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FRANCHISE DISCLOSURE DOCUMENT

F45 Training Incorporated
a Delaware Corporation
801 Barton Springs Road
9th Floor
Austin, Texas 78704
(737) 787-1955
legal@f45training.com
www.f45training.com
www.f45invest.com
- https://www.linkedin.com/company/f45-training
- https://www.instagram.com/f45_training
https://www.facebook.com/F45FunctionalTraining

The franchise is for the establishment and operation of an F45 training studio ("F45 Studio" or "Studio") which provides exercise training that involves alternating periods of short, intense anaerobic exercise. The total investment necessary to begin operation of an F45 Studio is between $313,200 and $485,100. This includes $180,600 to $205,600 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact F45 Training Incorporated at 801 Barton Springs Road, 9th Floor, Austin, Texas 78704; (737) 787-1955.

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 accountant.

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

Date of Issuance: April 30, 2021.

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How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C and Exhibit D.
How much will I need to invest?	Item 5 and Item 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only F45 Training business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Item 3 and Item 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be F45 Training franchisee?	Item 20 or Exhibit C and Exhibit D list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

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Special Risks to Consider About *This* Franchise

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

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

2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. **Inventory and Equipment Purchase.** You must purchase all or nearly all of the inventory and equipment that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods.

4. **Mandatory Minimum Payment.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

5. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

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ADDENDUM TO THE F45 TRAINING INCORPORATED
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MICHIGAN

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

(a) a prohibition on the right of a franchisee to join an association of franchisees.

(b) a requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) a provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) a provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) a provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

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

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

(i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or Standards.

(ii) the fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

(iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) a provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide

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third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

The address for notices to the Michigan attorney general is: Department of the Attorney General, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 1st Floor, 525 W. Ottawa Street, Lansing, MI 48909; phone number 517-373-7117.

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

The Franchisor, and any Parents, Predecessors, and Affiliates

The franchisor is F45 Training Incorporated, referred to in this disclosure document as "we," "us," or "our." We refer to the person interested in buying the franchise as "you" or "your." If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners. These will be addressed in this disclosure document where appropriate.

We were incorporated in Delaware on March 25, 2015, and our principal business address is 801 Barton Springs Road, 9th Floor, Austin, Texas 78704. We do business under our corporate name and under the name "F45 Training." Our agents for service of process are listed in Attachment B.

In 2017, we and our affiliates restructured. Our immediate parent is F45 ROW Hold Co Pty Ltd, an Australia proprietary company. Our intermediate parents are F45 Aus Hold Co Pty Ltd, Flyhalf Acquisition Company Pty Ltd, and Flyhalf Australia Holding Company Pty Ltd, each of which are Australia proprietary companies. Our ultimate parent is F45 Training Holdings Inc., a Delaware corporation ("**Holdings, Inc**.") whose principal place of business is 801 Barton Springs Road, 9th Floor, Austin, Texas 78704. All of our intermediate parents have a principal place of business at 30 Alma Street, Sydney, Australia 2021. In the US, it shares our principal place of business in Austin, Texas.

We sell franchises for exercise training businesses that do business under the mark "F45 Training" ("**F45 Studios**" or "**Studios**"). We previously entered into agreements similar to the F45 Franchise Agreement but under arrangements that are different from the franchise offered under this disclosure document.

We began to offer franchises on August 1, 2015. We are not engaged in any other businesses and have never offered franchises in any other lines of business.

Our affiliate, Group Training LLC ("**Group Training**"), a Delaware limited liability company, owns and operates seven Studios through various subsidiaries ("**Company-owned Studios**"). Group Training is not engaged in any other businesses and has never offered franchises in any line of business.

Our affiliate, F45 U LLC, a Delaware limited liability company, licenses to others the opportunity to operate Studios on university campuses and other "non-traditional" venues. The Studios operated at these locations are a smaller footprint and provide limited equipment and services and are offered under a different arrangement.

Our affiliates listed below began offering franchises of the type offered by this disclosure document on the dates and in the countries/regions as indicated: (1) F45 Training Canada Limited, a Canada limited partnership – Canada; February 11, 2016; (2) F45 Training Asia Private Ltd., a Singapore limited partnership – Asia; December 23, 2015; (3) F45 Training Pty. Ltd., an Australia limited partnership – Australia, New Zealand, the Pacific; March 7, 2013; and (4) Functional 45 Training Limited, an Ireland limited partnership – Europe and the United Kingdom; April 6, 2016; (5) F45 India Private Limited, an Australia company – India, April 1, 2019 (collectively, "**F45 Affiliates**"). The principal place of business for each of the F45 Affiliates is 30 Alma Street, Paddington, New South Wales, Australia 2021. The F45 Affiliates do not offer franchises in any other line of business. We have no other parents, affiliates, or predecessors.

The Franchise

We sell franchises for the right to use a distinctive system of exercise training that involves alternating periods of short, intense anaerobic exercise under the F45 trade name, trademark, and business system ("**System**") for: (i) the operation of an F45 Studio, (ii) the provision of services that we designates from time to time (including, by way of example only, certain at-home workouts, workouts designed for specific age groups, or boot camps) ("**Approved Services**") and (iii) the provision of certain products related to the operation of an F45 Studio and the provision of the Approved Services (collectively, the "**Franchise**

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Business"). The System includes distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management, and financial control; training and assistance; advertising and promotional programs; and other standards, specifications, techniques, and procedures that we designate for developing and operating F45 Studios; all of which may be changed, deleted, improved, and further developed by us from time to time (collectively, "**Standards**").

You must operate your Franchise Business under the "F45" mark and use other trade names, service marks, trademarks, logos, and other symbols we designate (or may later designate) in writing for use in the System (collectively, "**Marks**").

The Franchise Agreement (Exhibit B to this disclosure document) gives you the right to establish and operate one Studio at a specified location within a protected area.

We may require your current and future Principals (as defined in the Franchise Agreement) to sign a Principals' Guaranty and Assumption Agreement ("**Guaranty**"), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer, and dispute resolution procedures. Principals who are not required to sign the Guaranty must each sign a Confidentiality Agreement and Ancillary Covenant Not to Compete, with Principals' undertakings, in the form attached to the Franchise Agreement.

The Franchise Agreement requires you to designate an "Operating Principal." Your Operating Principal is the main individual responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, you must designate someone who meets our requirements and whom we approve to be your Operating Principal. Your Operating Principal must have at least 10% ownership in your entity and must sign the Guaranty.

In this disclosure document, the terms "Principals" "and "Operating Principal" include those persons having similar obligations identified in the Franchise Agreement.

Competition

The market for fitness, exercise, and physical training services is highly competitive. There is competition for management and other personnel for the Franchise Business and for commercial real estate sites suitable for F45 Studios. You must expect to compete with fitness training businesses that are the same as or similar to the Franchise Business and other competing concepts. Competitors may be locally-owned or large regional or national chains. The fitness and exercise business is also affected by changes in consumer tastes, demographics, traffic patterns, and economic conditions.

Industry-Specific Regulations

You must comply with all federal, state, and local laws, rules, and regulations that apply to all businesses. You must also comply with all state and local laws, rules, and regulations that apply to exercise and fitness businesses. Specifically, many states and local municipalities have laws and regulations that apply specifically to membership contracts, operations, and licenses. Many states limit the length of time your Member contracts can be, require specific provisions be included in Member contracts, require Member contracts to look a certain way (such as format and font size), and require Members be granted certain termination rights. Some state regulations may also require you to: (1) obtain a bond to protect pre-paid membership fees you collect; (2) staff the Studio during all hours of operation; (3) staff the Studio with one or more persons who are CPR-certified or who have other specialized training; (4) maintain an automated external defibrillator (AED) and other first aid items and equipment at the Studio; and/or (5) charge sales tax on memberships. You should consider these laws and regulations when evaluating your purchase of a franchise.

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ITEM 2
BUSINESS EXPERIENCE

Adam J. Gilchrist: Director and CEO

Adam Gilchrist has been a Director and CEO since our formation. He is also a Director and the Co-CEO of each of F45 Training Pty Ltd, F45 Training Canada Limited, F45 Training Asia Private Ltd., and Functional 45 Training Limited. Adam is based in Sydney, Australia.

Elliot James Howard Capner: Chief Commercial Officer

Elliot Capner has been our Chief Commercial Officer since October 2019. Previously he served as our General Counsel and our Chief Operating Officer (as well as the Chief Operating Officer of F45 Training Pty. Ltd.) in Sydney, Australia from September 10, 2016 until September 2019. Prior to joining us, Elliot was an attorney in Sydney, Australia with the firm Watson Mangioni from January 2014 through August 2016.

Chris Payne: Director, Chief Financial Officer

Chris Payne has been a Director and our Chief Financial Officer (and a Director and Chief Financial Officer for our affiliates) since June 2018. From April 2008 until May 2018, he was the Chief Financial Officer for the World Surf League in Los Angeles, California. Chris is based in Sydney, Australia.

John Patrick Minty: Chief Marketing Officer

John Minty has been our Chief Marketing Officer since March 2021. From August 2017 until February 2021, John served as Chief Financial Officer of TBWA/Chiat/Day. From March 2015 until August 2017, John served as Chief Operating Officer of 180LA. From March 2013 to March 2015, John served as Chief Operating Officer of DDB. He is based in Los Angeles, CA.

Luke Armstrong: Chief Revenue Officer

Luke Armstrong has been the Chief Revenue Officer for our affiliate, F45 Training Pty. Ltd., since October 2018, and has also served as our Chief Revenue Officer since that time. Previously, he was our Director of Global Sales and the Director of Global Sales for our affiliates from October 2013 to October 2018. Luke is based in Sydney, Australia.

Patrick Grosso: Chief Legal Officer

Patrick Grosso has been our Chief Legal Officer since October 2019. Prior to joining us, he was a self-employed attorney in Salt Lake City, Utah from January 2017 until February 2018 and from May 2019 until September 2019. He was the Chief Financial Officer, Chief Administrative Officer, and Chief Legal Officer of a national pharmacy in Salt Lake City, Utah from March 2018 until April 2019. From July 2013 until December 2016, he was the Vice President of Strategic Initiatives and Chief Legal Officer of Skullcandy Inc. in Salt Lake City, Utah. Patrick is based in Los Angeles, California.

Dorian Workman: Chief Technology Officer

Dorian Workman has been our Chief Technical Officer since March 2021. Dorian is based in Scarsdale, New York. From September 2015 to February 2021, Dorian was a Senior Business Analyst at Sculptor Capital Management in New York, New York.

Heather Ann Christie: Chief Operating Officer

Heather Ann Christie has been our Chief Operating Officer since January 2020. Previously she served as our Head of Support from October 2017 until January 2020. She is based in Austin, Texas. From July 2015 to October 2017, she was Operations Supervisor, Operations Administrator at Uber Technologies in Los Angeles. From February 2014 to July 2015, she was Operations Coordinator for TargetCW for Uber Technologies in Los Angeles.

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Elise Stribos: Chief People Officer

Elise Stribos has been our Chief People Officer since February 2020. Previously she served as our Director of Human Resources from June 2019 until February 2020. She is based in Los Angeles, California. From January 2018 to June 2019, she was the head of Human Resources at Canoo Inc. in Torrance, California. She was between positions from May 2017 to January 2018. From November 2012 to May 2017, she was Principal Consultant for Generator Talent in Sydney, Australia.

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ITEM 3
LITIGATION

Terrell Owens v. F45 Training Inc.; Case No. BC680415, in the Superior Court of California for the Central District of the County of Los Angeles, California: On October 19, 2017, Terrell Owens ("Owens") filed suit against us claiming breach of contract and common law and statutory misappropriation of name and likeness. Owens alleges that we entered into an oral agreement whereby Owens would appear in a promotional video for us for $15,000. Owens also alleges that we agreed to pay him $25,000 for each of the first 25 F45 franchises sold in the US after July 13, 2016 and $5,000 for each of the 26th and subsequent F45 franchises sold in the US after July 13, 2016, until such time as the agreement is mutually terminated. Owens is seeking: (1) an injunction to prevent us from using Owens' likeness, (2) consequential damages in excess of $725,000, and (3) additional amounts and unspecified damages for (a) misappropriation of Owens' likeness, (b) alleged profits we gained from using Owens' likeness, (c) punitive and exemplary damages, and (d) attorneys' fees. On November 20, 2017, we filed a verified answer to Owens' complaint, admitting the oral agreement for the payment of $15,000 (which amount was paid to Owens) and denying all other allegations. This matter is in the discovery phase.

Chanelle Rezko and Serena Johnson v. F45 Training, Inc. and Chicago Athletic Clubs, LLC, Case No. 2020CH05648, in the Circuit Court of Cook County, Illinois County Department, Chancery Division: On November 25, 2020 the Plaintiffs filed a complaint, and on April 14, 2021 the Plaintiffs filed an amended complaint against F45 Training, Inc., Robert B. Deutsch, Carl Giammarco, Chicago Athletic Clubs, LLC, Laurence Weiner, and Patrick Cunningham seeking declaratory relief and damages. The Plaintiffs allege that F45 and individuals related to F45 violated the Illinois Franchise Disclosure Act, the Illinois Uniform Deceptive Trade Practices Act, and the Illinois Consumer Fraud and Deceptive Business Practices Act by failing to disclose certain information including information relating to a prior lawsuit, failing to provide an updated disclosure statement, and by collecting royalties that were allegedly improper. The Plaintiffs further allege that F45 aided and abetted in tortious interference with Plaintiffs' prospective economic advantage by failing to prevent misconduct by Chicago Athletic Clubs (an F45 franchisee). F45 intends to vigorously defend itself against these allegations.

Other than the litigation described above, no other litigation is required to be disclosed in this Item.

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ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

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ITEM 5
INITIAL FEES

Initial Franchise Fee and Document Preparation Fee

On the Effective Date of the Franchise Agreement, you must pay us: (i) a $50,000 initial franchise fee; and (ii) up to a $2,000 document preparation fee that will be applied to our cost to prepare the Franchise Agreement and any ancillary documents. We have a program under which we may discount the initial franchise fee by up to 50 percent for certain approved US military veterans. The initial franchise fee and document preparation fee are not refundable under any circumstances. Upon execution of the Franchise Agreement and payment of the initial franchise fee and document preparation fee, you will be provided access to the F45 Intranet, including our intellectual property and confidential information we make available to you through the Intranet. Additionally, you will also be provided with access to F45 Support and F45 Tech to begin setting up and operating your Studio.

Opening Package Fee

You must also pay us $125,000 (plus applicable taxes) for an "Opening Package," which includes most of the equipment and inventory needed to start operating your Studio. You must pay us a non-refundable deposit of $10,000 when you sign the Franchise Agreement, and the balance of the payment for the Opening Package is due when the order for your Opening Package is made, or six (6) months from the Effective Date of the Franchise Agreement, whichever comes first. The Opening Package fee includes shipping and other delivery costs, but does not include taxes or other duties you may be required to pay. The Opening Package fee is not refundable.

Storage Fee

The Opening Package is generally scheduled to be delivered approximately 45 to 90 days after the date the Opening Package is shipped. If you are unable to take delivery of the Opening Package, you must pay us for the storage costs we incur to store the Opening Package until you take delivery of the Opening Package. We estimate these costs to be $600 per month.

Nutritional Supplements

Upon ordering your Opening Package, you must also purchase from us for resale in your Studio an inventory of nutritional supplements in the amount of $3,000, the variety of which we will determine. This payment is nonrefundable.

Grand Opening

Beginning 90 days before you open your Studio ("Opening Date") and continuing through 30 days after the Opening Date, you must spend a minimum of $25,000 on grand opening promotions ("Grand Opening Expenditures"). The grand opening promotions and marketing activities must be conducted as we require. If we direct, you must pay us, or third parties approved by us, part or all of the Grand Opening Expenditures. If we require that you pay us or third parties all or part of the Grand Opening Expenditures, then we or the required third party will conduct grand opening promotions on your behalf. If we require that you pay us the Grand Opening Expenditures, then you must make such payment the earlier of: (i) the date your Opening Package is ordered; or (ii) four months before the scheduled Opening Date of the Studio.

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ITEM 6
OTHER FEES

Type of Fee[1]	Amount	Due Date	Remarks
Royalty Fee	The greater of 7% of Gross Sales[2] or $2,500 per month	180 day after the Effective Date of the Franchise Agreement and the first day of each subsequent calendar month	You must pay the royalty fee by electronic funds transfer. The first royalty fee payment is due on the 180th day after the Effective Date whether or not your Studio is open. We reserve the right to increase the royalty rate based on changes to the Consumer Price Index.
Brand Fund	Up to 2% of Gross Sales, or $200 per month, whichever is higher	180 days after the Effective Date of the Franchise Agreement and the first day of each subsequent calendar month	See Note 2 for the definition of Gross Sales. In the 2020 fiscal year, we elected not to require franchisees to contribute to the Brand Fund.
Marketing Fee	$2,500 per month	On the Opening Date of your Studio and the first day of each subsequent calendar month	We or a third party we designate will use the Marketing Fee monies to pay for local advertising for your Studio.[3] If we communicate to you in writing that you are not required to pay the Marketing Fee directly to us, you must spend at least $2,500 per month for local advertising for your Studio. You may spend more at your option. We recommend that you spend at least $4,000 per month on local advertising for your Studio
Local Cooperative Advertising ("Co-op")	As determined by Co-op; currently, there are no Co-ops	As determined by Co-op	If you are part of and contribute to a local Co-op where your Studio is located, we will credit dollar for dollar the amount you contribute to the Co-op toward your required Marketing Fee requirement for your Studio (or Local Advertising Expenditure, if applicable).[3]

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Type of Fee[1]	Amount	Due Date	Remarks
Promotional Programs	Cost of programs and related fees, but no more than the monthly royalty fee	When billed	If, at any time during the Term of the Franchise Agreement, but not before the end of the 12-month period following the Opening Date of the Studio, your Gross Sales are not at least 70% of the annual, average gross sales of all F45 franchisees that have operated their studios for at least 12 months, then we may require you to participate in a special promotional program(s) that we implement, and you must pay the costs and fees associated with such program(s).
Non-Compliance Fee	Not to exceed $2,000 per violation	10 days after notice of violation	In order to recover damages the brand incurs or other losses we suffer because of your non-compliance with the Franchise Agreement or the Standards, we may assess a non-compliance fee if you do not cure the non-compliance as we require. We may charge you this fee in addition to the on-site evaluation fee described below.
Service Fee[4]	Currently, $500 per month	15th day of the month after the Effective Date and then each subsequent month	We reserve the right to increase the Service Fee at the beginning of each calendar year.
Orientation Seminar	$1,000 for attendance at our orientation seminar (for a maximum of two attendees)	When your registration for the orientation seminar is confirmed	You must pay us $200 for the third and each additional person who attends orientation. You are responsible for paying the costs of travel, lodging, meals and compensation for you and your attendees to attend the orientation seminar.
Nutritional Supplements for Resale	Currently, an initial amount equal to $3,000; ongoing amount will vary[5]	When billed	You must continue to purchase from us, our affiliates, or other suppliers nutritional supplements for resale in your Studio and maintain the amount of inventory we require, which will be a reasonable amount.
Merchandise for Resale[6]	Currently, not less than $1,500 every three months	Every three months during the	We may provide to you certain collateral merchandise for resale

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Type of Fee[1]	Amount	Due Date	Remarks
	(does not including shipping, taxes, and duties (if any), which you must pay)	Term of the Franchise Agreement	that contain the Marks, such as sporting goods, equipment, and memorabilia, like T-shirts, caps, cups, and mugs.
LionHeart Bands[6]	Currently, $49 per monitor, plus shipping and handling charges	On demand	We will provide you with F45 LionHeart heart rate monitors for the purposes of resale or to supply to members of your Studio. 100 LionHeart monitors are included in the Opening Package. You must order at least 100 LionHeart heart rate monitors every year following the expiration of the first 12 months of operation of the Studio. We may increase the cost of LionHeart bands in the future.
Interest	18% per year or the maximum lawful rate	On demand	We may charge interest on all overdue amounts.
Additional Training[7]	A reasonable fee based on our costs of providing the training; currently, $250 per day per person trained	Before additional training	You must also pay the expenses of your personnel who attend training.
On-site Remedial Training	The then-current per diem fee for remedial training, plus costs; current per diem rate is $250	When billed	If you ask or if we believe it is appropriate, we will (subject to availability) provide trained representatives to conduct on-site remedial training at your Studio.
On-site Evaluation Fee	Currently, $160 per on-site evaluation if we determine that your Studio is not in compliance with the terms of the Franchise Agreement, plus current per diem rate of $250	On demand	We may conduct an on-site evaluation of your Studio to determine compliance with your obligations under the Franchise Agreement. If your Studio is not in compliance, we may charge you the on-site evaluation fee in addition to the non-compliance fee. We may increase the amount of the on-site evaluation fee as our costs to conduct such evaluations increase.
Transfer Fee	25% of the then-current initial franchise fee, plus our reasonable costs and expenses associated with the transfer, including training costs and legal and accounting fees	With transfer application	There is no fee if an individual or partnership transfers rights to a corporation controlled by the same interest holders or for a transfer of a non-controlling interest in you by a Principal not signing the Guaranty.

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Type of Fee[1]	Amount	Due Date	Remarks
Securities Offering Fee	$3,000, plus our reasonable costs and expenses associated with the proposed offering	When billed	We limit our review to the manner in which the offering materials treat your and our relationship.
Renewal Fee	50% of our then-current initial franchise fee	Signing of renewal franchise agreement	You must give us at least 6 months and not more than 9 months' notice to renew and meet other renewal conditions.
Annual Conference[8]	$600 per ticket; a minimum of two tickets must be purchased unless we otherwise approve in writing	Upon issuance of invitation to conference	We will bill you the cost of the tickets whether or not you attend the conference, and we may direct payment through electronic funds transfer.
Non-Attendance Fee	Varies based on costs we incur to prepare for attendance; currently, $100 to $300 per person	On demand	If any person required to attend any training, conferences, or meetings fails to attend, you must pay us the non-attendance fee in an amount we determine at the time.
DJ Fee	Actual cost of the DJ; currently, $25-$400 per session if we supply you with a DJ to play at your Studio on a Saturday	On demand	You must have a DJ in attendance at your Studio each Saturday for each training session you conduct. You may engage the services of a DJ independent of us, and pay the DJ as you arrange; or we will engage one for you, and you will pay us the cost of the DJ each month, in advance. The cost will be confirmed when we book the DJ.
Inspection and Testing	Cost of inspection, if applicable, and cost of test	When billed	Before approving a supplier, we may require you to pay the cost of testing the supplier's products and inspecting its facilities.
Indemnification	Varies according to loss	On demand	You must indemnify us when certain of your actions result in loss to us.

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Type of Fee[1]	Amount	Due Date	Remarks
Audit Fee	Cost of audit	When billed	Payable if an audit shows you have understated any amount owed to us by 3% or more.
Insurance Fee	A reasonable amount based on our expenses	On demand	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, we will charge you a fee, plus our expenses.
Enforcement Costs	Will vary	As incurred	You must pay our costs of enforcement (including attorney's fees and costs) if you do not comply with the Franchise Agreement.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services, and future policy changes, but we have no present plans to increase any fees.

(2) "Gross Sales" means the total selling price of all services, except for the Approved Services specifically identified by us as not being included in Gross Sales, and products and all income of every other kind and nature related to the Studio, including, without limitation, income from the sale of products and services over the Internet, whether for cash or credit and regardless of collection in the case of credit, but expressly excluding the following:

(a) Sums representing sales taxes collected directly from Members, based upon present or future laws of federal, state, or local governments, collected by Franchisee in the operation of the Studio, and any other tax, excise, or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Studio, provided that such taxes are actually transmitted to the appropriate taxing authority;

(b) Tips or gratuities paid directly by Studio Members to employees of Franchisee or paid to Franchisee and then turned over to such employees by Franchisee in lieu of direct tips or gratuities;

(c) Returns to shippers or manufacturers; and

(d) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Studio or having any material effect upon the ongoing operation of the Studio required under this Agreement.

We may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by us at our discretion. The following are included within the definition of "Gross Sales" described except as noted below:

(i) The full value of Studio products or services, except for the Approved Services specifically identified by us as being excluded from Gross Sales, furnished to Franchisee's employees as

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an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the month in which the products or services were furnished for the purpose of determining the amount of Gross Sales upon which the royalty fee is due; and

(ii) All proceeds from the sale of coupons, gift cards, gift certificates or vouchers, including amounts paid directly to Franchisee by third party marketing companies (e.g., Groupon) for similar payment devices; provided, that at the time such coupons, gift cards, gift certificates or vouchers are redeemed the retail price for the services provided in exchange for such coupons, gift cards, gift certificates, or vouchers will not be included in Gross Sales. If sales proceeds are not recorded and reported for royalty purposes at the time the coupon, gift card, gift certificate or voucher is sold, or if such coupons, gift cards, gift certificates or vouchers are distributed free of charge, the retail price for the services provided in exchange for such coupons, gift cards, gift certificates, or vouchers will be included in Gross Sales.

(3) If we terminate your requirement to pay the Marketing Fee, then you must spend $2,500 per month on local advertising for your Studio in the local market area, which is the same as your Protected Area. You may elect to spend more on local advertising than the amount of the Marketing Fee or the required Local Advertising Expenditure, whichever is applicable.

(4) This fee covers access to our technology and systems, which include intranet, emails website, studio management software.

(5) In the future, we may require you to also purchase prepared meals from us or a third-party supplier. The amount of these purchases will vary depending on the cost of the prepared meals.

(6) We have the right to make available to you for resale in the Studio merchandise, goods, and apparel that contain the Marks. This may include sporting goods, equipment, and F45 Studio memorabilia, like T-shirts, caps, cups, and mugs; nutritional and protein supplements; and prepared meals. If we make this type of merchandise available, we may require you to purchase it from a supplier we designate, which may be us. If we make Studio merchandise available to you for resale, you must purchase the minimum quantity of merchandise and/or the dollar amount we specify. Currently, you must purchase (i) at least $1,500 (not including taxes and duties, if any) worth of F45 merchandise such as sporting goods, equipment, and F45 Studio memorabilia, like T-shirts, caps, cups, and mugs every three months during the Term of your Franchise Agreement; (ii) at least 100 LionHeart heart rate monitors each year of the Term of your Franchise Agreement, starting the second year following the of the Opening Date of your Studio (the first year's supply is included in the Opening Package), and (iii) an inventory of nutritional and protein supplements in an amount of $3,000. We may change from time to time the quantity and/or dollar amount of these types of items you must purchase and the frequency of such purchases.

(7) Currently, we do not provide or require you to attend additional training programs after you attend our orientation seminar and successfully complete the initial online training program. At some time in the future, we anticipate that we will provide you an opportunity to participate in ongoing training with respect to your F45 business. However, at the present time, no ongoing training programs have been established, and we have not established any fees for ongoing training.

(8) You must pay all travel and other conference related costs you incur.

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