

## 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 us by litigation only in Florida. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to litigate with us in Florida than in your own state.
2. **Territorial Exclusivity.** The continuation of your territorial exclusivity depends on achieving a certain sales volume. You must complete a minimum of one sale every 12 months after the first 12 months of operation. If you fail to meet this requirement you may lose your territorial exclusivity.
3. **Mandatory Minimum Payments.** 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.
4. **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.
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.
- 2-6. **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.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

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.

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company Owned Outlets In the Next Fiscal Year
South Dakota	0	0	0
Tennessee	0	0	0
Texas	2	1	0
Utah	2	1	0
Vermont	0	0	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	0	0
Total	10	5	0

The names, addresses and telephone numbers of our franchisees and their businesses are listed in Exhibit F.

The name and last known address and telephone number of every franchisee who has had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the fiscal year ending December 31, 2023 or who has not communicated with us within the 10 weeks preceding the issuance date of this Disclosure Document are listed and attached as Exhibit G. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Exit Factor. 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. No former franchisees have signed such a confidentiality clause during the three year period ended December 31, 2023.

Exit Factor Advertising Fund, Inc. administers the Marketing Fund. This corporation was organized with our assistance and is endorsed by us because we require participation in the Marketing Fund by our franchisees. This corporation can be contacted through our corporate office at 2121 Vista Parkway, West Palm Beach, FL 33411, (561) 640-5570.

## ITEM 21

### FINANCIAL STATEMENTS

**We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission.** Exhibit B contains our audited financial statements dated July 31, 2023, and unaudited interim financial statements dated March 31, 2024. Our fiscal year end is December 31.

**STATE OF MINNESOTA  
ADDENDUM TO FRANCHISE AGREEMENT**

In consideration of the execution of the foregoing Franchise Agreement with Exit Factor, LLC, the Franchisee hereby acknowledges that:

1. Section Two E of the Franchise Agreement is amended by adding the following language:

“The general release that is required as a condition of a renewal, sale, or transfer of the franchise shall not apply to liability of the Franchisor under the Minnesota Franchisor Act, MINN STAT §80C.0122.”

2. Section Fourteen of the Franchise Agreement is amended by adding the following language:

“To the extent required by the Minnesota Franchises Act, we will protect your rights to use the Trademarks, service marks, trade names, logo types, or other commercial symbols related to the Trademarks or indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the Trademarks.”

3. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12. Subd. 1(g).

4. Section Sixteen B of the Franchise Agreement is amended by adding the following language:

“Minnesota Law provides franchises with certain termination and nonrenewal rights. Minn. Stat. Sec. 80C. 14, Subd. 3, 4, and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the franchise agreement.”

5. Sections Twenty Five A and Twenty Six D of the Franchise Agreement is amended by adding the following language:

“Minn. Stat. 80C21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Disclosure Document or this Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights as provided for by the laws of the jurisdiction.”

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

**Signatures on following page.**

## **STATE OF MARYLAND**

Item 17 (f) of the Disclosure Document is amended by adding the following language:

“Termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law. (11USC Section 101 et seq)”

Item 17 (m) of the Disclosure Document is amended by adding the following language:

“A general release required as a condition of renewal, sale or transfer shall not apply to liability under the Maryland Franchise Registration and Disclosure Law.”

Item 17 (v) of the Disclosure Document is amended by adding the following language:

“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

Item 17 (v) of the Disclosure Document is amended by adding the following language:

“A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

## **STATE OF MINNESOTA**

Item 17 (f) of the Disclosure Document is amended by adding the following language:

“Minn. Stat. Sec 80C.14 Subds. 3, 4, and 5 require except in certain cases that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days for nonrenewal of the franchise agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.”

Item 17 (v) of the Disclosure Document is amended in its entirety to read as follows:

“Minn. Stat. Sec 80C.21 and Minn. Rule 2860.440J prohibit us from requiring litigation to be conducted outside of Minnesota.”

Item 13 of the Disclosure Document is amended by adding the following language:

“To the extent required by the Minnesota Franchises Act, we will protect your rights to use the trademarks, service marks, trade names, logo types, or other commercial symbols related to the trademarks or indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the trademarks.”

Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability under Minnesota Statutes 80C.01 through 80C.22.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

EXIT FACTOR  
Balance Sheet

3/31/2024

ASSETS

Current Assets

Cash and Cash Equivalents	\$33,462.57
Accounts Receivable (net of Allowance for Doubtful Accounts)	38,050.00
Prepaid Expenses	16,519.95
Inventory	4,761.38
Total Current Assets	<u>92,793.90</u>

Other Assets

Intangible Assets (net of Accumulated Amortization)	64,616.93
Total Other Assets	<u>64,616.93</u>

TOTAL ASSETS

\$157,410.83

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Current Liabilities

Accounts Payable	23,714.64
Accounts Payable - Related Companies	91,553.20
Accrued Expenses	24,092.66
Franchise Deposits	48,795.31
Total Current Liabilities	<u>188,155.81</u>

Long Term Liabilities

Loans Payable - Stock Holder	75,000.00
Total Long Term Liabilities	<u>75,000.00</u>

TOTAL LIABILITIES

263,155.81

MEMBERS' EQUITY

(105,744.98)

TOTAL LIABILITIES AND MEMBERS' EQUITY

\$157,410.83

EXIT FACTOR  
Statement of Income and Members' Equity

3/31/2024

Income	
Franchise Fees	\$58,175.00
Product	39,980.00
Royalties	7,640.00
Miscellaneous Income	3,465.00
Total Income	<u>109,260.00</u>
Cost of Goods Sold	41,416.90
Gross Profit	<u>\$67,843.10</u>
Expenses	
Advertising	14,918.11
Amortization	2,461.17
Automobile	1,115.02
Bank Service Charges	270.23
Computer Software	4,377.33
Dues and Subscriptions	1,345.00
Insurance	2,324.80
Office	2,256.49
Payroll	126,706.60
Postage	271.51
Professional Fees	33,449.99
Registration & Filing Fees	10,010.00
Rent	334.44
Telephone	1,573.16
Travel	12,440.74
Total Expense	<u>213,854.59</u>
Net Income before Other Income/(Expense)	(\$146,011.49)
Other Income/(Expense)	
Total Other Income/(Expense)	<u>0.00</u>
Net Income	(\$146,011.49)
Members' Equity, Beginning	(61,733.49)
Members' Contribution	102,000.00
Members' Equity, Ending	<u><u>(105,744.98)</u></u>