

FRANCHISE DISCLOSURE DOCUMENT



Exercise Coach USA, LLC
An Illinois limited liability company
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Exercise Coach USA, LLC offers franchises for the operation of a business that provides a comprehensive system of personal training to optimize longevity and health span using: (a) proprietary and technologically-advanced equipment; (b) evidence-based strength, flexibility, stability, balance and brain training protocols and methods; and (c) metabolic health and nutrition programs.

The total investment necessary to begin operation of a THE EXERCISE COACH® studio is \$259,840 to ~~\$460,470~~\$457,970. This includes \$162,145 to ~~\$216,190~~\$213,690 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of 2 to 3 THE EXERCISE COACH® studios under an Area Development Agreement is \$299,840 to \$525,470. This includes \$202,145 to \$281,190 that must be paid to the franchisor or affiliate.

This Disclosure Document summarizes certain provisions of your franchise agreement, area development 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 the franchisor at 531 Telser Rd., Lake Zurich, Illinois 60084 or by phone at (855) 202-6224.

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 (the "FTC"). 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.

Issuance Date: April 21, 2025

- (a) by us and our trainers, field support personnel, auditors or other representatives to visit your Studio; or
(b) by you or your personnel to attend training programs or conferences.
3. **CPI Adjustments:** All fees (and minimum fees) expressed as a fixed dollar amount are subject to adjustment based on changes to the Consumer Price Index in the United States (CPI). We may periodically review and increase these fees based on changes to CPI, but only if the increase to CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustment); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before it goes into effect. We may implement no more than 1 fee adjustment during any 5-year period.
 4. **Technology Fee (proprietary technology):** As of the issuance date of this Disclosure Document, Gymbot charges a technology fee of \$518 per month. If you live in a state that charges sales tax for technology or software fees, you must also pay sales tax on this amount. Currently, this fee is paid to Gymbot for certain technical services associated with: (a) EXERBOTICS® Equipment, including database management, data backup services, asset management and equipment maintenance; and (b) TEC Apps.
 5. **Technology Fee (third-party technology):** As of the issuance date of this Disclosure Document: (a) Gymbot collects (and remits to the associated licensor) a technology fee of \$299 per month for our designated mobility software; and (b) we collect (and remit to the associated licensors) the following technology fees:
 - \$29 per month for our designated business intelligence platform, FlexBI
 - \$5 per month per employee license for the business productivity software (2 to 4 licenses required)
 - \$248 per month for our designated customer relationship management (CRM) with phone/SMS system
 6. **Liquidated Damages:** You must pay us liquidated damages if: (a) we terminate the Franchise Agreement due to your default; or (b) you terminate the Franchise Agreement prior to its expiration date (except in accordance with the provisions governing your right to terminate following our uncured breach). If the termination occurs with more than 5 years left under the term of the Franchise Agreement, the amount of liquidated damages is \$50,000. If the termination occurs with less than 5 years left under the term, then liquidated damages are calculated as the sum of average monthly royalty fees and brand fund fees imposed during the 12-month period preceding termination (or your entire period of operation if less than 12 months) multiplied by the lesser of: (a) 24; or (b) the total number of months remaining under the term. If you pay us liquidated damages in a timely manner, we will not pursue a claim against you for lost profits. However, payment of liquidated damages does not prevent us from seeking other damages we incur due to your breach, unless we and you agree otherwise in a signed settlement agreement.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$49,500	Lump sum	At time you sign Franchise Agreement	Us
Initial Training Fee ¹	\$5,000	Lump sum	At time you sign Franchise Agreement	Us
MUO Training Fee ³ (applies to area developers)	\$0 to \$2,500	Lump sum	At time you sign Franchise Agreement	Us
Initial Training Expenses ³	\$1,500 to \$10,000	As incurred	During training	Hotels, restaurants and airlines
Legal Fee Reimbursement ⁴ (lease review services)	\$0 to \$3,500	As incurred	Before opening	Us

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Lease Deposit & Rent ⁵ (3 Months)	\$8,000 to \$24,000	Lump sum	Monthly (with security deposit paid before opening)	Landlord
Utilities Deposits	\$100 to \$1,000	As incurred	Before opening	Utilities companies
Construction ⁶	\$0 to \$65,000	As incurred	Before opening	Architect, contractors & suppliers
Interior & Exterior Signage ⁷	\$2,300 to \$8,000	Lump sum	Before opening	Suppliers
Decorating, Cleaning Station, Furniture, Fans & Furnishings	\$4,200 to \$6,315	As incurred	Before opening	Suppliers
Equipment Package ⁸	\$107,645 to \$155,690	Lump sum	Before opening	Gymbot
Technology Systems ⁹	\$2,850 to \$6,850	Lump sum	Before opening	Suppliers
First Aid Equipment ¹⁰	\$1,350 to \$2,100	Lump sum	Before opening	Suppliers
Opening Inventory ¹¹	\$2,550 to \$4,250	Lump sum	Before opening	Suppliers
Uniforms	\$600 to \$1,000	Lump sum	Before opening	Suppliers
Grand Opening Marketing Commitment ¹²	\$29,195 to \$43,275	Lump sum	Grand Opening Period (pre- & post-opening)	Suppliers
Business Licenses	\$250 to \$750	Lump sum	Before opening	Government agencies
Professional Fees ¹³	\$4,000 to \$5,240	Lump sum	Before opening	Lawyers & accountant
Insurance ¹⁴	\$800 to \$1,500	Lump sum	Before opening	Insurance companies
Pre-opening Payroll ¹⁵	\$10,000 to \$20,000	As incurred	Before opening	Employees
Additional Funds ¹⁶ (3 months)	\$30,000 to \$45,000	As incurred	As incurred	Suppliers, employees and Gymbot
Total Estimated Initial Investment ¹⁷	\$259,840 to \$ 460,470 <u>457,970</u>			

The table below estimates the initial investment to purchase area development rights for 2 to 3 Studios.

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee ¹⁸	\$40,000 to \$65,000	Lump sum	At time you sign ADA	Us
<u>MUO Training Fee ¹⁹</u> <u>(applies to area developers)</u>	<u>\$0 to \$2,500</u>	<u>Lump sum</u>	<u>At time you sign ADA</u>	<u>Us</u>
Initial Investment to Open 1 st Studio	\$259,840 to \$ 460,470 <u>457,970</u> (from Table above)			
Total Estimated Initial Investment ¹⁸	\$299,840 to \$525,470			

Notes:

- Financing and Refunds: We do not offer direct or indirect financing. No amounts paid to us are refundable. We are not aware of any amounts paid to third-party suppliers that are refundable, although your landlord may refund your security deposit at the end of the lease if you do not damage the property or default.
- Initial Training Fee: The initial training fee covers Management Training for up to 4 people as well as GSC Certification training and SBB Certification training for your initial coaches.
- ~~3.2. MUO Training Fee: If you sign an ADA, you pay us a separate \$2,500 training fee for MUO Training when you sign each Franchise Agreement under the ADA (excluding the 1st Franchise Agreement). The low~~

~~estimate assumes that either: (a) you do not sign an ADA; or (b) you are signing your 1st Franchise Agreement under the ADA. The high estimate assumes you sign an ADA and you are signing your 2nd (or a subsequent) Franchise Agreement under the ADA.~~

4.3. Initial Training Expenses: This estimates your expenses to send up to 4 people to one of our designated training centers (located in Smithville, Tennessee and Lake Zurich, Illinois) for initial training. Your actual training expenses may vary depending on: (a) the number of people you send to training; (b) the distance they must travel; and (c) the level and quality of accommodations, travel and dining selected. MUO Training is conducted remotely so you do not incur any additional Travel Expenses.

5.4. Legal Fee Reimbursement: You are required to hire a real estate attorney to help review and negotiate your lease. If you fail to do so, our attorney will review the lease and negotiate the Lease Addendum and you must reimburse us for all legal fees we pay our attorney to provide these services.

6.5. Lease Deposit & Rent: This estimate assumes you lease your premises. Rent varies depending on factors such as the size and location of the premises and local market conditions. We expect most Studios will range in size from 800 to 2,000 square feet with rent ranging from \$2,000 to \$6,000 per month. Landlords typically require security deposits equal to 1- or 2-months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The estimate in the table includes 1 month's security plus 3 months' rent. Some franchisees may choose to purchase the real estate. The cost to purchase real estate varies so widely that we cannot reasonably estimate the cost.

7.6. Construction: The cost of construction and leasehold improvements varies widely based on a number of factors including:

- the size and condition of the leased space
- whether the premises is first or second generation retail space
- the extent and nature of existing leasehold improvements
- the amount of landlord contributions, if any, towards leasehold improvement costs (a "TI Allowance")
- demolition and construction costs and prevailing wage rates in the local market

Some landlords provide a TI Allowance but increase monthly rent to recapture the TI Allowance and amortize it over the lease term (or part of the lease term). A significant factor in determining whether a landlord will provide a TI Allowance, and if so, the amount, is whether the building is first-generation or second-generation space. In some cases, no construction is required. The low estimate assumes the landlord provides a TI Allowance covering all construction costs. The high estimate assumes you do not receive any TI Allowance.

8.7. Signage: You must purchase and install the signage we specify. However, you may need to modify our standard signage to conform to local zoning laws, property use restrictions and/or lease terms. In some instances, exterior signage may be prohibited due to applicable zoning or use restrictions. This estimate includes the cost of interior and exterior signage.

9.8. Equipment Package: The items included in the Equipment Package are listed in Item 5. The estimate includes the cost of the equipment and estimated shipping, installation and setup costs. The estimate in the table assumes you choose to purchase the Equipment Package directly from Gymbot. Some franchisees finance the purchase or lease the equipment through an unaffiliated lender or leasing company. If you choose to finance or lease the equipment, your initial investment may be lower.

10.9. Technology Systems: This estimates your cost to purchase and set up your Technology Systems, including:

- computer and point-of-sale system (\$1,900 to \$3,850)
- audio-visual (AV) system, including 1 to 2 HD TVs and music system (\$700 to \$1,500)
- music system, including 1 to 2 wireless speakers (\$100 to \$600)
- security system, including 2 to 5 cameras (\$100 to \$500)

premium are separately stated in the table above. These figures are estimates based on: (a) the experience of our management team in developing, opening and operating company-owned Studios; and (b) the experience of our franchisees in developing, opening and operating franchised Studios.

~~18.~~17. **Budget and Initial Investment Report:** We strongly recommend you hire an accountant, business advisor or other professional to assist you in developing a budget for the construction, opening and operation of your Studio. Within 60 days after your opening date, you must send us a report, in the form we designate, listing the expenses you incur to develop and open your Studio. We may use this data to update the initial investment estimate in future versions of our Franchise Disclosure Document.

~~19.~~18. **Development Fee:** Item 5 discusses how the development fee is calculated. This initial investment estimate assumes you commit to develop either 2 Studios (low estimate) or 3 Studios (high estimate). If you purchase the right to develop more than 3 Studios, your development fee will increase. This estimate does not include your costs to develop any Studio other than the 1st Studio you develop under the ADA.

19. MUO Training Fee: If you sign an ADA, you pay us a separate \$2,500 training fee for MUO Training when you sign each Franchise Agreement under the ADA (excluding the 1st Franchise Agreement). The low estimate assumes you are signing your 1st Franchise Agreement under the ADA. The high estimate assumes you are signing your 2nd (or a subsequent) Franchise Agreement under the ADA.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source-Restricted Purchases and Leases - Generally

You must purchase or lease certain source-restricted goods and services for the development and operation of your Studio. "Source-restricted" means the good or service must meet our specifications or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). The Manual includes our specifications and supplier list. We notify you of changes to our specifications and suppliers by email, updates to the Manual or other means of communication.

Supplier Criteria

Our criteria for evaluating suppliers include standards for: (a) quality, performance, design, appearance and price of the product or service; and (b) dependability, production capabilities, reputation and financial strength of the supplier. Upon request, we will provide you with any objective specifications pertaining to our evaluation of a supplier or product, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you wish to purchase or lease a source-restricted item from a non-approved supplier you must send us: (a) a written request for approval; (b) product samples for testing purposes; and (c) all additional information we request. The supplier must agree to comply with our minimum insurance, indemnification and confidentiality requirements for system suppliers and allow us to periodically inspect their facility. We will notify you of our decision within 30 days after we receive all required information and product samples. We may periodically reinspect approved products and suppliers and revoke our approval if a product or supplier fails to meet our then-current criteria. You must reimburse all costs we incur, and pay our hourly fee (\$50 per hour) for the time we spend, evaluating products and suppliers you propose.

Current Source-Restricted Purchases and Leases

We estimate nearly 50% of the total purchases and leases to establish a Studio and 20% of ongoing operating expenses consist of source-restricted goods or services, as further described below.

Lease

If you lease the premises for your Studio, we must approve your lease before you sign it. You must use best efforts to ensure your landlord signs the Lease Addendum attached to the Franchise Agreement as ATTACHMENT "C". We require that you hire a real estate attorney to review and negotiate the terms of your lease (we may waive this obligation if you are a licensed real estate attorney or broker). You may hire our recommended real estate attorney who has experience negotiating leases and Lease Addenda for Studios. You