

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF THIS FRANCHISE WITH A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed on **Exhibit B** for information about the franchisor, or about franchising in your state. If you learn that anything in this disclosure document is untrue, contact the Federal Trade Commission and the state administrators listed on **Exhibit B**.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise.

1. THE FRANCHISE AGREEMENT CONTAINS A MANDATORY BINDING ARBITRATION CLAUSE GOVERNING NEARLY ALL DISPUTES BETWEEN YOU AND US, AND ALSO PROVIDES FOR A FACE-TO-FACE MEETING AND MEDIATION TO SETTLE DISPUTES. THE FACE-TO-FACE MEETING, MEDIATION, BINDING ARBITRATION (AND ANY LITIGATION) AND ANY ARBITRATION APPEAL WILL TAKE PLACE IN THE COUNTY IN WHICH OUR THEN-CURRENT HEADQUARTERS IS LOCATED, AND THAT MAY COST YOU MORE (AND BE LESS CONVENIENT) THAN IF THOSE PROCEEDINGS TOOK PLACE NEAR YOUR RESIDENCE OR BUSINESS. COSTS OF THE FACE-TO-FACE MEETING, MEDIATION, ARBITRATION AND ANY ARBITRATION APPEAL MAY BE GREATER THAN IN LITIGATION. YOU AND WE WILL GENERALLY BEAR EACH OF OUR OWN COSTS IN ANY DISPUTE, BUT THE ARBITRATOR CAN ASSESS COSTS (BUT NOT ATTORNEY'S FEES) AGAINST A LOSING PARTY.
2. THE FRANCHISE AGREEMENT PROVIDES THAT THE LAWS OF THE STATE OF CALIFORNIA GOVERN THE AGREEMENT AND THAT LAW MAY NOT PROVIDE YOU WITH THE SAME RIGHTS AND PROTECTIONS AS YOUR LOCAL LAW. YOU MAY WANT TO CONSULT AN ATTORNEY REGARDING COMPARISON OF THESE LAWS.
3. THE MARKET FOR FITNESS SERVICES IS HIGHLY EVOLVED, YET CONSTANTLY CHANGING. YOU WILL FACE COMPETITION FOR CUSTOMERS FROM OTHER GYMS, PERSONAL TRAINERS, YOGA STUDIOS, BARRE-BASED STUDIOS, AND EVEN OTHER CHUZE FITNESS FRANCHISEES. ADDITIONALLY, YOU WILL FACE COMPETITION FROM COMPANIES, GYMS AND PRODUCTS THAT MAY NOT BE IN EXISTENCE AT THE TIME YOU SIGN THIS AGREEMENT.
4. THE FITNESS GYM BUSINESS IS SUBJECT TO CONSUMER PREFERENCES AND UNANTICIPATED SHIFTS IN CONSUMER PREFERENCES. IF WE FAIL TO ACCURATELY IDENTIFY CONSUMER PREFERENCES, OR IF WE FAIL TO ACCURATELY FORECAST CONSUMER DEMAND (FOR EXAMPLE, BY NOT MANDATING THE PURCHASE OF POPULAR NEW CARDIO EQUIPMENT OR NEW EXERCISE MACHINES, OR WE FAIL TO OFFER POPULAR AEROBICS CLASSES), WE AND YOU MAY EXPERIENCE DIFFICULTIES AND OUR SALES AND YOUR SALES, AND THE BRAND IMAGE MAY BE ADVERSELY AFFECTED BY NOT STAYING CURRENT WITH FITNESS TRENDS.

- 5 DESPITE THE PAYMENT PROVISIONS IN ITEMS 5 AND 7 OF THIS DISCLOSURE DOCUMENT, THE PAYMENT OF ALL INITIAL FEES TO BE MADE TO FRANCHISOR SHALL BE DEFERRED UNTIL THE FIRST BUSINESS DAY FOLLOWING THE DATE THAT FRANCHISOR HAS COMPLETED ALL OF FRANCHISOR'S MATERIAL INITIAL OBLIGATIONS TO FRANCHISEE UNDER THE FRANCHISE AGREEMENT, FRANCHISEE'S INITIAL TRAINING PROGRAM HAS BEEN COMPLETED AND FRANCHISEE OPENS THE GYM FOR BUSINESS, AT WHICH TIME ALL INITIAL FEES SHALL BECOME IMMEDIATELY ALL DUE AND PAYABLE
- 6 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Documents 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

STATE	EFFECTIVE DATE
California	Pending
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of January 1, 2012

expenses for each site that we visit per your request. This fee must be paid within 15 calendar days after you are billed. This fee is charged uniformly to all franchisees, although the actual dollar amounts paid may vary depending on the number of site evaluations and the expenses we incur performing the services. Site evaluation fees and expenses are nonrefundable.

Despite the payment provision listed above, as a condition of registration in the State of California we have elected to defer the payment of all fees owed to us until the first business day following the date that we have completed all of our material initial obligations to you under the Franchise Agreement, the initial training program has been completed and you open the Gym for business, at which time all initial fees shall become immediately due and payable.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	0% - 4% of Gross Sales ²	Payable monthly on the 10 th day of each month	The royalty percentage is based on the number of gym memberships you sell
Marketing Fund ³	2% of Gross Sales	Payable monthly on the 10 th day of each month	Not yet established. Contributions due only if and when a Marketing Fund is established.
Manual Replacement Fee	\$500	As incurred	You will be charged this fee if you lose the Manual
Late Fees	The greater of the highest applicable legal rate for open account business credit, or 1.5% per month	Upon demand	Applies to all amounts not paid when due, until paid in full. We may also require you to pay an administrative fee of \$50 for each late payment or late report.
Renewal Fee	\$5,000	At time of renewal	You must renovate and reimage the Gym at your expense at the time of Renewal to conform to our then-current standards and image.
Additional Training Expenses ⁴	\$1,500 per person plus expenses	Time of service	Additional training is at your cost.

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