

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 and/or litigation only in North Carolina. 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 the franchisor in North Carolina 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.~~**2. Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
- ~~4.~~**3. 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.
- ~~4.~~**4. Mandatory Minimum Payments.** You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
- ~~5.~~**5. Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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.

Company-Owned Outlet has utilized its own point-of-sale system. For purposes of this FPR: (a) we allocated 2/3 of total Gross Sales generated from January 1, 2023 until August 2023 to Outlet 1 and the remaining 1/3 to Outlet 2; and (b) we provided the actual Gross Sales figures generated by each Company-Owned Outlet from August 2023 through the end of the year.

2. Gross Sales Data: We obtained the 2023 annual Gross Sales data used in this FPR from Profit and Loss Statements submitted by the Franchised Outlets and Company-Owned Outlets. We did not receive complete Profit and Loss Statements from Franchised Outlet 15 or Franchised Outlet 18. For these outlets, we obtained the 2023 annual Gross Sales data from the point-of-sale system used by the outlets. We obtained the first quarter 2024 Gross Sales data from the point-of-sale system used by all of the outlets.
3. Adjusted Gross Profit Data: We obtained the 2023 annual Adjusted Gross Profit data used in this FPR from Profit and Loss Statements submitted by the Franchised Outlets and Company-Owned Outlets.
4. Expense Information: The Adjusted Gross Profit FPR does not account for any Excluded Expenses (as defined above).

~~You should consult with your advisors to develop your own estimates of revenue for your Madabolic Business.~~

Some Madabolic Businesses have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

Written substantiation for this financial performance representation will be made available to you upon your reasonable written request.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Brandon Cullen at 42490 Garfield Road, Suite 202, Clinton Township, Michigan 48038 or by phone at (980) 217-4770, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	9	14	+5
	2022	14	22	+8
	2023	22	27	+5
Company-Owned	2021	2	2	0
	2022	2	2	0
	2023	2	3	+1
Total Outlets	2021	11	16	+5
	2022	16	24	+8
	2023	24	30	+6

In the last 3 fiscal years, some franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. 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.

There are no: (a) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (b) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Our fiscal year ends on December 31st. Audited financial statements of Madabolic Franchise System, LLC for the fiscal years ended December 31, 2023, December 31, 2022 and December 31, 2021 are attached to this Disclosure Document as EXHIBIT "F". In addition, an unaudited balance sheet as of May 31, 2024 and an unaudited profit and loss statement from January 1, 2024 through May 31, 2024 are attached to this Disclosure Document as EXHIBIT "F".

ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

EXHIBIT "C"	Franchise Agreement
EXHIBIT "G"-1	State Addenda
EXHIBIT "G"-2	General Release
EXHIBIT "G"-3	Franchise Resale Agreement

Attachments to Franchise Agreement

ATTACHMENT "B"	Form of Site Approval Notice
ATTACHMENT "C"	Lease Addendum
ATTACHMENT "D"	Franchise Owner Agreement
ATTACHMENT "E"	ACH Authorization Form
ATTACHMENT "F"	Brand Protection Agreement
ATTACHMENT "G"	Confidentiality Agreement

ITEM 23 RECEIPT

EXHIBIT "I" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

At closing: (i) you must transfer good and clean title to the Acquired Assets, subject to any exceptions set forth in the Asset Purchase Agreement; and (ii) we must pay you the purchase price. We may deduct from the purchase price: (a) any amounts you owe to us or to our affiliates under any Definitive Agreements including, if applicable, liquidated damages imposed under this Agreement; and (b) the amount of any liabilities we assume on your behalf, including future rent.

21.3. Liquidated Damages. You must pay us liquidated damages if either: (a) we terminate this Agreement due to your default; or (b) you terminate this Agreement without cause or in any manner other than as permitted by §20.1 or §20.3. Liquidated damages shall be calculated as the product of Average Monthly Fees multiplied by the lesser of (a) 24 or (b) the total number of full months remaining under the Term as of the termination effective date. Average Monthly Fees is determined as the combined average monthly royalty fee and brand fund fee (without regard to any fee waivers or other reductions, and regardless of collection) imposed by this Agreement during the 12-month period preceding the termination date (or during the period of time you operated the Business if less than 12 months). Liquidated damages are due 30 days after we send you an invoice detailing our calculation of liquidated damages. Liquidated damages are in addition to and not in lieu of: (a) any fees or other amounts incurred by you prior to the termination of this Agreement, all of which must be paid by you in accordance with the terms of this Agreement; or (b) any damages we or our affiliate incur as a result of your breach of this Agreement; *provided, however*, that we may not pursue a claim against you for recovery of lost future profits if you pay us all liquidated damages owed when due. The parties agree the amount of liquidated damages set forth in this Section is in proportion to, and is necessary to protect, our legitimate interests, including: (a) encouraging our franchisees to commit to the 10-year franchise relationship in which both parties have already invested time and expense to develop; (b) the time and expense we will incur to recruit a new franchisee to acquire franchise rights to the Territory; (c) the time and expense we will incur to ensure your timely and orderly departure from our franchise network; (d) protecting the reputation and goodwill associated with our Marks; and (e) partially compensating us for our financial loss caused by your breach and the early termination of this Agreement. If this liquidated damages clause is determined to be unenforceable under applicable Law, then we will be limited to pursuing actual damages we incur as a result of your default or improper termination.

22. DISPUTE RESOLUTION.

22.1. Negotiation and Mediation. Except as otherwise provided below with respect to Excluded Claims, the parties shall attempt in good faith to resolve any Dispute through informal discussions and negotiations. If these efforts are unsuccessful, the parties agree to submit the Dispute to mediation before a mutually-agreeable mediator prior to litigation. All negotiations and mediation proceedings (including all discovery conducted therein and statements and settlement offers made by either party or the mediator in connection with the mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. except evidence that would otherwise be discoverable or admissible shall not be excluded from discovery or made inadmissible simply because of its use in mediation. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. Any Dispute involving claims alleging a breach of §14 and/or §17 (referred to as “Excluded Claims”) will not be subject to mediation unless otherwise agreed to by both parties.

22.2. Litigation. If either (a) a Dispute is not successfully resolved by mediation within 60 days after either party makes a demand for mediation or (b) the Dispute involves an Excluded Claim, then either party may file a lawsuit in any state or federal court of general jurisdiction in accordance with the choice of venue provision set forth below. The parties hereby express their clear and unequivocal intent that a court, rather than a mediator, shall have exclusive jurisdiction to decide

EXHIBIT "F"
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

MADabolic Franchise System LLC	2:39 PM
Balance Sheet	06/28/2024
As of May 31, 2024	Accrual Basis
	<u>May 31, 24</u>
ASSETS	
Current Assets	
Checking/Savings	
1000 · Cash on Hand	615,410.52
Total Checking/Savings	<u>615,410.52</u>
Accounts Receivable	
1100 · Accounts Receivable	232,604.98
Total Accounts Receivable	<u>232,604.98</u>
Other Current Assets	<u>158,613.73</u>
Total Current Assets	<u>1,006,629.23</u>
Fixed Assets	
1800 · Fixed Assets	<u>63,456.40</u>
Total Fixed Assets	<u>63,456.40</u>
Other Assets	<u>1,503,567.46</u>
TOTAL ASSETS	<u><u>2,573,653.09</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	112,748.54
Total Accounts Payable	<u>112,748.54</u>
Credit Cards	160.96
Other Current Liabilities	<u>591,707.45</u>
Total Current Liabilities	<u>704,616.95</u>
Long Term Liabilities	
2600 · Deferred Revenue-Non Current	<u>2,437,802.00</u>
Total Long Term Liabilities	<u>2,437,802.00</u>
Total Liabilities	<u>3,142,418.95</u>
Equity	
3000 · Opening Balance Equity	185,129.77
3050 · Equity	207,862.05
3200 · Retained Earnings	-1,022,573.14
Net Income	<u>60,815.46</u>
Total Equity	<u>-568,765.86</u>
TOTAL LIABILITIES & EQUITY	<u><u>2,573,653.09</u></u>

MADabolic Franchise System LLC
Profit & Loss
January through May 2024

4:25 PM
06/28/2024
Accrual Basis
Jan - May 24

Ordinary Income/Expense	
Income	
4000 · Sales	657,786.17
Total Income	<u>657,786.17</u>
Cost of Goods Sold	
5000 · Cost of Sales	
Apparel/Merchandise/Equipment	9,270.34
Franchise Sales Marketing	37,809.55
Music License	14,741.76
Sales T & E	6,204.35
Total 5000 · Cost of Sales	<u>68,026.00</u>
Total COGS	<u>68,026.00</u>
Gross Profit	589,760.17
Expense	
6010 · Amortization Expense	2,855.15
6040 · Bank Service Charges	148.50
6045 · Benefits	7,205.69
6170 · Computer and Internet Expenses	113,973.68
6240 · Depreciation	505.65
6244 · Franchise Marketing	3,570.00
6245 · Filing/Registration Fees	3,768.00
6247 · Franchise Sales&Opening Expense	31,096.72
6250 · Dues and Subscriptions	1,308.16
6330 · Insurance Expense	646.87
6350 · Marketing	44,067.65
6430 · Meals and Entertainment	2,457.33
6490 · Office Supplies/Expense	176.63
6495 · Postage/Shipping	182.21
6500 · Outside Services	25,750.00
6600 · Payroll Expenses	141,040.93
6670 · Professional Fees	41,187.52
6750 · Taxes & Licenses	2,132.92
6810 · Telephone Expense	1,765.74
6840 · Travel Expense	26,319.66
6870 · Website	166.80
8000 · Guaranteed Payments	79,975.00
Total Expense	<u>530,300.81</u>
Net Ordinary Income	59,459.36
Other Income/Expense	
Other Income	
Interest Income	1,356.10
Total Other Income	<u>1,356.10</u>
Net Other Income	1,356.10
Net Income	<u><u>60,815.46</u></u>

CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the disclosure document.
2. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
3. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
5. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The franchise agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.
8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
9. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
- ~~10. The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information."~~
- ~~11.~~10. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION at <https://dfpi.ca.gov/>.
- ~~12.~~11. All fees referenced in the Franchise Agreement are subject to deferral pursuant to order of the State of California. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.

EXHIBIT "H"

TO DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

State Effective Dates

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

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

State	Effective Date
California	July 19, 2024
Hawaii	
Illinois	April 30, 2024
Indiana	May 10, 2024
Maryland	
Michigan	November 16, 2023 (amended April 19, 2024)
Minnesota	
New York	July 16, 2024
North Dakota	
Rhode Island	
South Dakota	
Virginia	May 10, 2024
Washington	
Wisconsin	May 7, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.