

FRANCHISE DISCLOSURE DOCUMENT

PROJECT FUNCTION™

PF Franchising, Inc.
a Nevada Corporation
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PF Franchising, Inc. offers individual unit franchises for the development and operation of a Project Function™ business (“Gym”) offering monthly memberships and personal training opportunities that use gym facilities equipped with proprietary machines and staffed with trainers who are certified in our specialized training courses.

The total investment necessary to begin operation of a Project Function™ business ranges from \$256,750 to \$337,250 for new Project Function™ franchises and \$185,805 to \$242,565 for conversion franchises. This includes \$106,400 to ~~\$132,900~~\$134,900 for new Project Function™ franchises and \$91,400 to ~~\$117,900~~\$115,900 for conversion franchises that must be paid to us or our affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact David Filonzi at franchise@projectfunction.com or 619-966-7563.

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, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 17, 2025

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, arbitration and/or litigation only in the state in which the Gym is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in the state in which the Gym is located than in your own state.
2. Short Operating History. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. Supplier Control. You must purchase all or nearly all of the inventory or supplies 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. This may reduce the anticipated profit of your franchise business.
4. Unregistered Trademark. The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
5. 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.

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.

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	3
ITEM 3 LITIGATION	3
ITEM 4 BANKRUPTCY	3
ITEM 5 INITIAL FEES	3
ITEM 6 OTHER FEES	4
ITEM 7 ESTIMATED INITIAL INVESTMENT	8
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	11 <u>12</u>
ITEM 9 FRANCHISEE’S OBLIGATIONS	14 <u>15</u>
ITEM 10 FINANCING	15 <u>16</u>
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	16
ITEM 12 TERRITORY	24
ITEM 13 TRADEMARKS	25 <u>26</u>
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	26 <u>27</u>
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	27
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	27 <u>28</u>
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	28 <u>29</u>
ITEM 18 PUBLIC FIGURES	31 <u>32</u>
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	31 <u>32</u>
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	32
ITEM 21 FINANCIAL STATEMENTS	33 <u>34</u>
ITEM 22 CONTRACTS	34
ITEM 23 RECEIPTS	34

EXHIBITS

EXHIBIT A	Financial Statements
EXHIBIT B	Franchise Agreement (and exhibits)
EXHIBIT C	Conversion Addendum to Franchise Agreement
EXHIBIT D	List of State Administrators; Agents for Service of Process
EXHIBIT E	State Addenda
EXHIBIT F	General Release Form
EXHIBIT G	List of Franchisees
EXHIBIT H	Disclosure Acknowledgment Agreement
EXHIBIT I	State Effective Dates and Receipt Pages

equipment used in your Gym so that your Gym reflects the then-current physical appearance of new Project Function™ businesses. We may require you to take such action: (1) 5 years after the date of the Franchise Agreement; (2) as a condition of transfer; (3) as a condition of renewal; and (4) otherwise during the term of the Franchise Agreement as further described in the Operations Manual. We cannot estimate the current cost for a remodeling project because remodeling requirements will vary. You may make these payments in whole or in part to various third parties.

- (7) If the Franchise Agreement is terminated early due to your breach, in addition to other amounts owed, you must pay us as liquidated damages an amount equal to your average monthly Royalty Fees, Brand Marketing Fees, and Technology Fees payable over the 12-month period immediately preceding the termination date, multiplied by the lesser of 36 or the number of months remaining in the then-current term of your Franchise Agreement.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

NEW FRANCHISE LOCATION

<u>Type of Expenditure</u> (See Note 1)	<u>New Opening Low Amount</u> (See Note 2)	<u>New Opening High Amount</u> (See Note 2)	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is To Be Made</u>
<u>Initial Franchise Fee</u> (See Note 3)	<u>\$40,000</u>	<u>\$40,000</u>	<u>Lump Sum</u>	<u>When you sign the Franchise Agreement</u>	<u>Us</u>
<u>Lease, Utility & Security Deposits</u> (See Note 4)	<u>\$5,000</u>	<u>\$7,500</u>	<u>As agreed upon</u>	<u>As incurred</u>	<u>Landlord</u>
<u>Design & Architectural Fees</u> (See Note 5)	<u>\$2,500</u>	<u>\$3,500</u>	<u>As agreed upon</u>	<u>As incurred</u>	<u>Various third parties</u>
<u>Leasehold Improvements</u> (See Note 6)	<u>\$35,000</u>	<u>\$50,000</u>	<u>As agreed upon</u>	<u>As incurred</u>	<u>Various third parties</u>
<u>Signage</u> (See Note 7)	<u>\$2,500</u>	<u>\$4,500</u>	<u>As agreed upon</u>	<u>As incurred</u>	<u>Landlord, various third parties</u>
<u>Furniture & Fixtures</u> (See Note 8)	<u>\$8,000</u>	<u>\$12,000</u>	<u>As agreed upon</u>	<u>Before opening</u>	<u>Various suppliers</u>
<u>POS/Back Office System</u> (See Note 9)	<u>\$2,000</u>	<u>\$2,000</u>	<u>As agreed upon</u>	<u>Before opening</u>	<u>Various suppliers</u>
<u>Equipment</u> (See Note 10)	<u>\$123,750</u>	<u>\$161,750</u>	<u>As agreed upon</u>	<u>As ordered</u>	<u>Us, various suppliers</u>
<u>Professional Fees</u> (See Note 11)	<u>\$7,500</u>	<u>\$7,500</u>	<u>Lump sum</u>	<u>Before opening</u>	<u>Various suppliers</u>
<u>Initial Inventory</u> (See Note 12)	<u>\$4,000</u>	<u>\$5,500</u>	<u>As incurred</u>	<u>As incurred</u>	<u>Various suppliers</u>
<u>Insurance</u> (See Note 13)	<u>\$3,500</u>	<u>\$5,000</u>	<u>As incurred</u>	<u>Before opening</u>	<u>Various third parties</u>
<u>Training Expenses</u> (See Note 14)	<u>\$5,000</u>	<u>\$8,000</u>	<u>As incurred</u>	<u>As ordered</u>	<u>Us</u>
<u>Initial Launch</u>	<u>\$3,000</u>	<u>\$5,000</u>	<u>As incurred</u>	<u>Before opening</u>	<u>Various third</u>

<u>Type of Expenditure</u> (See Note 1)	<u>New Opening Low Amount</u> (See Note 2)	<u>New Opening High Amount</u> (See Note 2)	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is To Be Made</u>
<u>Marketing</u> (See Note 15)					<u>parties</u>
<u>Additional Funds</u> (See Note 16)	<u>\$15,000</u>	<u>\$25,000</u>	<u>As incurred</u>	<u>Before opening</u>	<u>Various third parties</u>
<u>TOTAL</u> See Notes 17 and 18		<u>\$256,750</u>	<u>\$337,250</u>		

CONVERSION FRANCHISE LOCATION

<u>Type of Expenditure</u> (See Note 1)	<u>New Opening Low Amount</u> (See Note 2)	<u>New Opening High Amount</u> (See Note 2)	<u>Conversion Low Amount</u> (See Note 2 & 18)	<u>Conversion High Amount</u> (See Note 2 & 18)	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is To Be Made</u>
Initial Franchise Fee (See Note 3)	<u>\$40,000</u>	<u>\$40,000</u>	\$25,000	\$25,000	Lump Sum	When you sign the Franchise Agreement	Us
Lease, Utility & Security Deposits (See Note 4)	<u>\$5,000</u>	<u>\$7,500</u>	\$1,275	\$1,725	As agreed upon	As incurred	Landlord
Design & Architectural Fees (See Note 5)	<u>\$2,500</u>	<u>\$3,500</u>	\$2,550	\$3,450	As agreed upon	As incurred	Various third parties
Leasehold Improvements (See Note 6)	<u>\$35,000</u>	<u>\$50,000</u>	\$25,500	\$34,500	As agreed upon	As incurred	Various third parties
Signage (See Note 7)	<u>\$2,500</u>	<u>\$4,500</u>	\$3,825	\$5,175	As agreed upon	As incurred	Landlord, various third parties
Furniture & Fixtures (See Note 8)	<u>\$8,000</u>	<u>\$12,000</u>	\$10,200	\$13,800	As agreed upon	Before opening	Various suppliers
POS/Back Office System (See Note 9)	<u>\$2,000</u>	<u>\$2,000</u>	\$1,700	\$2,300	As agreed upon	Before opening	Various suppliers
Equipment (See Note 10)	<u>\$123,750</u>	<u>\$161,750</u>	\$89,150	\$120,620	As agreed upon	As ordered	Us, various suppliers
Professional Fees (See Note 11)	<u>\$7,500</u>	<u>\$7,500</u>	\$5,100	\$6,900	Lump sum	Before opening	Various suppliers
Initial Inventory (See Note 12)	<u>\$4,000</u>	<u>\$5,500</u>	\$1,275	\$1,725	As incurred	As incurred	Various suppliers
Insurance (See Note 13)	<u>\$3,500</u>	<u>\$5,000</u>	\$3,400	\$4,600	As incurred	Before opening	Various third parties
Training Expenses (See Note 14)	<u>\$5,000</u>	<u>\$8,000</u>	\$2,550	\$3,450	As incurred	As ordered	Us
Initial Launch Marketing (See Note 15)	<u>\$3,000</u>	<u>\$5,000</u>	\$1,530	\$2,070	As incurred	Before opening	Various third parties

Type of Expenditure (See Note 1)	New Opening Low Amount (See Note 2)	New Opening High Amount (See Note 2)	Conversion Low Amount (See Note 2 & 18)	Conversion High Amount (See Note 2 & 18)	Method of Payment	When Due	To Whom Payment Is To Be Made
Additional Funds (See Note 16)	\$15,000	\$25,000	\$12,750	\$17,250	As incurred	Before opening	Various third parties
TOTAL See Notes 17 and 18		\$256,750	\$337,250	\$185,805	\$242,565		

Notes:

- (1) Type of Expenditure. This Table differentiates the estimate initial investment based on whether you will be opening a new Gym or whether you will converting an already existing gym to a Project Function™ Gym. For newly developed locations, the typical size of a Project Function™ Gym is between 1,750 and 2,500 square feet. For several items discussed below, your cost will increase as the number of square feet increases. The amounts listed in the column label “New Opening Low Amount” are estimates based on opening a 1,750 square foot location. The amounts listed in the column label “New Opening High Amount” are estimates based on opening a 2,500 square foot location. Franchisees who are opening a Conversion Franchise can expect to incur less costs than franchisees opening a new location, as noted in the Table above. A variety of factors may impact the size of your Gym such as landlord, municipality or zoning board requirements or restrictions and availability and cost of leased or purchased space. This Table reflects your estimated initial investment for a single Gym operated under a Franchise Agreement and assumes that you will lease the premises for your Gym. We do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.
- (2) Amount. Except where otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable.
- (3) Initial Franchise Fee. You will pay us the Initial Franchise Fee as more fully described in Item 5.
- (4) Lease; Utility; Security Deposit. Depending on the market conditions and other factors in your geographic area, the rental expense associated with the Gym premises may vary from the estimates provided in this Item 7. The exact cost or impact on your rental expense will depend on several factors, including the condition of the premises, the portion of rent representing the value of leasehold improvements at the Gym premises, the size and location of the premises for your Gym and other economic factors.
- (5) Design and Architecture Fees. If you do not use our designated architect to design your Gym and submit working drawings, construction and architectural plans and specifications to us, you must pay us a \$2,000 fee to review your architect’s Gym design plans.
- (6) Leasehold Improvements. You will need to make certain leasehold improvements to the leased premises to comply with our approved plans and specifications. Leasehold improvements include all internal, installed elements of the building and gym area. We anticipate that you likely will negotiate certain landlord tenant improvements as part of your rental expense to help offset the cost of leasehold improvements. The exact cost of leasehold improvements or impact on your rental expense will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord’s agreement

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

[Item 5, Additional Disclosure:](#)

[Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.](#)

Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure),

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:

FRANCHISEE:

PF FRANCHISING, INC.

[NAME OF INDIVIDUAL OR ENTITY]

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____