5 will be subject to our right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner.

(a) Notwithstanding the foregoing, in the event of your death or legal incapacity, if you are an individual, or the death or legal incapacity of a Principal Equity Owner holding a majority equity interest ("Majority Equity Owner") if you are a corporation, limited liability company or partnership, the transfer of your or the deceased Majority Equity Owner's interest in this Agreement to his or her heirs, personal representatives or conservators, as applicable, will not be deemed an Assignment by You provided that a responsible management employee or agent of yours that has been satisfactorily trained by us will be responsible for the Franchised Business.

(b) In the event of your death or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer within 270 days after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If we determine (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, we may (but are not obligated to) immediately commence operating the Outlet on your behalf for up to 90 days. For such management assistance, you or the successor in interest must pay a reasonable *per diem* charge we set for the interim manager.

(c) No Transfer under this section 12.6 will be subject to (i) our right of first refusal set forth in section 12.3 hereof or (ii) the Transfer Fee set forth in section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by your (or a Majority Equity Owner's) heirs, personal representatives or conservators. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.7 Consent to Transfers.

Except as otherwise provided in this Agreement and subject to our right of first refusal provided in section 12.3 hereof, you or an Principal Equity Owner may consummate any Transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in your franchised entity, not permitted by the preceding sections 12.4, 12.5 and 12.6, only after written notice to us and only with our written consent, which will not be unreasonably withheld. We will exercise our good faith business judgment in determining whether to give or withhold our consent to a Transfer under this section 12.7. Such

exercise of good faith business judgment may include our consideration of certain skills and qualifications of the prospective transferee which are of business concern to us, including without limitation, the following: experience in businesses similar to the Franchised Business, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferee; the ability of such prospective transferee to fully and faithfully conduct the Franchised Business as contemplated by this Agreement; and the effect that the Transfer and the prospective transferee will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System or us or any of our affiliates.

XIII. DEFAULT AND TERMINATION

13.1 General.

(a) This Agreement may be terminated unilaterally by us or you only for cause, which for purposes of this Agreement means a material violation of this Agreement and includes any failure by you or us to substantially comply with any obligation, duty or promise under this Agreement, including, without limitation, those acts or omissions specified in sections 13.2 and 13.3 hereof. If we are in material breach of this Agreement, you may terminate this Agreement by giving us prior written notice setting forth the asserted breach of this Agreement and giving us 30 days in which to cure the default. If you are in material breach of this Agreement, we may exercise our right to terminate this Agreement in accordance with this Article XIII. If ILKB becomes insolvent or declares bankruptcy, you will continue to have the right to operate under this Agreement until and unless a court orders otherwise.

(b) A material violation of this Agreement means any action or omission by you that impairs or adversely affects the System, us, or the relationship created by this Agreement. Without limitation, each of the following events is deemed a material violation of this Agreement. The parties acknowledge, however, that these events do not represent an exhaustive list of material violations of this Agreement. Additional events may take place that, individually or in combination with other events, would constitute a material violation of this Agreement. Among other things, and without limitation, it is, and will be deemed, a material violation of this Agreement:

(i) If you fail to pay any sum due us;

(ii) If you or any Principal Equity Owner is convicted of a felony or any other criminal misconduct which we deem relevant to the operation of the Franchise;

(iii) If we make a reasonable determination that your continued operation of the Franchise will result in immediate danger to public health or safety or material degradation of the iLoveKickboxing.com brand and reputation;

(iv) If you fail to submit the periodic reports required, or those requested in writing, pursuant to section 8.7(a) of this Agreement;

(v) If you or any Principal Equity Owner violates any part of Article IX of this Agreement;

(vi) If you Abandon the Franchised Business;

(vii) If you fail to maintain an independent contractor relationship with us;

(ix) If you have knowingly either inaccurately reported or failed to report any information as part of your application or qualification as a iLoveKickboxing.com franchisee;

(x) If you violate the provisions of section 12.2 of this Agreement or otherwise sell, assign, transfer or encumber the Marks without our prior written consent as hereinabove provided;

(xi) If you fail to maintain the standards, policies, or provisions contained within the Confidential Operations Manual or any amendment thereto; or

(xii) If you fail to secure access to the Confidential Operations Manual so as to maintain its confidentiality.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which we have the right to terminate this Agreement, we also have the option, to be exercised in our sole discretion, to choose alternative remedies to our right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances under which we have the right to terminate this Agreement, we have the right to exercise any and all remedies available to us at law or in equity, including without limitation specific performance and damages (including punitive damages). All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

13.2 Immediate Termination.

We have the right to immediately terminate this Agreement upon notice to you upon the occurrence of any or all of the following events, each of which is deemed an incurable breach of this Agreement:

(i) If you Abandon your Outlet;

(ii) If you knowingly obtain ILKB Services and Products from an unapproved supplier;

(iii) If the Franchised Business is closed for health reasons by appropriate authorities or if licenses necessary for you to operate the Franchised Business are suspended or revoked, and such licenses or substitute licenses have not been reinstated within seven days thereafter;

(iv) If you default in any material obligation in respect of which you twice previously within the preceding 12 months have received a notice of default from us with respect to the same or similar breach; or

(v) To the extent permitted by law (including without limitation the applicable provisions of the Federal Bankruptcy Act), (A) if you become insolvent (as revealed by your records or otherwise), or (B) if you file a voluntary petition and are adjudicated bankrupt, or if an involuntary petition is filed against you and such petition is not dismissed within 60 days, or (C) if you make an assignment or the benefit of creditors, or (D) if a receiver or trustee in bankruptcy or similar officer, temporary or permanent, is appointed to take charge of your affairs or any of your property, or (E) if dissolution proceedings are commenced by or against you (if you are an entity) and are not dismissed within 60 days thereafter, or (F) if any final judgment against you from which no further appeal is available and which is not currently on appeal remains unsatisfied or not bonded of record for 30 days after your receipt of actual or constructive notice thereof, and the amount of such judgment exceeds \$50,000.

13.3 Termination After Notice.

(a) If we give you written notice to cure a violation of Article IX of this Agreement (which may include a statement of the method of cure to be employed), you must commence such cure within two business days and must effect a complete cure and remedy the damage caused by such violation as fully as possible in the shortest possible time, in no event more than seven days; and you must take reasonable action to prevent recurrence of the same type of violation.

(b) With respect to any default by you of your obligation to pay any sums due us under this Agreement, we may terminate this Agreement upon not less than 30 days prior written notice of this default. If you cure the default prior to the end of such period by paying all sums due us, our right to terminate will cease with respect to the breach that is cured.

(c) Except as provided in sections 13.2 and 13.3(a) hereof, we may terminate this Agreement only after giving you prior written notice setting forth the asserted breach of this Agreement and giving you 30 days in which to cure the default. Upon receipt of a notice of default, you must immediately commence diligently to cure said breach, and if you cure said breach within 30 days, our right to terminate this Agreement will cease. If because of the nature of the breach, it would be unreasonable for you to be able to cure the default within 30 days, you will be given additional time as is reasonably necessary in our determination to cure said breach, upon condition that you must, upon receipt of such notice from us, immediately commence to cure such breach and continue to use your best efforts to do so.

(d) If your rights under this Agreement are terminated by us for material breach, we may, at our option, declare you in default of all of the other franchise agreements or other agreements you have with us, and terminate your rights under those other agreements as well.

13.4 Description of Default.

The description of any default in any notice served by us hereunder upon you in no way precludes us from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.5 Statutory Limitations.

Notwithstanding anything to the contrary in this Article XIII, in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits our rights of termination hereunder or requires longer notice periods than those set forth herein, and in the event the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

13.6 Extended Cure Period.

Notwithstanding anything contained herein to the contrary, including, without limitation, section 13.3(c) hereof, in those circumstances under which we have the right to terminate this Agreement, we also have the right, to be exercised in our sole discretion, to grant to you in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to our right to terminate, but in no event may such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. You acknowledge that our election to grant an extended cure period to you will not operate as a waiver of any of our rights hereunder.

13.7 Our Right to Cure Your Defaults.

In addition to all other remedies herein granted, if you default in the performance of any of your obligations or breach any term or condition of this Agreement or any related agreement involving third parties, we may, at our election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to you, cure the default for your account and on your behalf, and all costs or expenses including attorney's fees incurred by us on account thereof are due and payable by you to us on demand.

13.8 Waiver and Delay.

No waiver by us of any breach or series of breaches or defaults in performance by you and no failure, refusal or neglect of ours either to exercise any right, power or option given to us hereunder or to insist upon strict compliance with or performance of your obligations under this Agreement or the Confidential Operations Manual, constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by us of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Recovery of Lost Royalty.

If this Agreement is terminated because of your material breach, based on the estimated time it takes for a replacement franchise outlet to achieve a similar revenue stream, we are entitled to recover liquidated damages equal to the amount of the Royalty paid by you during the three years prior to the date this Agreement was terminated.

13.10 Collection Costs.

We are entitled to reimbursement from you upon our demand of all costs we have incurred (including reasonable attorneys fees) to enforce our rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.11 Continuance of Business Relations.

Any continuance of business relations between you and us after termination of this Agreement will not be construed as a renewal, extension or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 Mediation.

(a) We and you have entered into a long term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the System, as contemplated by this Agreement. To that end, you and we acknowledge that you and we need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between us are an important aspect of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having our executive officers and your Principal Equity Owners meet at our principal executive office and conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement.

(b) If we are unable to settle the Dispute at this settlement conference, within 10 days after that conference we will submit the Dispute to mediation conducted before a mediator nominated by Franchise Dispute Resolution Services doing business as FDRS and Franchise Arbitration and Mediation Services ("FDRS") and appointed with your approval under FDRS' Mediation Guidelines (available at the website - www.franchise-dispute.com), unless the parties agree on a different mediator within 15 days after either party first gives notice of mediation. Mediation will be conducted in New York County, New York and should be conducted and completed within 45 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of its use in the mediation.

14.2 Arbitration.

(a) Any Dispute between (i) us and/or our affiliated entities and (ii) you and/or your affiliated entities, that is not resolved through mediation, will be resolved through binding arbitration by one arbitrator from the list of retired judges referred by Judicial Arbitration and Mediation Services ("JAMS") and selected by the parties in accordance with JAMS' Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000) or JAMS' Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by FDRS in accordance with its Arbitration Guidelines or any other mutually agreeable arbitration organization. The arbitrator is authorized to award reasonable legal fees and costs to the prevailing party pursuant to section 14.4 below. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with section 14.1 above and this section 14.2.

(b) Arbitration proceedings will be conducted individually by a single plaintiff, and not as a class or by multiple plaintiffs in one action. All hearings and other proceedings will take place in New York County, New York, or other county where our headquarters is then located, or if we so elect, in the county where your or an applicable Principal Equity Owner's principal place of business is then located.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. Otherwise, no interrogatories, affidavits, depositions or other discovery is permitted. The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed

arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(e) The provisions of this section 14.2 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. Furthermore, this section 14.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Our Initials: _____ Your Initials: _____]
[Principal Equity Owners' Initials: _____ _____ _____ _____]

14.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in New York, without the necessity of first complying with sections 14.1 and 14.2 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of \$1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 14.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 14.1 or 14.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief on account of this section 14.3. You acknowledge that you are one of a number of licensed franchisees using the Marks and that failure on your part to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to us or other affiliated persons or entities and we or our affiliates could seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

14.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 14.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

14.5 Survival.

The terms of this Article XIV survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Your Obligations.

(a) In the event of termination, cancellation or expiration of this Agreement whether by reason of your breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, you must forthwith discontinue the use or display of the Marks in any manner whatsoever, and you may not thereafter operate or do business under the Marks or any other iLoveKickboxing.com brand or any other name or in any manner that might tend to give the general public the impression that you are in any way associated or affiliated with us, or any of the businesses conducted by us or the owner of the Marks, including without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the iLoveKickboxing.com trade dress. You must contact Yelp, other online review sites and other online directories and websites, and request the removal of all use of the trademarks in connection with the former iLoveKickboxing.com outlet (and the physical address of the former iLoveKickboxing.com outlet) and all use of former reviews from the period you were an iLoveKickboxing.com franchisee. And, you also must comply with

section 15.2 respecting the return to us of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of our trade secrets, procedures, techniques, or materials acquired by you by virtue of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in section 15.1(a) above, you must comply with section 11.2 of this Agreement respecting post-termination competition and also promptly:

(i) Remove at your expense all signs erected or used by you and bearing the Marks, or any word or mark indicating that you are associated or affiliated with ILKB;

(ii) Erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by you the Marks and all words indicating that you are associated or affiliated with ILKB;

(iii) Permanently discontinue all advertising of yours that states or implies that you are associated or affiliated with ILKB or the System;

(iv) If you engage in any business thereafter, you must use trade names, service marks or trademarks that are significantly different from those under which you had done business and must use sign formats that are significantly different in color and type face; and take all necessary steps to ensure that your present and former employees, agents, officers, shareholders and partners observe the foregoing obligations; and

(v) Assign all interest and right to use all telephone numbers and all listings applicable to the Outlet in use at the time of such termination to us and take all action necessary to change all such telephone numbers immediately and change all such listings as soon as possible.

(c) If you fail or omit to make or cause to be made any removal or change described in section 15.1(b)(i) through 15.1(b)(vi) above, then we will have the right within 15 days after written notice to enter your Outlet or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at your expense, which expenses you agree to pay to us promptly upon demand; and you hereby irrevocably appoint us as your lawful attorney upon termination of this Agreement with authority to file any document in the name of and on our behalf for the purpose of terminating any and all of your rights in any trade name you have used that contains any of the Marks.

15.2 Our Rights as Franchisor.

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any rights of us against you and such termination, cancellation, expiration or assignment will not relieve you of any of your obligations to us existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of ours which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) We may direct that all applicable suppliers immediately cease providing you with equipment, marketing materials, e-mail access, website access, accessories and other items comprising or to be used to provide ILKB Services and Products.

(c) You are obligated to return, at no expense to us, any and all copies of the Confidential Operations Manual and all other iLoveKickboxing.com proprietary materials and any other items that were supplied by us for your use without additional charge in connection with the operation of the Franchised Business. You must also permanently erase anything relating to us or the Franchised Business from any computers and other media storage devices you retain after expiration, cancellation or termination of this Agreement.

(d) Within 30 days after termination, expiration or non-renewal of this Agreement, we will have the option, but not the obligation, to purchase all or any portion of your reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures and furnishings owned and used by you in your franchised operation. We will be permitted to deduct and withdraw from the purchase price to be paid to you all sums then due and owing to us. The purchase price for your inventory of apparel containing the Marks will be at your cost for said items. The

purchase price for the proprietary equipment, parts, fixtures and furnishings will be the fair market value thereof as we mutually determine. In determining the fair market value of such items you and we agree to exclude any factor or increment for goodwill or going concern value. The purchase price to be paid to you will be paid in cash at the closing of any purchase that will occur no less than 30 days from the date we exercise our option, unless you and we are unable to agree on the fair market value of the assets to be purchased. If you and we are unable to reach agreement within a reasonable time as to the fair market value of the items we have agreed to purchase, we will designate an independent appraiser, and the appraiser's determination will be binding. You and we must each pay 50% of the fee charged by the independent appraiser.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement will be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to us:

ILKB LLC
3601 HEMPSTEAD TPKE STE 503
LEVITTOWN NY 11756-1376

(ii) If to you:

(b) Unless actually delivered in person by an agent of the sending party, notices between you and us will be deemed given the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day.

(c) Any change in the addresses listed in section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier.

16.2 Indemnity.

(a) You and your Principal Equity Owners, jointly and severally, hereby agree to protect, defend and indemnify ILKB, and all of our past, present and future owners, affiliates, officers, directors, employees and designees, and each of them, and hold them harmless from and against any and all costs and expenses, including attorneys fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or entity or to any property arising out of or in connection with your development, maintenance or operation of the Outlet and the Franchised Business, except if caused by our intentional misfeasance, gross negligence or material default of our obligations under this Agreement.

(b) We hereby agree to protect, defend and indemnify you, your Principal Equity Owners, other owners, affiliates, officers, directors, employees and designees, and each of them, from any liability or damage any of them may incur, including reasonable attorneys fees, as a result of third party claims, demands, costs, or judgments of any kind or nature, arising out of our intentional misfeasance, gross negligence or material breach of our obligations under this Agreement, except if caused by the intentional misfeasance, gross negligence or material breach by you (or any Principal Equity Owners, or other of your owners, affiliates, officers, directors or employees) of obligations under this Agreement.

(c) Each party entitled to indemnification hereunder will give the indemnifying party prompt written notice of any claim for which the indemnified party demands indemnity (provided that such obligation will not constitute a condition to the indemnifying party's indemnification obligation unless the indemnifying party has been materially harmed by such delay). We will retain the full right and power to direct, manage, control and settle the litigation of any claim. Each indemnified party must submit all of its claims to its insurers in a timely manner. Any payments

made by an indemnified party will be net of benefits received by any indemnified party on account of insurance in respect of such claims.

16.3 Your Relationship to Us as Franchisee.

It is expressly agreed that the parties intend by this Agreement to establish between you and us the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you nor we are the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. You agree that you will not hold yourself out as our agent, employee, partner or co-venturer or the Owner of the Marks. All employees or agents hired or engaged by or working for you will be only the employees or agents of yours and will not for any purpose be deemed employees or agents of ours or the Owner of the Marks, nor subject to our control; and in particular, we will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for you, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks. You agree to respond to customer indications of dissatisfaction with services rendered by you in a diligent and professional manner and agree to cooperate with representatives of ours or the Owner of the Marks in any investigation undertaken by us of complaints respecting your activities. You and we agree to file our own tax, regulatory and payroll reports with respect to our respective employees or agents and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

16.4 No Third Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom we may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

16.5 Survival of Covenants.

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.6 Successors and Assigns.

This Agreement is binding upon (i) us and inures to the benefit of our successors and assigns and (ii) you and inures to the benefit of your successors and assigns, subject to the restrictions on Assignment by You contained herein.

16.7 Joint and Several Liabilities.

If the entity that is the franchisee under this Agreement consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to us are joint and several.

16.8 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.9 Gender.

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

16.10 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between (i) any provisions of this Agreement or the Confidential Operations Manual and (ii) any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, sentence or clause of this Agreement or the Confidential Operations Manual is held to be indefinite, invalid or otherwise unenforceable, that specific language will be deemed deleted but the remaining parts thereof will continue in full force and effect.

16.11 Counterparts.

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and both of which together will be deemed to be one and the same instrument.

16.12 Electronic Execution and Copies.

(a) An executed copy of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this and the following section as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) You acknowledge and agree that we may create an electronic record of any or all agreements, correspondence or other communication between us or involving third parties, and those we may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. You agree that, notwithstanding any statute, regulation or other rule of law to the contrary, any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

16.13 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.

(a) You and each of the Principal Equity Owners certify that none of you, the Principal Equity Owners, employees, or anyone associated with you is listed in the Annex to Executive Order 13224 (available at <http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>). You covenant not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, the Principal Equity Owners, employees or anyone associated with you being listed in the Annex to Executive Order 13224. You and each of the Principal Equity Owners will comply with and assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you and each of the Principal Equity Owners certify, represent and warrant that none of your respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all such Anti-Terrorism Laws. You specifically acknowledge and agree that your indemnification responsibilities as provided in this Agreement pertain to your obligations under this section 16.13. Any misrepresentation by you under this section 16.13 or any violation of the Anti-Terrorism Laws by you, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you entered into with us or one of our Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Neither you nor any Principal Equity Owner conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

(c) Neither you nor any Principal Equity Owner nor any employee of either is named as a "Specially Designated National" or "Blocked Person" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control, and published at www.treas.gov/offices/enforcement/ofac/sdn/. You acknowledge that you are not directly or indirectly owned or controlled by the government of any country that is subject to a United States embargo, nor do you or any Principal Equity Owner act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. You and the Principal Equity Owners agree that you will notify us in writing immediately of the occurrence of any event that renders the foregoing representations and warranties of this section 16.13 incorrect.

[Your Initials: _____ Principal Equity Owners' Initials: _____]

16.14 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under this Agreement. Otherwise, the laws of New York govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

16.15 Entire Agreement.

This Agreement and the Confidential Operations Manual contain all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof, provided however, that nothing in this Agreement or in any related agreement or writing is intended to disclaim the representations made in the iLoveKickboxing.com Franchise Disclosure Document ("FDD") that was provided to you. No other agreements oral or otherwise will be deemed to exist or to bind any of the parties hereto and all prior agreements, understandings and representations are merged herein and superseded hereby. You represent that there are no contemporaneous agreements or understandings relating to the subject matter hereof between the parties that are not contained herein. No officer or employee or agent of ours has any authority to make any representation or promise not contained in this Agreement or in any franchise disclosure document for prospective franchisees required by applicable law, and you acknowledge and confirm that you have executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective only upon the execution thereof by you and by us, and only after you were provided with an FDD. HOWEVER, THIS AGREEMENT IS NOT BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY OUR PRESIDENT.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations.

You and each of your Principal Equity Owners represent and warrant that the following statements are true and accurate:

(a) You do not seek to obtain the Franchise for speculative or investment purposes and have no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or the Franchise within 12 months after the Opening Date.

(b) You understand and acknowledge the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual. You represent that you have the capabilities, professionally, financially and otherwise, to comply with our standards.

(c) If you are an entity, you are duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Outlet is located.

(d) Your execution of this Agreement will not constitute or violate any other agreement or commitment to which you are a party.

(e) Any individual executing this Agreement on your behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of yours and all of your Principal Equity Owners.

(f) You and your Principal Equity Owners (i) have carefully read this Agreement and all other related documents to be executed by you concurrently or in conjunction with the execution hereof, (ii) have conducted an independent investigation of the business contemplated by this Agreement, (iii) have obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, (iv) understand the nature of this Agreement, and (v) intend to comply herewith and be bound hereby. You also recognize that the Franchise involves significant risks, making the success of the Outlet largely dependent on your abilities and attention. We expressly disclaim the making of, and you agree that you have not received or relied on, any representation or warranty from us regarding the likelihood of your success at your Outlet or in your operating the Franchised Business.

(g) In entering into this Agreement, you have not relied on any representation by us, or any of our officers, directors, partners, shareholders, employees or agents concerning the Franchised Business that is contrary to the terms of this Agreement, the documents incorporated into this Agreement or attached to it, or the FDD that was provided to you.

(h) You agree that complete and detailed uniformity among our franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that we, in our sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. You further agree that we will have no obligation to disclose or offer the same or similar variances to you. You are aware that other iLoveKickboxing.com franchisees may operate under different agreements and, consequently, that our obligations and rights as to those franchisees may differ materially in certain circumstances.

(i) You received an FDD and a copy of this Agreement at least 14 calendar days before you signed this Agreement.

(j) You made no payment to us before you signed this Agreement.

(k) You and each Principal Equity Owner acknowledge that in operating the System, we must take into account the needs of the System as a whole, and the need to protect the Marks, even if our actions are contrary to your individual interests as a franchisee.

(l) You and each Principal Equity Owner acknowledge that the success of the business venture is speculative and depends in large part on your participation in the daily affairs of the Franchised Business.

18.2 Additional Information Respecting You and Your Principal Equity Owners.

(a) Attached as Exhibit 2 is a schedule containing complete information respecting your Principal Equity Owners.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to us pursuant to section 16.1 hereof) where your financial and other records are maintained is either [] the same address as provided in section 16.1 hereof, or [] the following address:

_____.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date:

YOU:

ILKB:

ILKB LLC

By: _____

By: _____

[PRINTED NAME AND TITLE]

YOUR PRINCIPAL EQUITY OWNERS:

X _____

[PRINTED NAME]

X _____

[PRINTED NAME]

X _____

[PRINTED NAME]

X _____

[PRINTED NAME]

X _____

[PRINTED NAME]

List of Exhibits to Franchise Agreement:

Exhibit 1 – Territory and Location of Outlet

Exhibit 2 – Names and Addresses of Principal Equity Owners

EXHIBIT 1 - TERRITORY AND LOCATION OF OUTLET

The Territory is either [] a radius of ____ miles around the Outlet or [] the geographical area surrounding the Outlet as depicted in a map attached to this Exhibit 1.

The Outlet is located at:

(If the address of the Outlet is unknown when this Agreement is signed, as soon as the address is determined it will be inserted later into the space above or added by addendum attached to this Exhibit 1.)

The Outlet must be open and operating not later than _____.

EXHIBIT 2 - NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS

List below the names, residential addresses and respective percentage equity ownership interests in the franchisee entity of each Principal Equity Owner:

1. _____

_____ %

2. _____

_____ %

3. _____

_____ %

4. _____

_____ %

5. _____

_____ %

iLoveKickboxing.com

FINANCIAL STATEMENTS

EXHIBIT B

ILKB LLC

FINANCIAL STATEMENT

AND

AUDITOR'S REPORT

* * *

DECEMBER 31, 2012



ILKB LLC

DECEMBER 31, 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	
Balance Sheet	1
Statement of Income and Members' Equity	2
Statement of Cash Flows	3
Notes to Financial Statement	4
Consent of Independent Certified Public Accountants	5

LENNING & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

18377 Beach Blvd., Ste. 211
Huntington Beach, CA 92648
(714) 893-0646
Fax (714) 596-7152

INDEPENDENT AUDITOR'S REPORT

To the Managing Members of
ILKB LLC

We have audited the accompanying balance sheet of ILKB LLC as of December 31, 2012, and the related statement of income and members' equity, and cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of ILKB LLC as of December 31, 2012, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

April 25, 2013

Lenning & Co. Inc.

ILKB LLC
BALANCE SHEET
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 29,466
Due from related parties	<u>11,660</u>

Total current assets 41,126

FURNITURE AND FIXTURES, net 1,137

TOTAL ASSETS \$ 42,263

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Note payable	\$ 29,419
Total current liabilities	<u>29,419</u>

MEMBERS' EQUITY 12,844

Total liabilities and member's equity \$ 42,263

ILKB LLC
STATEMENT OF INCOME AND MEMBERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2012

REVENUES	\$ 62,125
OPERATING EXPENSES	
Legal and professional	47,589
Rent expense	22,382
Trade show	19,388
Office expense	5,451
License expense	2,955
Depreciation expense	1,516
	<u>99,281</u>
INCOME (LOSS) FROM OPERATIONS	(37,156)
INCOME TAX EXPENSE	<u>-</u>
NET INCOME (LOSS)	<u>(37,156)</u>
MEMBERS' EQUITY, beginning of period	-
MEMBERS' CONTRIBUTIONS	<u>50,000</u>
MEMBERS' EQUITY, end of period	<u>\$ 12,844</u>

ILKB LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income (loss)	\$ (37,156)
Adjustments to reconcile net income (loss) to net cash provided (used) by operations:	
Depreciation expense	1,516
Increase in due from related parties	<u>(11,660)</u>
Net cash provided (used) by operating activities	<u>(47,300)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of furniture and fixtures	<u>(2,653)</u>
Net cash provided (used) by investing activities	<u>(2,653)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Members' contributions	50,000
Increase in note payable	<u>29,419</u>
Net cash provided (used) by financing activities	<u>79,419</u>
NET INCREASE IN CASH	29,466
CASH, beginning of period	<u>-</u>
CASH, end of period	<u>\$ 29,466</u>

ILKB LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of ILKB LLC is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Organization – ILKB LLC was organized in New York on January 18, 2012. The Company was organized for the purpose of franchising fitness kickboxing under the name "Ilovekickboxing.com" and providing services in connection with this business.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes – The Company files its income tax returns as a partnership for Federal and State income tax purposes. As such, the Company does not pay income taxes, as any income or loss will be included in the tax returns of the individual members.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial position of the Company at December 31, 2012 includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial instruments of the Company, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value. The carrying amounts of the Company's financial instruments generally approximate their fair value at December 31, 2012.

NOTE 3 – NOTE PAYABLE

The Company borrowed \$29,419 from FC Online Marketing, Inc. The money will be paid back in 180 days starting from December 31, 2012. If balance is not paid in full within 180 days, interest will be applied at the rate of 2% per annum. At December 31, 2012, the outstanding balance on note payable was \$29,419.

NOTE 4 – SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through April 25, 2013, the date of which the financial statements were available to be issued.

LENNING & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS

18377 Beach Blvd., Ste. 211
Huntington Beach, CA 92648
(714) 893-0646
Fax (714) 596-7152

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Whom It May Concern:

We consent to the use in the Franchise Disclosure Document issued by ILKB LLC on April 25, 2013, as it may be amended, of our report dated April 25, 2013, relating to the financial statements of ILKB LLC for the period ending December 31, 2012.

April 25, 2013

Lenning & Co. Inc.

THE FINANCIAL STATEMENTS FOLLOWING THIS PAGE ARE UNAUDITED. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES ARE HEREBY ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

ILKB LLC
Balance Sheet
 As of January 31, 2013

	Total
ASSETS	
Current Assets	
Bank Accounts	
CD required for Illinois franchise	10,000.00
Checking	65,856.60
Total Bank Accounts	\$75,856.60
Other current assets	
Intercompany Loans	
43rd St.	3,726.45
Investment in 27th St.	748.00
Investment in new Carle Place	14,043.45
Investment in Rte. 107	11,030.00
Total Intercompany Loans	29,547.90
Total Other current assets	\$29,547.90
Total Current Assets	\$105,404.50
Fixed Assets	
Accumulated Depreciation	-1,516.00
Furniture & Fixtures	2,653.05
Total Fixed Assets	\$1,137.05
TOTAL ASSETS	\$106,541.55
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Loan to FCOM	30,166.62
Total Other Current Liabilities	\$30,166.62
Total Current Liabilities	\$30,166.62
Total Liabilities	\$30,166.62
Equity	
Retained Earnings	-37,155.35
Shareholder Capital	
Daniella-Other	18,903.01
Michael-Other	30,000.00
Total Shareholder Capital	48,903.01
Net Income	64,627.27
Total Equity	\$76,374.93

TOTAL LIABILITIES AND EQUITY	<u>\$106,541.55</u>
-------------------------------------	----------------------------

Thursday, Apr 25, 2013 09:55:00 AM PDT GMT-4 - Accrual Basis

ILKB LLC
Profit & Loss
 January 2013

	Total
Income	
Franchise Income	74,403.09
Monthly Franchise Fees	10,009.07
Sales King Apparel	229.12
Total Franchise Income	84,641.28
Total Income	\$84,641.28
Gross Profit	\$84,641.28
Expenses	
American Express Card to be analyzed	0.00
Auto Expense	
Vinnny Fuel	300.00
Total Auto Expense	300.00
Cable/Internet	132.93
Consultant	425.00
Credit Card Fees	272.13
Franchise Materials	1,045.25
Health Insurance	461.74
Meals and Entertainment	28.53
Office Expenses	1,192.72
Office Furniture	521.40
Parking	174.00
Payroll Expenses	8,710.83
Payroll Service	308.00
Payroll Taxes	1,929.01
Total Payroll Expenses	10,947.84
Promotional	50.05
Rent or Lease	4,405.71
Stationery & Printing	59.74
Total Expenses	\$20,017.04
Net Operating Income	\$64,624.24
Other Income	
Interest Earned	3.03
Total Other Income	\$3.03
Net Other Income	\$3.03
Net Income	\$64,627.27

Thursday, Apr 25, 2013 09:55:40 AM PDT GMT-4 - Accrual Basis

iLoveKickboxing.com

LIST OF FRANCHISE OUTLETS

EXHIBIT C

LIST OF FRANCHISE OUTLETS

The following franchised Outlets were open and operating as of December 5, 2013:

CALIFORNIA

Leo Domino
22421 El Toro Rd., Ste. L
Lake Forest, CA 92630
Phone: 949-472-5425

COLORADO

Shawn Sager, Sal Cisneros
8555 W. Belleview Ave.
Littleton, CO 80123
Phone: (303) 972-0109

CONNECTICUT

Dennis Hill
5 Foxon Rd.
North Branford, CT 06471
Phone: 203-484-2020

Gus Bottazzi
261 Main Ave.
Norwalk, CT 06851
Phone: 845-399-7569

DELAWARE

John Godwin
408 Lantana Dr.
Hockessin, DE 19707
Phone: 302-234-1966

John Godwin
600 N. Broad St.
Middletown, DE 19709
Phone: 302-376-7100

John Godwin
269 Elkton Rd.
Newark, DE 19711
Phone: 302-369-9300

John Godwin
2419 W. Newport Pike
Wilmington, DE 19804
Phone: 302-992-7999

FLORIDA

Manny Cabrera
16315 FishHawk Blvd.
Lithia, FL 33547
Phone: 813-973-4634

Al Agon
11551 Kendall Dr.
Kendall, FL 33176
Phone: 786-242-1075

Al Agon
10720 NW 74th St.
Miami, FL 33178
Phone: 305-418-8710

John Wai
222 S. University Dr.
Plantation, FL 33324
Phone: 954-382-2228

IDAHO

Heather Neitzell
2240 E. Franklin Rd.
Meridian, ID 83642
Phone: 208-888-1855

ILLINOIS

James Nakis
16310 S. Lincoln Hwy., Ste. 114
Plainfield, IL 60586
Phone: 815-768-9441

LOUISIANA

Ryan Blanchard
38011 Highway 621, Ste. B
Gonzales, LA 70737
Phone: 225-313-6849

MARYLAND

Brian Mower
12627 Wisteria Dr.
Germantown, MD 20874
Phone: 301-972-0200

MASSACHUSETTS

Paul Garcia
51 Robinson Ave.
Attleboro Falls, MA 02763
Phone: 508-699-0770

Peter Withers
489 Electric Ave.
Fitchburg, MA 01420
Phone: 978-833-4047

Ninja Nguyen
45 Riverside Ave.
Medford, MA 02155
Phone: 781-395-7131

Daniel Sterling
429 S. Washington St.
North Attleboro, MA 02760
Phone: 508-699-8400

Alti Dasilviera
33 Newport Ave.
Quincy, MA 02171
Phone: 617-775-4670

Pedro Xavier
24 North St.
Randolph, MA 02368
Phone: 781-961-4525

Alti Dasilviera
880 Broadway
Saugus, MA 01906
Phone: 781-206-7660

Alexandria Buzzell
107 N. Spencer Rd.
Spencer, MA 01562
Phone: 774-745-0570

John Tiano
1778 Washington St., Unit 2
Stoughton, MA 02072
Phone: 781-436-8248

MINNESOTA

Jeff Nelson
7119 Amundson Ave.
Edina, MN 55439
Phone: 612-963-5107

David Meyer
905 Selby Ave.
Saint Paul, MN 55104
Phone: 651-760-4190

NEBRASKA

Thomas Todd
8812 Blondo St.
Omaha, NE 68134
Phone: 402-932-2999

Thomas Todd
16821 Blondo St., Ste. 105
West Omaha, NE 68116
Phone: 402-934-0077

NEVADA

David Inman
2230 N. Rainbow Blvd.
Las Vegas, NV 89108
Phone: 702-636-1445

David Inman
4205 Grand Canyon, Ste. 17
Las Vegas, NV 89147
Phone: 702-202-2929

David Inman
6275 Centennial Center Blvd., Ste.130
Las Vegas, NV 89149
Phone: 702-754-4243

NEW JERSEY

Scott Yates
302 White Horse Pike
Atco, NJ 08004
Phone: 856-719-1411

Jose DiCervo
383 Washington Ave., 2nd Flr.
Belleville, NJ 07109
Phone: 877-762-3656

John Godwin
2465 S. Broad St.
Hamilton, NJ 08610
Phone: 609-888-1000

Scott Yates
109 Bellevue Ave., 1st Flr.
Hammonton, NJ 08037
Phone: 609-481-2177

Jose DiCervo
2208 Route 9 S.
Howell, NJ 07731
Phone: 877-762-3656

Robert Turley
560 Stokes Rd., Ste. 19
Medford, NJ 08055
Phone: 609-654-2223

Alex Saia
411 Southgate Ct.
Mickleton, NJ 08056
Phone: 856-659-0883

Joanne Farrell
393 Howard Blvd.
Mount Arlington, NJ 07856
Phone: 973-601-3328

Jose DiCervo
1537 Main St.
Rahway, NJ 07065
Phone: 877-762-3656

Ken Mackenzie
200 White Horse Rd.
Voorhees, NJ 08043
Phone: 856-346-1111

NEW YORK

James Lee
43-08 Broadway
Astoria, NY 11103
Phone: 917-951-4402

Kim Maliadis
875 Montauk Hwy.
Bayport, NY 11705
Phone: 631-868-3115

Kevin Hu
3249 Francis Lewis Blvd.
Bayside, NY 11358
Phone: 718-767-6627

José Martí
118 Route 117 By Pass Rd.
Bedford Hills, NY 10507
Phone: 914-241-0222

Larry Batista
4072 Hempstead Tpke.
Bethpage, NY 11714
Phone: 516-796-3200

Peter Lawson
289 Livingston St., 2nd Fl.
Brooklyn, NY 11217
Phone: 718-403-9026

Mark Speranza
1740 E. Jericho Tpke.
Dix Hills, NY 11746
Phone: 631-486-7855

Charles Giangreco
3 Sunnyside Ter.
Eastchester, NY 10709
Phone: 914-468-4493

William Anistratov
106-06 Queens Blvd.
Forest Hills, NY 11375
Phone: 718-544-4698

Hender Alvarado
4 Cedar Swamp Rd.
Glen Cove, NY 11542
Phone: 516-200-9777

Hender Alvarado
713-715 Middle Neck Rd.
Great Neck, NY 11024
Phone: 516-439-4700

Pete Peck
2051 Saranac Ave.
Lake Placid, NY 12946
Phone: 518-523-1727

Val Stoyanov
244 W. Park Ave.
Long Beach, NY 11561
Phone: 516-431-0262

David Ross
247 W. 35th St., 4th Flr.
New York, NY 10001
Phone: 212-239-8619

Bobby Rehka
27 Berry Hill Rd.
Oyster Bay, NY 11771
Phone: 516-802-3400

Patrick Consing
175 Tompkins Ave., Ste. 1
Pleasantville, NY 10570
Phone: 914-361-9475

Richard Lykes
Rte. 9 W. Twin Maples Plz.
Saugerties, NY 12477
Phone: 845-246-5425

Michael Pam
701 Middle Country Rd.
Selden, NY 11784
Phone: 631-696-3890

OHIO

Jeff Gears
5333 Monroe St., Unit 5
Toledo, OH 43623
Phone: 419-593-0021

PENNSYLVANIA

John Godwin
747 W. Cypress St.
Kennett Square, PA 19348
Phone: 610-444-1800

John Godwin
397 W. Lincoln Hwy.
Pennel, PA 19047
Phone: 215-757-8300

Jeff Osinski
5001 Curry Rd.
Pittsburgh, PA 15236
Phone: 412-653-4552

RHODE ISLAND

Lenny Anderson
760 Tiogue Ave.
Coventry, RI 02816
Phone: 401-822-2211

Walter Rowe
1408 Atwood Ave.
Johnston, RI 02919
Phone: 401-454-5425

Rick Wilmott
1385 Mineral Spring Ave.
North Providence, RI 02904
Phone: 401-383-3990

Walter Rowe
400 Putnam Pike
Smithfield, RI 02917
Phone: 401-231-5063

UTAH

Mike Stidham
1134 E. Draper Pkwy.
Draper, UT 84020
Phone: 801-967-5295

Mike Stidham
555 E. 2100 S.
Salt Lake City, UT 84106
Phone: 801-967-5269

Brett Lechtenberg
8663 S. Highland Dr.
Sandy, UT 84093
Phone: 801-942-9214

WASHINGTON

Jeff Nitsche
3201 Jahn Ave., Ste. 104
Gig Harbor, WA 98335
Phone: 253-857-4621

Rocky Abild
12815 NE 124th St., Ste. D
Kirkland, WA 98034
Phone: 425-820-5425

Patrick Kaczmarek
19150 NE Woodinville Duvall Rd.
Woodinville, WA 98077
Phone: 425-788-8888

INTERNATIONAL

AUSTRALIA

Rod Darling
35 Shields Crescent
Booragoon, Australia 6154
Phone: 455995575

Paul Newton
20 Baden St.
Osborne Park, Australia 6017
Phone: 455995515

CANADA

ONTARIO

Linda Watson
11399 Keele St., No. 12-15
Vaughan, ON L6A4E1
Phone: 289-304-7342

The following franchisees have signed Franchise Agreements and have the respective indicated number of Outlets committed to but not yet open and operating as of December 5, 2013:

FLORIDA

Daniel Nebus
3 Outlets
Phone: 904-838-9591

John Wai
1 Outlet
Phone: 954-599-8208

ILLINOIS

James Nakis
2 Outlets
Phone: 630-364-8890

MASSACHUSETTS

Lenny Anderson, Walter Rowe
2 Outlets
Phone: 401-644-3102

Alexandria Buzzell
1 Outlet
Phone: 774-272-0059

Alti Dasilveira
4 Outlets
Phone: 617-794-1969

Walter Rowe
6 Outlets
Phone: 401-954-7584

Pedro Xavier
1 Outlet
Phone: 781-961-4525

MINNESOTA

David Meyer
2 Outlets
Phone: 651-247-6602

NEVADA

David Inman
5 Outlets
Phone: 702-378-1514

Maurice Sullivan
1 Outlet
Phone: 702-271-7367

NEW YORK

Hender Alvarado
1 Outlet
Phone: 516-380-4801

Larry Batista
2 Outlets
Phone: 516-796-3200

Bert Casiano, Jennifer Galea
4 Outlets
Phone: 603-344-1997

Vito Demola
1 Outlet
Phone: 631-472-5140

Caterina & Michael Donohue
4 Outlets
Phone: 631-391-3011

James Lee
1 Outlet
Phone: 917-951-4402

Joseph Pape
3 Outlets
Phone: 212-723-4224

Pete Peck
1 Outlet
Phone: 518-524-0831

Howard Popkin
1 Outlet
Phone: 516-489-1278

Val Stoyonov
2 Outlets
Phone: 917-689-0629

A J Surian
1 Outlet
Phone: 631-220-8376

Julian Secu
1 Outlet
Phone: 718-323-3344

NORTH CAROLINA

Richard Lykes
2 Outlets
Phone: 854-594-2999

OHIO

Jeff Gears
10 Outlets
Phone: 419-376-0999

RHODE ISLAND

Lynn Glantz, Vivian Byrne
2 Outlets
Phone: 401-667-7417

Robert Howard
1 Outlet
Phone: 508-643-5111

Rick Wilmott
2 Outlets
Phone: 603-410-7724

TEXAS

Jake Patterson
2 Outlets
Phone: 201-925-7965

Scott Wilkinson, Richie Logan
1 Outlet
Phone: 214-383-4440

UTAH

Michael Stapley, Robert Huber
1 Outlet
Phone: 702-408-8970

Brett Lechtenburg
2 Outlets
Phone: 801-947-1010

WASHINGTON

Rocky Abild
1 Outlet
Phone: 206-979-5425

iLoveKickboxing.com

LIST OF TERMINATED FRANCHISES

EXHIBIT D

LIST OF TERMINATED FRANCHISES

No iLoveKickboxing.com franchisees had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during 2012.

The following iLoveKickboxing.com franchisee had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during the period from January 1, 2013 to December 5, 2013:

FLORIDA

Larry Shealy
Neptune Beach, FL 32266
Phone: 904-242-9343

No franchisee has failed to communicate with the franchisor within the 10 weeks ending December 5, 2013.

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

iLoveKickboxing.com

MULTI OUTLET AGREEMENT

EXHIBIT E

iLoveKickboxing.com

MULTI-OUTLET AGREEMENT

TABLE OF CONTENTS

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS	1
1.1 Additional Outlets.	1
1.2 Franchise Agreements.	1
1.3 Term.	1
1.4 Effect of Expiration.	2
1.5 No Subfranchising Rights.	2
II. DEVELOPMENT OBLIGATIONS	2
2.1 Development Obligations.	2
2.2 Timing of Execution of Leases and Franchise Agreements.	2
2.3 Force Majeure.	2
2.4 Limited Additional Development Right.	3
III. DEVELOPMENT FEE	3
3.1 Development Fee.	3
3.2 Franchise Agreements for Additional Outlets.	3
IV. TRANSFER OR ASSIGNMENT	4
4.1 Assignability.	4
4.2 Transfer by You to an Affiliated Entity.	4
V. NON-COMPETITION	4
5.1 Restriction on Competitive Activities.	4
5.2 Website and Unauthorized Advertising.	4
VI. DEFAULT AND TERMINATION	4
6.1 General.	4
6.2 Operation of Opened Outlets after Termination or Expiration.	4
VII. DISPUTE RESOLUTION.....	4
7.1 Dispute Resolution.	4
VIII. NOTICES.....	5
8.1 Notices.	5
IX. GENERAL TERMS AND PROVISIONS.....	5
9.1 Governing Law.	5
9.2 Modification.	5
9.3 Waiver and Delay.	5
9.4 Severability; Partial Invalidity.....	5
9.5 Titles for Convenience Only.	6
9.6 No Third Party Beneficiaries.....	6
9.7 Survival of Covenants.	6
9.8 Successors and Assigns.	6
9.9 Counterparts.....	6
9.10 Entire Agreement.	6
EXHIBIT 1 - DEVELOPMENT SCHEDULE	7

MULTI-OUTLET AGREEMENT

This Multi-Outlet Agreement ("Agreement") is made on _____, 20__ (the "Effective Date") by and between _____ ("You") and ILKB LLC, a New York limited liability company ("we" or "ILKB").

ILKB is the franchisor of the iLoveKickboxing.com franchise system. You or an affiliated company of yours is concurrently entering into a Franchise Agreement with ILKB, under the terms of which you are being granted a right to open and operate a retail kickboxing center that ILKB has consented to ("Outlet"), providing "iLoveKickboxing.com Services and Products" (as defined in the Franchise Agreement), under the iLoveKickboxing.com trademarks and in accordance with the iLoveKickboxing.com business format.

In consideration of the mutual promises, covenants, agreements and conditions contained in this Agreement, and other good and valuable consideration, you and ILKB hereby agree as follows.

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS

1.1 Additional Outlets.

(a) Subject to the terms and conditions contained herein, ILKB hereby grants to you the right and you hereby agree to establish and operate a number of additional Outlets in accordance with the schedule of openings attached hereto as Exhibit 1 (the "Development Schedule").

(b) So long as your obligations under the Development Schedule are being met on a timely basis and until this Agreement terminates, we will not ourselves nor allow any other iLoveKickboxing.com licensee or franchisee to operate an Outlet within the geographical area indicated in the Development Schedule.

(c) Your rights to open and operate Outlets do not extend to a "Non-Traditional Venue" (defined as a facility operated under the "iLoveKickboxing.com" marks that is located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, hotels and motels, casinos, stadiums, airports, colleges and universities, schools, hospitals, military and other governmental facilities, office facilities, and any site for which the lessor, owner or operator thereof has indicated its intent to prefer or limit the operation of its facilities to a master concessionaire or contract service provider).

(d) If ILKB becomes insolvent or declares bankruptcy or is no longer authorized to offer and sell franchises in your state because of a lapse of applicable franchise registration or other reason, you will continue to have the right to operate under this Agreement until and unless a court orders otherwise.

1.2 Franchise Agreements.

(a) When you open an additional Outlet under the Development Schedule, you must enter into our then current form of Franchise Agreement for that additional Outlet (provided that the economic terms, specifically royalty and advertising fees, of such Franchise Agreements for the additional Outlet will not change from the economic terms of this Agreement). So long as you are in good standing under this Agreement, you will continue to have the right to open and operate Outlets in the Development Area in accordance with the Development Schedule.

(b) Each Franchise Agreement executed pursuant hereto will provide that ILKB and our affiliates may not open or operate, or franchise or license the operation of, any Outlet within the protected territory surrounding the Outlet opened by you pursuant to such Franchise Agreement.

1.3 Term.

The term of this Agreement commences on the Effective Date and, unless sooner terminated by your material breach hereof, will continue until you have opened all Outlets to be developed in accordance with the Development Schedule, at which time this Agreement will terminate. There will be no extensions or renewal periods relating to the Development Schedule unless done so in writing. Notwithstanding the above, you may terminate this Agreement upon 30 days written notice to ILKB. Upon termination of this Agreement, you will no longer have the right to open future Outlets under the Development Schedule.

1.4 Effect of Expiration.

Unless an additional development right has been agreed to pursuant to section 2.4 hereof and a restated or revised Development Schedule has been initialed by ILKB and you, upon the expiration or termination of this Agreement, (i) you will have no further right to construct, equip, own, open or operate additional Outlets that are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between ILKB and you (or a company affiliated with you), and (ii) ILKB or our affiliates may thereafter themselves construct, equip, open, own or operate, and license others to (or grant development rights to) construct, equip, open, own or operate Outlets anywhere, subject only to the territorial rights granted under an applicable Franchise Agreement for an Outlet.

1.5 No Subfranchising Rights.

You do not have the right under this Agreement to enter into subfranchise or sublicense agreements with anyone.

II. DEVELOPMENT OBLIGATIONS

2.1 Development Obligations.

(a) You must construct, equip and open each additional Outlet not later than the date specified in Exhibit 1 applicable to the Outlet, and thereafter continue to operate the Outlet or assign it with our consent to another iLoveKickboxing.com franchisee.

(b) Any Outlet developed hereunder that is open and operating and which has been assigned to an affiliate of yours or to another iLoveKickboxing.com franchisee with our consent will continue to be considered as partial satisfaction of your obligations under the Development Schedule for so long as the assignee remains in good standing under the Franchise Agreement relating to that Outlet.

2.2 Timing of Execution of Leases and Franchise Agreements.

(a) Notwithstanding anything to the contrary contained herein, on or before the date that is 90 days before the date an Outlet is required to be opened, you must have executed a lease and Franchise Agreement, and paid the balance of the required Initial Franchise Fee, for that Outlet.

(b) With respect to the location, equipping, opening and operation of an additional Outlet you are opening under the Development Schedule, you must comply with the Franchise Agreement that is applicable to that Outlet.

2.3 Force Majeure.

(a) The term "*Force Majeure*" means natural disasters (such as tornadoes, earthquakes, hurricanes, floods, fires or other natural catastrophes); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which you could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with you by any lender, landlord, or other person will be a *Force Majeure*, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act that is otherwise a *Force Majeure*. For the avoidance of doubt, your financial inability to perform or your insolvency will not be a *Force Majeure* hereunder.

(b) Subject to your continuing compliance with section 2.3(c) below, should you be unable to meet your development obligation for a scheduled additional Outlet solely as the result of a *Force Majeure*, which results in your inability to construct or operate the Outlets pursuant to the terms of this Agreement, the date on which the scheduled additional Outlet is to be opened will be extended by an amount of time equal to the time period during which the *Force Majeure* exists.

(c) In the event of a *Force Majeure*, you must notify ILKB in writing within 10 business days following commencement of the alleged *Force Majeure* of the specific nature and extent of the *Force Majeure*, and how it has impacted your performance hereunder. You must continue to provide ILKB with updates and all information as may be requested by ILKB, including your progress and diligence in responding to and overcoming the *Force Majeure*.

(d) ILKB will not be liable to you for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by you unless it results from our gross negligence or intentional acts.

2.4 Limited Additional Development Right.

(a) If you desire to engage in further development of additional Outlets in excess of the obligations committed to under the Development Schedule, you must at the earlier of (i) 180 days prior to the scheduled expiration of the term hereof or (ii) the date on which acceptance of the proposed site for the last Outlet required to meet the Development Schedule is issued, notify ILKB in writing of your desire to develop additional Outlets and present your plan for such development over a new term, setting forth the number of proposed Outlets and the deadlines for the development of each of them within such proposed term. ILKB has the sole discretion to determine whether such additional development is desirable, and if ILKB agrees to allow you to develop additional Outlets, it will be subject to the conditions set forth in section 2.4(b) below. Otherwise, the development rights granted under this Agreement may not be extended.

(b) Your rights to additional development described in this section 2.4 are subject to your fulfillment of the following conditions:

(i) You (and each of your affiliates that have developed or operate Outlets) must have fully performed all of your obligations under this Agreement and all other agreements between you and ILKB.

(ii) You must have demonstrated to ILKB your financial capacity to perform the additional development obligations set forth in any restated or revised Development Schedule. In determining if you are financially capable, ILKB will apply the same criteria to you that ILKB applies to prospective iLoveKickboxing.com multi-outlet developers at that time.

(iii) You and ILKB must agree to, and initial, a restated or revised Development Schedule.

III. DEVELOPMENT FEE

3.1 Development Fee.

(a) When you sign this Agreement, you must pay us the following "Development Fee" for our granting you the right to open multiple Outlets pursuant to the Development Schedule (check the box that is applicable):

\$90,000 for three Outlets, or

\$120,000 for five Outlets.

(b) If you do not successfully complete initial franchise training for the first iLoveKickboxing.com Franchise Agreement you enter into, ILKB will refund your Development Fee, less any expenses ILKB incurred relating to this Agreement. **Otherwise, the Development Fee is not refundable**

3.2 Franchise Agreements for Additional Outlets.

Each additional Outlet to be opened pursuant hereto will require execution by you and us of a separate Franchise Agreement (using our then current form thereof) that additional Outlet.

IV. TRANSFER OR ASSIGNMENT

4.1 Assignability.

This Agreement has been entered into by ILKB in reliance upon and in consideration of the singular personal qualifications, trust and confidence reposed in you by ILKB. Accordingly, although you may assign individual Franchise Agreements, you may not assign this Agreement except as provided in Section 4.2 below.

4.2 Transfer by You to an Affiliated Entity.

You may at any time without our consent, but upon 30 days prior written notice to ILKB, assign and transfer this Agreement to a corporation, limited liability company or other business entity that is (i) organized for the purpose of operating as a developer of additional Outlets and (ii) entirely owned by you. Any assignment and transfer to an affiliated entity must be evidenced by a written instrument, in form reasonably satisfactory to ILKB, under the terms of which said business entity expressly assumes all of your obligations hereunder, whether accrued at the time of such assignment or arising thereafter, and agrees to be bound by all the terms and provisions of this Agreement to the same extent and in the same manner as you are. A copy of said instrument, executed by both you and said business entity must be delivered to ILKB before the effective date of the transfer.

V. NON-COMPETITION

5.1 Restriction on Competitive Activities.

During the term of this Agreement and for one year after it is terminated or expires, you and each of your principal equity owners must comply with the non-competition covenants contained in the last effective Franchise Agreement entered into by you and ILKB.

5.2 Website and Unauthorized Advertising.

During the term of this Agreement, neither you nor any of your principal equity owners may establish a website or register an Internet domain name using, or otherwise advertise on the Internet or anywhere else, the trademark "iLoveKickboxing.com", or marks similar to "iLoveKickboxing.com", or any combination or derivations thereof, or any other ILKB trademark, except as specifically authorized by ILKB in writing.

VI. DEFAULT AND TERMINATION

6.1 General.

This Agreement may be terminated by ILKB if you (i) fail to substantially comply with any obligation, duty or promise under this Agreement, including failure to open an Outlet within the time specified in the Development Schedule, after being given a notice of default and reasonable opportunity to cure the default (no more than 30 days), or (ii) are in material breach of any Franchise Agreement that you (or your affiliated entity) entered into with ILKB.

6.2 Operation of Opened Outlets after Termination or Expiration.

If ILKB terminates this Agreement for the reasons described in section 6.1 above, you will be able to maintain ownership and operation of the Outlets that you have developed so long as you are not in material breach of the applicable Franchise Agreements; however, you will forfeit any rights under the Development Schedule and this Agreement, and you will forfeit the balance of the Development Fee to be applied as credits against the Initial Franchise Fee for Outlets that were not developed.

VII. DISPUTE RESOLUTION

7.1 Dispute Resolution.

Any dispute between ILKB or any of our related entities, and you or any of your equity owners or related entities, arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts, or its formation, is invalid, illegal or otherwise voidable or void, or induced by fraud, and the right of a party to recover legal fees and expenses, will be resolved in accordance with the dispute resolution procedures set forth in the last effective Franchise Agreement entered into by you and ILKB.

[Our Initials: _____ your Initials: _____]

VIII. NOTICES

8.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement will be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to ILKB, to:

ILKB LLC
3601 HEMPSTEAD TPKE STE 503
LEVITTOWN NY 11756-1376

(ii) If to you, to:

(b) The addresses herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided.

(c) Unless actually delivered in person by an agent of the sending party, notices between you and us will be deemed given the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day.

IX. GENERAL TERMS AND PROVISIONS

9.1 Governing Law.

The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under this Agreement. Otherwise, the laws of New York govern this Agreement, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

9.2 Modification.

This Agreement cannot be modified or changed except by a written instrument signed by all of the parties hereto.

9.3 Waiver and Delay.

No waiver by ILKB of any breach or series of breaches or defaults in performance by you and no failure, refusal or neglect by ILKB either to exercise any right of ILKB hereunder or to insist upon strict compliance with or performance of your obligations under this Agreement, will constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by ILKB of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

9.4 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be deemed appropriately modified, and the remaining parts thereof will continue in full force and effect.

9.5 Titles for Convenience Only.

Section titles used in this Agreement are for convenience only and will not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

9.6 No Third Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom we have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

9.7 Survival of Covenants.

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

9.8 Successors and Assigns.

This Agreement is binding upon (i) ILKB and inures to the benefit of our successors and assigns and (ii) you and inures to the benefit of your successors and assigns, subject to the restrictions on any assignment by you contained herein.

9.9 Counterparts.

This Agreement may be executed in any number of copies, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument.

9.10 Entire Agreement.

This Agreement contains all of the terms and conditions agreed upon by you and ILKB with respect to the subject matter hereof, provided however, that nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the iLoveKickboxing.com franchise disclosure document that was provided to you. No other agreements oral or otherwise will be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. You acknowledge that you executed this Agreement without reliance upon any unauthorized representation or promise.

IN WITNESS WHEREOF, the parties executed this Agreement as of the Effective Date.

YOU:

By: _____

[PRINTED NAME AND TITLE]

ILKB:

ILKB, LLC

By: _____

EXHIBIT 1 - DEVELOPMENT SCHEDULE

The initial Outlet (or Outlet 1) is to be opened and operated under the concurrently signed Franchise Agreement within 365 days (12 months) after the Effective Date of this Agreement. The second and third (additional) Outlets must be opened within 24 months of the Effective Date of this Agreement, and if applicable the fourth and fifth Outlets must be opened within 36 months of the Effective Date of this Agreement. All Outlets may only be opened at sites that we have reviewed and consented to, all of which will be located in the "Development Area" described either [] in the map immediately following this Exhibit 1 or [] as follows:

You must open (and thereafter maintain) Outlets in accordance with the following schedule (if more than five Outlets are committed to be opened, the schedule will be expanded appropriately):

NUMBER OF OUTLET	DATE BY WHICH ADDITIONAL OUTLET MUST BE OPENED
2	_____
3	_____
4	_____
5	_____

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STATE ADMINISTRATORS

EXHIBIT F

California:

DIVISION OF CORPORATIONS
DEPARTMENT OF BUSINESS OVERSIGHT
320 W 4TH ST STE 750
LOS ANGELES CA 90013-2344
(213) 576-7500 or Toll Free (866) 275-2677

Hawaii:

COMMISSIONER OF SECURITIES,
DEPT. OF COMMERCE AND CONSUMER
AFFAIRS, BUSINESS REGISTRATION DIV.,
SECURITIES COMPLIANCE BRANCH
335 MERCHANT ST RM 203
HONOLULU HI 96813-2921
(808) 586-2722

Illinois:

FRANCHISE DIVISION
OFFICE OF THE ATTORNEY GENERAL
500 S 2ND ST
SPRINGFIELD IL 62701-1771
(217) 782-4465

Indiana:

FRANCHISE SECTION
INDIANA SECURITIES DIVISION
302 W WASHINGTON ST RM E111
INDIANAPOLIS IN 46204-2738
(317) 232-6681

Maryland:

OFFICE OF THE ATTORNEY GENERAL
DIVISION OF SECURITIES
200 SAINT PAUL PL
BALTIMORE MD 21202-2020
(410) 576-6360

Michigan:

CONSUMER PROTECTION DIVISION
MICHIGAN ATTORNEY GENERAL
PO BOX 30213
LANSING MI 48909-7713
(517) 373-7117

Minnesota:

COMMISSIONER OF COMMERCE
85 7TH PL E STE 500
SAINT PAUL MN 55101-3165
(651) 296-4026

New York:

BUREAU OF INVESTOR PROTECTION
NEW YORK ATTORNEY GENERAL
120 BROADWAY
NEW YORK NY 10271-0332
(212) 416-8211

North Dakota:

SECURITIES DEPARTMENT
600 E BOULEVARD AVE 5TH FLR
BISMARCK ND 58505-0510
(701) 328-4712

Oregon:

DEPT. OF CONSUMER & BUSINESS
SERVICES, DIV. OF FINANCE &
CORPORATE SECURITIES
350 WINTER ST NE, RM 410
SALEM OR 97301-3881
(503) 378-4140

Rhode Island:

DEPT. OF BUSINESS REGULATIONS
DIVISION OF SECURITIES
1511 PONTIAC AVE BLDG 69-1
CRANSTON, RI 02920-4407
(401) 462-9527

South Dakota:

DEPT. OF LABOR & REGULATION
DIVISION OF SECURITIES
445 E CAPITOL AVE
PIERRE SD 57501-3185
(605) 773-4823

Virginia:

STATE CORPORATION COMMISSION
DIV. OF SECURITIES & RETAIL FRANCHISING
1300 E MAIN ST 9TH FLR
RICHMOND VA 23219-3630
(804) 371-9051

Washington:

DEPT. OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION
150 ISRAEL RD SW
TUMWATER WA 98501-6456
(360) 902-8760

Wisconsin:

SECURITIES DIVISION
201 W WASHINGTON AVE STE 300
MADISON WI 53703-2640
(608) 266-8557

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**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT
AND MULTI OUTLET AGREEMENT FOR ILLINOIS FRANCHISEES**

EXHIBIT G

**ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT
AND MULTI OUTLET AGREEMENT FOR ILLINOIS FRANCHISEES**

The addendum makes the following specific disclosures and amendments to the Franchise Disclosure Document, Franchise Agreement and the Multi Outlet Agreement:

1. Notwithstanding anything in the Franchise Disclosure Document, Franchise Agreement and Multi Outlet Agreement, please note that the conditions under which the Franchise can be terminated and your rights upon non-renewal may be affected by Illinois law, specifically 815 ILCS 705/19,20.

2. Pursuant to section 4 of the Illinois Franchise Disclosure Act any provision in a Franchise Agreement and Multi Outlet Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void.

3. The Franchise Agreement and Multi Outlet Agreement are governed by and construed under the laws of the State of Illinois.

4. Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law is void.

5. The Illinois Attorney General's Office has imposed the certificate of deposit ("CD") requirement due to the franchisor's financial condition.

DATED: _____

FRANCHISOR: _____
(Signature)

DATED: _____

FRANCHISEE: _____
(Signature)

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RECEIPTS

EXHIBIT H

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If ILKB LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If ILKB 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 Office of the Illinois Attorney General, 500 South Second Street, Springfield, Illinois 62701.

We have no franchise brokers. The name, address and telephone number of the franchise seller for this offering is: Scott Ferrari, 3601 Hempstead Turnpike, Suite 503, Levittown, New York 11756, telephone (516) 543-0041.

Date of Issuance: December 5, 2013.

ILKB LLC authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated December 5, 2013, that included the following Exhibits:

- "A" Franchise Agreement
Exhibits to Franchise Agreement:
Exhibit 1: Territory and Location of Outlet
Exhibit 2: Names and Addresses of Principal Equity Owners
- "B" Financial Statements
- "C" List of Franchise Outlets
- "D" List of Terminated Franchises
- "E" Multi Outlet Agreement
Exhibit to Multi Outlet Agreement:
Exhibit 1: Development Schedule
- "F" State Administrators
- "G" Addendum to Franchise Disclosure Document, Franchise Agreement and Multi Outlet Agreement for Illinois Franchisees
- "H" Receipts

DATED: _____
(Do not leave blank)

If a business entity:

If an individual:

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

Please date and sign this page, and then keep it for your records

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Exhibit 1: Development Schedule
- "F" State Administrators
- "G" Addendum to Franchise Disclosure Document, Franchise Agreement and Multi Outlet Agreement for Illinois Franchisees
- "H" Receipts

DATED: _____
(Do not leave blank)

If a business entity:

If an individual:

(Name of Business Entity)

(Signature of Prospective Franchisee)

(Signature of Primary Contact Owner)

(Print Name)

(Print Name and Title)

Please date and sign this page, and then return it to ILKB LLC, either by mail to 3601 Hempstead Turnpike, Suite 503, Levittown, New York 11756, by fax to (516) 342-5844 or by e-mail to franchiseinfo@ilovekickboxing.com.