

FRANCHISE DISCLOSURE DOCUMENT



Body Energy Group USA LLC
a California limited liability company
2775 Rinconia Drive
Los Angeles, California 90068
Telephone: 877-776-4844
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We offer franchises for the operation of “Body Energy Club” retail outlets. A “Body Energy Club” retail outlet (a “**Store**”) specializes in the sale of vitamins, nutritional supplements, juices, smoothies, and other health food products.

The total investment necessary to begin operation of a “Body Energy Club” franchise ranges from \$624,000 to \$1,~~023~~123,500. This includes \$~~35~~50,000 to \$55,000 that must be paid to us or our affiliates.

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 Oscar Rodriguez at ~~2775 Rinconia Drive~~6253 Hollywood Blvd, Suite 901, Los Angeles, California ~~90068~~90028, tel. 323-621-9335.

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.

The issuance date of this Franchise Disclosure Document is: ~~May 29, 2018~~ April 26, 2021.

STATE COVER PAGE [How](#)

~~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 A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.~~

~~Call the state franchise administrator listed in [Exhibit B](#) for information about the franchisor or about franchising in your state.~~

~~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.~~

~~Risk factors:~~

~~*1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN THE OUR HOME STATE (CURRENTLY, CALIFORNIA). 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 CALIFORNIA THAN IN YOUR HOME STATE.~~

~~2. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.~~

~~* Local law may supersede these agreement provisions. Certain states require the superseding provisions to appear in an addendum to this disclosure document (see [Exhibits G and H](#) of this disclosure document).~~

~~Effective Date: See the next page for state effective dates.~~

STATE EFFECTIVE DATES

The following states require that the [Use This 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; as well as exemption from the business opportunity registration requirements in Florida, Kentucky, Nebraska, Texas, and Utah.

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

<u>STATES</u> <u>QUESTION</u>	<u>EFFECTIVE DATE</u> <u>WHERE TO FIND INFORMATION</u>
California <u>How much can I earn?</u>	August 14, 2018 <u>Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit</u>
<u>How much will I need to invest?</u> Hawaii	Not Filed <u>Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.</u>
Illinois <u>Does the franchisor have the financial ability to provide support to my business?</u>	Not Filed <u>Item 21 or Exhibit E includes financial statements. Review these statements carefully.</u>
Indiana <u>Is the franchise system stable, growing, or shrinking?</u>	Not Filed <u>Item 20 summarizes the recent history of the number of company-owned and franchised outlets.</u>
Maryland <u>Will my business be the only Body Energy business in my area?</u>	Not Filed <u>Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.</u>
Michigan <u>Does the franchisor have a troubled legal history?</u>	Not Filed <u>Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.</u>
Minnesota <u>What's it like to be a Body Energy franchisee?</u>	Not Filed <u>Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.</u>

New York <u>What else should I know?</u>	Not Filed <u>These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.</u>
North Dakota	Not Filed
Rhode Island	Not Filed
South Dakota	Not Filed
Virginia	Not Filed
Washington	Not Filed
Wisconsin	Not Filed

~~In all~~

What You Need To Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other states, fees even if you are losing money.

Business model can change. The franchise agreement may allow the effective date franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise Disclosure Document is the issuance date of May 29,

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 California. 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 California than in your own state.

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.

2018

BODY ENERGY GROUP USA LLC FRANCHISE DISCLOSURE DOCUMENT

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A	Franchise Agreement and Related Exhibits	F	Confidentiality and Non-Disclosure Agreement
B	List of Administrators	G	State-specific Disclosures
C	Agents for Service of Process	H	State-specific Agreement Amendments
D	List of Current and Former Franchisees	I	Franchise Compliance Certification
E	Financial Statements	J	General Release
		K	Receipts (2 copies)

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

Body Energy Group USA LLC ("us," "our," or "we") is a California limited liability company formed on March 5, 2018. We maintain our principal place of business at 2775 Rinconia Drive, Los Angeles, CA 90068. We conduct business under the names and marks "Body Energy" and "Body Energy Club." We do not conduct business under any other name.

We began offering franchises for "Body Energy Club" Stores ~~when this disclosure document was issued in August 2018. As of December 31, 2020, there was one franchised "Body Energy Club" Store located in the United States.~~ We do not offer and have never offered franchises in any other lines of business. We do not operate any Stores ~~however some of our affiliates do.~~ We do not have any other business activities.

Our agents for service of process are listed in Exhibit C.

Our Parent, Predecessor, and Affiliates

~~Our founder, Dominick Tousignant, developed the "Body Energy Club" system in 2002. The first "Body Energy Club" store opened in 2002 in Vancouver, British Columbia.~~

~~We do not have any predecessors that we are required to disclose in this disclosure document.~~

Our parent company is Body Energy Club Ltd., (our "Parent"), a corporation incorporated under the laws of British Columbia on February 6, 2002 that has a principal business address at Suite 800 - 1090 West Georgia Street, Vancouver, B.C. V6E 3V7. Our parent operates ~~five~~eight "company-owned" Body Energy Club ~~stores~~Stores in Canada. Our parent has never offered franchises in any line of business, nor does it have any other business activities.

~~Our founder, Dominick Tousignant, developed the "Body Energy Club" system in 2002. The first "Body Energy Club" store opened in 2002 in Vancouver, British Columbia.~~

In addition to our parent, ~~we have three affiliates which operate company owned Body Energy Club Stores in the United States and Canada: ROPD Ventures, Ltd, whose principal business address is the same as our parent, and~~affiliate Body Energy Club USA, Inc., ("BECUSA") operates one "Body Energy Club Store" in California. BECUSA is a California corporation whose principal business address is the same as ours.

~~As of the date of this disclosure document, our parent and affiliates operate 7 "Body Energy Club" Stores in Canada and 2 "Body Energy Club" Stores in the United States. The "Body Energy Club" Stores operated by our parent~~Parent and ~~affiliates~~BECUSA are referred to as "company-owned" Stores in this disclosure document.

Mr. Tousignant formed our affiliate, Body Energy Group, Inc. ("BECI"), in 2017 in order to offer "Body Energy Club" franchises in Canada. BECI's principal business address is the same as our parent's. BECI has been offering franchises in Canada since November 2017. They have never offered franchises in any other line of business.

With the exception of BECI, none of our affiliates have offered franchises in any line of business. None of our affiliates have any other business activities.

We do not have any predecessors that we are required to disclose in this disclosure document.

The Franchise Offered

Each “Body Energy Club” Store operates under our Proprietary Marks (defined below) in a building that bears our interior and/or exterior trade dress. Stores specialize in the sale of vitamins, nutritional supplements, juices, smoothies, and other health food products.

If we approve your application to become a “Body Energy Club” franchisee, you will sign a franchise agreement in the form attached to this disclosure document as Exhibit A (“**Franchise Agreement**”). Under a Franchise Agreement, we will grant you the right, and you will accept the responsibility, to establish and operate one Store (the “**Franchised Business**”) at an agreed-upon location (the “**Approved Location**”).

We do not currently offer franchise agreements for the establishment of “Body Energy Club” Stores outside the United States; however, our affiliate, BECI offers franchise agreements for the establishment of “Body Energy Club” Stores in Canada.

The System

We and our affiliates have developed and own a format and system relating to the operation of “Body Energy Club” Stores (the “**System**”). The System's distinguishing characteristics include distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs; all of which we may periodically change, improve, and further develop.

We identify the System by means of certain trade names (for example, the “BODY ENERGY CLUB” mark), service marks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify (all of these are referred to as our “**Proprietary Marks**” or “**Marks**”). We continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of services and products marketed under those marks and under the System, and to represent the System's high standards of quality, appearance, and service. Stores must operate according to our standards and procedures, as set out in our confidential operating manual (the “**Manual**”).

A Store is typically located in a shopping mall or in a retail store front in high foot traffic areas. A typical newly-constructed Store will be approximately 900 to 1,500 square feet in size.

Competition

The market for retailers of nutritional supplements is well-developed and highly competitive. You can expect to compete in your market with locally-owned stores, as well as with national and regional store chains that sell similar products (some of which may be franchises of other and larger systems). You will compete on the basis of factors such as quality, price, service, and store location. Businesses in this industry are often affected by other factors as well, such as changes in consumer taste, economic conditions, population, and travel patterns.

Although we carefully evaluate persons who wish to become franchisees, no screening process that we implement can determine with certainty whether you will succeed in the Body Energy Club business. Completion of our training program does not guarantee your success.

You must rely on your own assessment of your suitability (in terms of business skills, people skills, energy, desire, temperament, and financial capability, among other things) and your own advisors in deciding whether to become a Body Energy Club franchisee.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your store operations including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 and state equivalents require readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. There are also federal, state, and local regulations that apply to sanitation, food and menu labeling (such as nutritional and caloric information), food preparation, food handling, food content (such as salt and trans fats), and food service. You must also obtain real estate permits, licenses, and operational licenses. You must comply with all applicable federal, state, and local laws and regulations during the operation of your Store. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Store's operation.

ITEM 2 **BUSINESS EXPERIENCE**

Founder, President and Chief Executive Officer

Dominick Tousignant

Mr. Tousignant is our founder and has served as our President and CEO since we formed in March 2018. He has been the Director, Chief Executive Officer, and President of ~~Body Energy Club Ltd.~~our Parent since February 2002 and ~~Body Energy Group Inc. of BECI~~ since October 2017, both of which are located in Vancouver, British Columbia. Mr. Tousignant has served as a director of ~~Body Energy Club USA Inc.~~BECUSA in Los Angeles, California since May 2014. He has been the majority shareholder and director of ~~RODP Ventures LTD in Vancouver, British Columbia since March 2014 and~~ Vice Versa Enterprises, Inc. in Vancouver since February 2005.

Director of Franchising

Oscar Rodriguez

Mr. Rodriguez has served as our Director of Franchising since we formed in March 2018. He has also been the Chief Financial Officer for our Parent since February 2017 and was the Operations Manager for our ~~parent company, Body Energy Club Ltd., since July 2012~~Parent from September 2014 to February 2017.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement, you must pay us an initial franchise fee of \$35,000 for a single “Body Energy Club” Store (“**Initial Franchise Fee**”). The Initial Franchise Fee will be fully earned when paid, and must be paid in one lump-sum amount. The Initial Franchise Fee is uniform for new Franchisees.

If you and we fail to come to an agreement on a location for the Store within 120 days of signing the Franchise Agreement, and we do not extend the amount of time allowed for you to locate a site, then either party may terminate the Franchise Agreement. If the Franchise Agreement is terminated for this reason, we will refund you all but \$5,000 of the Initial Franchise Fee. See Item 11 for more details.

Initial Inventory

You must purchase an initial inventory of products from us, our affiliates, and/or approved suppliers. We estimate that the cost of the initial inventory that you must purchase from us or our affiliates will range from approximately \$15,000 to \$20,000.

Except as described above, the ~~Initial Franchise Fee is~~ initial fees are non-refundable.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty	5 7% of Gross Sales	By the 10th day of each month in respect of the previous month's Gross Sales	" Gross Sales " means the aggregate of all sales and other income to you from all sources, whether or not collected by you and whether by cheque, cash, credit or otherwise, arising from or relating to your operation of the Store including, without limitation, all proceeds from any business interruption insurance, but excluding all refunds made in good faith to arm's length customers; any sales, goods and services, taxes which are collected by you for or on behalf of any governmental or other public authority and actually remitted to such body, and the value of any coupon authorized by us and issued or granted to arms' length customers of the Franchised Business which is received or credited by you.
Marketing Fee	Up to 5% of Gross Sales	Same as Royalty	Only payable if we establish a System Brand Fund.
Local Advertising Obligation	2% of Gross Sales	Varies	You must spend 2% of your Gross Sales on local market advertising and promotion. See Items 7 and 11.
Assignment Fee	\$12,500	Before or at time of transfer	Only due if you sell your franchise or your company. Assignments are subject to our standard terms and conditions for transfer.
Audit by us	Cost of the audit	Upon request	Only due if we audit your records and find that you understated amounts, or if you fail to submit the required weekly sales report, then among other things, we may require you to reimburse us for the costs of our audit (such as auditors' fees). We may take other remedies as well.
Interest on Overdue Payments	1.5% per month or maximum rate permitted by law, whichever is less.	Upon request	Only due if you do not timely pay amounts due to us under the Franchise Agreement, then we may require you to pay interest on the overdue amounts.
Additional Training Fees	Will vary under circumstances	As incurred	If we determine that you or your management team require retraining, we may charge you a reasonable training fee based on the amount of training required.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Conference and Training Initiatives	Will vary under circumstances	Upon Request	We currently do not charge an attendance fee for conferences and training initiatives, but we reserve the right to do so.
Payment Irregularities	First occurrence in an 18 month period, \$25; second occurrence in an 18 month period, \$50; third occurrence in an 18 month period \$150	Upon Request	If you fail to pay amounts owed to us on time or in the right amounts, we may charge you these fees to cover our administrative expenses.
Liquidated Damages for Breach of Non-Competition	\$100,000 <i>and</i> 10% of your Gross Sales for 24 months generated by any business you own or operate in violation of the non-competition provisions of the Franchise Agreement	Upon request	Only due if you violate the non-competition provisions in the Franchise Agreement. These fees represent a genuine and reasonable estimate of the damage we will suffer from your breach of your non-competition obligations.
Liquidated Damages for Unauthorized Use of Trademarks	\$1000 per day	Upon request	Only due if you continue to use our Marks in violation of the Franchise Agreement after the Franchise Agreement expires or is terminated.
Indemnification	Will vary under circumstances	Upon request	Only due if you are required to indemnify us (if so, then you must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business). See Items 9 and 13 for further discussion of your obligation to indemnify us.
Renewal fee	\$10,000	Before renewal	Payable when you renew the Franchise Agreement, and due instead of a new initial franchise fee.

Notes:

1. General:

- We impose and collect all fees, except for certain local advertising expenses that you will make directly (see Item 11 for details). All fees are payable to us, uniformly applied to new system franchisees, and non-refundable. However, in instances that we consider appropriate, we may waive some or all of these fees for one or more franchisees.
- For all fees and charges, you must use the payment method we designate. We expect to require the use of EFT (electronic fund transfer) methods, such as bank-to-bank ACH.

- If you fail to report your Gross Sales or pay your Royalty, Marketing Fee, or other fees to us as required, then we may estimate the amount of your Royalty, Marketing Fee or other fees payable for any period by using your Gross Sales or payment amounts from prior periods.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (Low Amount to High Amount)		Method of Payment	When Due	To Whom Payment is Made
	<u>Low Estimate</u>	<u>High Estimate</u>			
Initial franchise fee (Note 1)	\$35,000	<u>\$35,000</u>	Lump Sum	Upon signing the Franchise Agreement	Us
Lease/rent (Note 2)	\$25,000 to \$40,000	<u>\$40,000</u>	As Arranged	Monthly rental amount due upon signing	Landlord
Plans and Construction; Equipment; Signage (Note 3)	\$300,500 to \$502,500	<u>\$502,500</u>	As Arranged	As Arranged	Contractors, Vendors, Approved Suppliers
Inventory (Note 4)	\$100,000 to \$200,000	<u>\$300,000</u>	Lump sum	As Arranged	Approved Suppliers, <u>Us</u>
Insurance (Note 5)	<u>\$5,000</u>	\$5,000 to \$15,000	As Arranged	As Arranged	Insurance Providers
Training Expenses (Note 6)	<u>\$3,000</u>	\$3,000 to \$10,000	As Incurred	As Incurred	Airlines, hotels, restaurants
Business Licenses (Note 7)	\$1,000 to \$5,000	<u>\$5,000</u>	As Incurred	As Incurred	Government Agencies, providers
Utilities and Security Deposits (Note 8)	\$1,000 to \$2,500	<u>\$2,500</u>	As Incurred	As Incurred	Service Providers
High Speed Internet Set-Up Fees	\$100 to \$300	<u>\$300</u>	As Incurred	As Incurred	Service Providers
Telephone Set-Up Fees	\$150 to \$200	<u>\$200</u>	As Incurred	As Incurred	Service Providers

Type of Expenditure	Amount (Low Amount to High Amount)		Method of Payment	When Due	To Whom Payment is Made
	<u>Low Estimate</u>	<u>High Estimate</u>			
Server Set-Up Fees	<u>\$250</u>	\$250 to \$1,000	As Incurred	As Incurred	Service Providers
Professional Fees (Note 9)	<u>\$3,000</u>	\$3,000 to \$12,000	As Incurred	As Arranged	Service Providers
Additional Funds (6 Months) (Note 10)	\$150,000 to \$200,000	<u>\$200,000</u>	As Incurred	As Incurred	Employees, vendors, utilities
Total (Note 11)	\$624,000 to \$1,023,500 <u>\$624,000</u>	<u>\$1,123,500</u>			

Notes:

The following notes are intended to be read with the chart above.

Please note that 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.

1 INITIAL FRANCHISE FEE. These amounts are discussed in detail in Item 5. The Initial Franchise Fee must be paid when the Franchise Agreement is signed. If you and we fail to come to an agreement on a location for the Store within 120 days of signing the Franchise Agreement, and we do not extend the amount of time allowed for you to locate a site, either you or we may terminate the Franchise Agreement. If the Franchise Agreement is terminated for this reason, we will refund you all but \$5,000 of the Initial Franchise Fee.

2 LEASE/RENT. If you do not own a location for your Franchised Business, you must purchase or lease a space. You will probably need to lease a space at least two months in advance; however, you may attempt to negotiate an abatement from the landlord. Store locations include stand-alone buildings and shopping centers. The figures in the table represent our estimate for 2 months rent and a one month security deposit. Many factors may impact rent, including market conditions, competition for leased space, demographics, and other business factors. If the site you choose is larger, has a higher rental cost, or you choose to buy the land and building, then your costs will be higher than those in the table.

Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the Franchised Business, the terms of the lease, and the desirability of the location. If you decide to purchase the property for the location of your Franchised Business, you will incur additional costs that we cannot estimate.

3. PLANS AND CONSTRUCTION; EQUIPMENT; SIGNAGE. Unless we are developing the premises on your behalf, you are required to develop, furnish, fixture, equip and set up the Franchised Business at your own cost and expense using contractors and suppliers who meet our specifications. Although we usually provide basic drawings to you, you are ultimately

responsible for obtaining construction plans and blueprints for the Store, and for obtaining all permits, approvals and licences required by law or by any local or other governmental agency.

We require franchisees to purchase equipment needed to operate the Franchised Business, such as refrigerators, freezers, ice machines, work tables and many other miscellaneous items. You will need to obtain the exact equipment we specify and in some cases from the vendor we specify. The amount spent for equipment will vary for each Store depending upon the Store' size, style and local zoning requirements.

We require our franchisees to purchase a computer and a POS system. To install and operate the POS system, you must purchase the peripheral hardware devices that we designate. The computer system is described below in this disclosure document.

The cost of signs will vary from location to location depending on lease requirements, ordinances and restrictions, traffic patterns, competition, and related factors. In addition, other considerations – such as zoning requirements, as well as historical and architectural design standards – may affect your costs (both in terms of materials as well as professional fees that you will incur to get approval of your proposed signs and awnings).

4. INVENTORY. Items of inventory which you are required to obtain from approved suppliers are paid for at the prices agreed upon by you and the supplier. Start-up inventory of products and supplies will vary based on expected volume of business and size of storage areas in the building. This estimate is for the initial inventory only.

5. INSURANCE. The estimate is for the annual premium for the policies required under the Franchise Agreement. Insurance costs will vary depending upon factors such as the size and location of the Franchised Business, business income level to be insured, payroll totals for workers' compensation, flood zoning, and lease requirements. See Item 8 below.

6. TRAINING EXPENSES. The estimates assume travel, meals, auto, and lodging, for two individuals. The cost you incur will vary depending upon factors such as the distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, salary of the trainees, *per diem* expenses actually incurred, and the number of persons who will attend training. If you send more than two persons to attend training, we estimate that the additional cost, on a per person basis, will range from \$3,000 to \$10,000. Training will take place in the United States.

7. BUSINESS LICENSES. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. These fees are paid to governmental authorities before starting business.

8. UTILITIES. These fees cover the estimated costs for setting up various utilities with service providers.

9. PROFESSIONAL FEES. The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.

10. ADDITIONAL FUNDS. You will need capital to support on-going expenses, such as payroll, training, and utilities, to the extent that these costs are not covered by sales revenue. New

businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on information provided to us by our affiliates' and parent's franchisees in Canada, which we believe will translate to franchises in the United States, and our company-owned Stores in California.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

11. **TOTAL**. All estimates are based on our own experience, as well as information provided to us by our affiliates' and parent's franchisees in Canada. Your costs may vary based on a number of factors including, but not limited to, the geographic area in which you open, the specific location you select, local market and economic conditions, the time it takes you to build a clientele, your ability to hire and train your employees, and your skills at operating a retail business.

The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Franchised Business; timing of your Franchised Business opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

ITEM 8 **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

General

You must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Manual or otherwise in writing.

You are obligated to purchase (or lease, as the case may be) from us, or from suppliers designated or approved by us in writing (which may include our affiliates), all goods sold and supplies used in your Franchised Business. If you deviate (or propose to deviate) from our standards and specifications, whether or not we have provided approval, the deviation will become our exclusive property.

You are required to sell or offer for sale only the products and services that we have approved, in particular, vitamins, food, juices, smoothies and nutritional supplement products. We have the right to inspect and test the products and services you offer at your Store to ensure that the premises, equipment, products and services conform to our specifications, standards and operating procedures. You are responsible for correcting all deficiencies promptly after receiving notice from us to do so. If you fail to correct the deficiencies, we may enter your Store and correct the deficiencies at your cost.

You must at all times maintain an inventory of products at your Store necessary to meet prospective demand in your market.

If you wish to use a supplier or vendor that we have not previously approved, you must submit the proposed supplier's name and address and must identify with specificity the items you desire to purchase from the supplier. If specifications for the item are not in the Manual, we will furnish them to you at your request. We do not have written criteria for the approval of products, services, or suppliers, but we will discuss the criteria for supplier approval with you at your request. Our criteria generally focus on quality and concept uniformity, but we reserve the right to modify the supplier approval criteria at any time. We generally will give you written notice of approval or disapproval of the proposed vendor within 30 days after receiving your request and completion of evaluation and testing, if required. You may not sell or offer for sale any products or services of the proposed vendor until you receive our written approval.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items.

We estimate that your product purchases from approved suppliers and according to our specifications will represent approximately 80% to 90% of your total product purchases in establishing the Franchised Business, and approximately 80% to 90% in the continuing operation of the Franchised Business. We also estimate that your product purchases from designated suppliers will represent approximately 80% to 90% of your total product purchases in establishing the Franchised Business, and approximately 80% to 90% of your total product purchases in the continuing operation of the Franchised Business. This estimate does not account for service purchases, such as insurance, pest control, equipment maintenance, landscaping, and the like.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Stores in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from Franchisees to add new suppliers if we believe that action would be in the best interests of the System or the franchised network of Stores.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of products, equipment and other items.

~~Neither~~For our fiscal year ended December 31, 2020, we ~~nor any affiliate had~~did not receive any revenue from ~~sales~~the sale of required products or services to franchisees ~~in our last fiscal year~~. However, our affiliate, BECUSA, received \$174,202 from the sale of required products of services to franchisees, which represented approximately 12.6% of its total revenue of \$1,378,855. Neither we nor any affiliate received any payments from unaffiliated vendors based on their sales to franchisees in our last fiscal year. None of our officers owns an interest in any companies that are vendors or suppliers to our franchisees.

As noted in Item 11, we will have the right to review and approve all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent.

We do not confer material benefits on our franchisees based on use of designated or approved suppliers.

Computer System

You must buy (or lease) and maintain a computer system. More detailed information concerning the computer system can be found in Item 11 of this disclosure document under the heading "Computer System." In general terms, you will be required to install, maintain, and at all times operate the computer hardware and software, including peripheral devices and equipment, that we specify in the Manual or otherwise in writing as reasonably necessary for the efficient management and operation of the Store and the transmission of data to and from us.

Insurance

Under the Franchise Agreement, you must obtain and maintain the types and amounts of insurance coverage that we specify in our Manual or otherwise in writing.

All policies must name us as additional insureds. We have the right to periodically make changes to minimum policy limits and endorsements. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	§§ 2 and 4 of Franchise Agreement	5, 6, 7, and 11
b. Pre-opening purchases/leases	§§ 4 and 6 of Franchise Agreement	5, 7, and 8
c. Site development and other pre-opening requirements	§§ 2 and 4 of Franchise Agreement	8 and 11
d. Initial and ongoing training	§§ 4 and 12 of Franchise Agreement	11
e. Opening	§§ 3 and 4 of Franchise Agreement	11
f. Fees	§§ 2, 5, 6, 8, 14, 15 and 16 of Franchise Agreement	5 and 6
g. Compliance with standards and policies/Operating Manual	§§ 4, 6 and 11 of Franchise Agreement	8, 11, and 14
h. Trademarks and proprietary information	§§ 10 and 14 of Franchise Agreement	13 and 14

Obligation	Section in Agreement	Disclosure Document Item
i. Restrictions on products/services offered	§ 6 of Franchise Agreement	5, 8, and 16
j. Warranty and customer service requirements	§ 11 of Franchise Agreement	16
k. Territorial development and sales quotas	§ 2 of Franchise Agreement	12
l. Ongoing product/service purchases	§§ 6 and 11 of Franchise Agreement	8
m. Maintenance, appearance and remodeling requirements	§ 11 of Franchise Agreement	8
n. Insurance	§ 12 of Franchise Agreement	7 and 8
o. Advertising	§ 8 of Franchise Agreement	6, 8, and 11
p. Indemnification	§ 17 and Schedule G of Franchise Agreement	6 and 13
q. Owner's/ participation/ management/ staffing	§§ 9 and Schedule A of Franchise Agreement	15
r. Records/reports	§ 7 of Franchise Agreement	6
s. Inspection/audits	§§ 3, 7, and 11 of Franchise Agreement	6 and 11
t. Transfer	§ 15 of Franchise Agreement	17
u. Renewal	§ 2 of Franchise Agreement	17
v. Post-termination obligations	§§ 14 and 16 of Franchise Agreement	17
w. Non-competition covenants	§ 16 of Franchise Agreement	17
x. Dispute resolution	§ 17 of Franchise Agreement	17
y. Taxes/permits	§§ 5 and 11 of Franchise Agreement	1 and 7
z. Other: Personal Guarantee	Exhibit G of Franchise Agreement	15

ITEM 10 **FINANCING**

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or have any practice or intent to sell, assign, or discount to a third party all or part of any financing arrangement of yours.

ITEM 11 **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

Listed below are our obligations under the Franchise Agreement.

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

If you sign a Franchise Agreement, we will agree to:

- a. Provide an initial training program, at a location we designate, for you and your management employees (maximum of two individuals). You must complete the training to our satisfaction before you may open the Store. We will provide ongoing training that we deem appropriate. We will be responsible for the cost of instruction and materials, subject to the terms of the Franchise Agreement; you will pay all others costs (e.g., transportation) incurred to attend training (see Items 6 and 7 above). (*Franchise Agreement, Sections 4.4 and 12.2*)
- b. If you will develop the Store, we will provide you with prototype plans and specifications for constructing the Store and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. (*Franchise Agreement, Section 4.3*)
- c. If we will develop the Store on a turnkey basis, we will construct and develop the Store on your behalf. (*Franchise Agreement, Section 4.5*)
- d. Lend you a copy of the Manual, for the duration of the Franchise Agreement. (*Franchise Agreement, Section 2.1*)
- e. Inspect the Store for opening before you open. You may not open the Store for business unless you have our prior written approval. (*Franchise Agreement, Section 3*)

Continuing Obligations

Under the Franchise Agreement, we will provide the following assistance and service to you:

- a. We will provide you with the benefits of our continuing efforts toward development and testing of new vitamin products, health food supplements and other products for sale and new marketing and merchandising techniques for the Body Energy Club System. (*Franchise Agreement, Section 12.1*)
- b. We may conduct, as we deem advisable, periodic inspections of the Store, and may provide evaluations of the products sold and services rendered by the Franchised Business. (*Franchise Agreement, Section 12.4*)
- b. We will make available additional training programs, as we deem appropriate. (*Franchise Agreement, Sections 12.3 and 12.4*)
- c. We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business. (*Franchise Agreement, Section 12.5*)
- d. We will review your proposed advertising materials and promotional materials. (*Franchise Agreement, Section 8.1*)
- e. We will administer the System Brand Fund (as defined below) in the manner described in the Franchise Agreement. (*Franchise Agreement, Section 8.2*)

Marketing

If we establish a System Brand Fund, then for each month during the term of the Franchise Agreement you will be required to make a contribution of up to 5% of the Gross Sales of the Franchised Business (the "**Marketing Fee**").

You will be required to make your Marketing Fee by electronic funds transfer using the Automated Clearing House (ACH) Network on or before the tenth (10th) calendar day of each month (in the same manner and time as the Royalty is paid) based on your Gross Sales in the previous month. Each company-owned Store will make contributions to the System Brand Fund at the same rate as our franchised Stores.

You must submit samples of all marketing and promotional plans and materials to us for our review and approval. You may not implement a promotional plan, nor may you use any advertising materials until you have received our written approval under the process described in the Franchise Agreement.

We have not established any regional marketing funds. We do not have an advertising council composed of franchisees.

None of the amounts in the System Brand Fund will be used for marketing that is principally a solicitation for the sale of franchises. An accounting of the System Brand Fund's operations, as shown on our books, will be prepared annually, and that accounting will be made available to you upon request. The System Brand Fund is not audited. As described below, we are not required to spend any particular amount on marketing in the area where your Franchised Business is located. If amounts are unspent in the System Brand Fund at fiscal year-end, those amounts are carried over by the System Brand Fund for expenditure in the following year.

System Brand Fund

At our option, we may establish a System Brand Fund (the "**System Brand Fund**"). We will administer the System Brand Fund exclusively for advertising, marketing and public relations purposes for the collective benefit of all Body Energy Club retail outlets in the USA. The System Brand Fund will be expended on national, regional or local advertising, "image advertising", promotions and public relations programs. The System Brand Fund may also be directed to advertising, marketing, promotions and public relations programs in specific geographic regions, as we may determine. The System Brand Fund may be used to establish the Marks in any additional territories in the USA, to engage in test marketing, to conduct surveys of advertising effectiveness and market research, to support an under-performing territory, to create and produce new commercials and other video, audio and written promotional and advertising materials and programs, including, but without limitation, point of sale material, direct mail, coupon and gift certificate pieces, or for other purposes deemed to be beneficial for the general recognition of the Marks, the System and all Body Energy Club retail locations.

All marketing programs financed by the System Brand Fund will be directed by us with discretion over the creative concepts, materials and endorsements used in the geographic market and media placement and allocation of the programs. The System Brand Fund may be used to pay, among other things, advertising and other agency fees, media time costs, menu creative development, telemarketing programs, direct mail programs, promotions for special occasions, events and sponsorships, developing local store marketing program kits and public relations

programs including, but without limitation, crisis management to develop and protect the Trademarks.

The System Brand Fund will not pay for any consumer discounts, signage production, point of sale hardware office stationery (such as business cards and letterhead) or gift certificates. We (or our designee) are not obligated, in administering the System Brand Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the System Brand Fund

~~During our fiscal year ended December 31, 2017, we did not~~ We have any franchisees or collect any amounts, so the ~~not established a~~ System Brand Fund ~~and therefore~~ did not ~~make any expenditures~~ collect any marketing fees from franchisees in our last fiscal year.

Local Advertising and Promotion

You will be required to spend a minimum of 2% of your monthly Gross Sales on local advertising and promotion. Certain criteria will apply to the local advertising that you conduct. All of your local advertising must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. At our request, you must provide invoices and other documentation to verify the type and amount of spending for local advertising.

As used in the Franchise Agreement, the term “**local advertising**” refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready advertising and point of sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of marketing in your local market or area.

Online Sites (as defined below) are considered “marketing” under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used.

Electronic Point-Of-Sale and Computer Systems

We require our franchisees to purchase a computer system. You must meet our requirements concerning the computer system, including: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Stores, between or among Stores, and between and among the Franchised Business, and you, and us; (b) POS systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices (such as digital menu boards); (e) archival back-up systems; (f) internet access mode (such as the telecommunications connection) and speed; and (g) front-of-the-house WiFi and other internet service for customers (collectively, referred to as the “**Computer System**”).

The Body Energy Club Point of Sale (POS) system is NCR. You must be able to maintain a continuous cabled (not wireless) connection to the internet to send and receive POS data to us. Wireless connections to the internet are not authorized or supported for the POS system. You must establish merchant accounts and internet-based credit card and gift card authorization accounts that we designate for use with online card authorizations.

We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

We estimate that the cost of purchasing the Computer System will typically range from \$~~19~~20,000 to \$25,000.

The estimated annual cost of Computer System maintenance, support, and upgrades is \$45,000 to \$~~6~~10,000. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address or require you to use only an e-mail address that we provide for your Franchised Business' business e-mails.

There are no contractual limitations on our ability to access to your Computer System in the manner, form, and at the times we may request. We will have the right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

We may modify the specifications and the components of the Computer System. We have the right to charge a reasonable systems fee for any software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates may furnish to you.

Online Sites

You may only use Online Sites in association with the Body Energy Club name, the Marks and the Franchised Business in the manner and form that we designate or approve from time to time. The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Instagram, Snapchat, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications, etc.

We have the right to approve or disapprove of the contents of any Online Site associated with or linked to the Body Energy Club name or the Marks and you agree to remove any content from Online Sites that we may disapprove from time to time.

We have the right to claim the ownership of, and the right to use and to license the use of any or all of the information collected on or in connection with any Online Site associated with the Body Energy Club name or the Trademarks. You may not engage in any use, such as linking or framing, of any Online Site associated with the Body Energy Club name, the Marks or the Franchised Business in association with any other Online Site or in association with any other name or trade mark or internet domain name not owned by us or in association with any other business than the Franchised Business.

You are required to pay us any webhosting or related fees that we require in relation to any Online Site.

Manuals

We will offer you the opportunity to view the Manual before purchasing a franchise. If you wish to view the Manual, you must sign our then-current form of Confidentiality and Non-Disclosure Agreement. A sample form of Confidentiality and Non-Disclosure Agreement is attached to this disclosure document as Exhibit F.

Site Selection

You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. The procedure for selecting a site is outlined in Section 2.5 of the Franchise Agreement.

Under the terms of the Franchise Agreement you will have 120 days within which to lease, sublease or acquire a site for the Franchised Business, subject to our approval according to our site selection guidelines. You may not enter into any lease, sublease, or acquire a site for the Franchised business without first receiving our approval. We will consider demographic data you provide, as well as the characteristics of the site and trade area. This will include visibility, access, the proximity of competing businesses, traffic patterns, and the availability of parking.

If you cannot identify an acceptable site within 120 days of signing the Franchise Agreement, either you or we may decide to terminate the Franchise Agreement by notice to the other party. If the Agreement is terminated because you cannot locate a suitable site, we will refund you all but \$5,000 of the Initial Franchise Fee. We may, in our sole discretion, extend the time for selecting a suitable site.

If you plan to lease the site, then you must submit the proposed lease to us for review. We must provide our written approval of the terms and conditions of the proposed lease before you sign the lease or take possession of the site.

If you plan to sublease the site from us, then you must enter into our then-current standard form of sublease. You may not take possession of the site unless and until you execute and deliver our then-current standard form of sublease.

Opening the Franchised Business

You must establish the Franchised Business and have it open and in operation within 180 days after signing the Franchise Agreement. We estimate that the time period between beginning to find a site for the Approved Location and the start of operations at the Franchised Business will be approximately 6 months. Factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the Franchised Business, weather conditions, construction delays, and obtain furniture, fixtures, equipment and supplies. You must construct your Store and all furniture, fixtures, equipment and signs in accordance with our standard sample plans, specifications, layout, and design; the details of which we will provide to you.

You may not open your Franchised Business until we have completed a final inspection and provided our approval for opening the Franchised Business.

While you will generally be responsible for developing and constructing your Franchised Business, we may construct, develop and equip your Franchised Business on your behalf or sell you a "company-owned" Body Energy Club location as a turnkey operation.

Training

Prior to the opening of your Store, we will train a maximum of two of your personnel or principals who will have management responsibilities in your Franchised Business, in the Body Energy System, Standards and methods of operation to a point where such persons are, in our sole opinion, trained. The length of time and the type of training required for a person to be trained will vary depending on each individual's retail and business management experience.

All franchisees and their managers must satisfactorily complete initial training prior to the opening of the franchised business. We will provide the initial training at no additional cost to you, but you will be solely responsible for all travel and living expenses incurred by your principals and/or managers while such persons are in attendance for training, and for any salaries or other compensation for such persons during the training period.

We may require that you and your trained managers attend, at your expense, and satisfactorily complete, training for replacement key personnel, retraining, or refresher courses which we may conduct. In addition, at least once per year, you, and your trained managers are required to attend at your expense, a conference of Body Energy Club franchisees. We reserve the right to charge a fee for attending such conferences. After the opening of the franchised business, we will furnish you with such continuing advice and guidance as we may reasonably be require.

We will conduct our initial training program as follows:

TRAINING PROGRAM

Subject	# Hours Of Class-Room Training	# Hours Of On-The-Job Training	Location
Understanding the POS System: Creating Purchase Orders (POs), Receiving and Closing POs, Initiating Counts, Ringing Up Transactions, Analyzing Reports.	0	40 <u>20</u>	Your Store, our training facility in Los Angeles , or our training facility in Los Angeles Vancouver
Operating a Smoothie Bar	0	16 <u>8</u>	Your Store, our training facility in Los Angeles , or our training facility in Los Angeles Vancouver
Operating Kitchen & Production	0	84 <u>4</u>	Your Store, our training facility in Los Angeles , or our training facility in Los Angeles Vancouver
Operating the Floor	0	16 <u>8</u>	Your Store, our training facility in Los Angeles , or our training facility in Los Angeles Vancouver
TOTAL	0	80 <u>40</u>	

Training will be conducted over ~~an 8a~~ [four](#) week period at a location of our choosing (typically, at your store, [our training facility in Los Angeles](#), or our training facility in ~~Los Angeles~~[Vancouver](#)). Each day of training consists of a minimum of 4 hours per day. Training is

conducted as frequently as we determine it necessary in order to hold a training class. [We may elect to conduct all or a portion of the training virtually.](#)

Our founder, Dominick Tousignant, is responsible for supervising the initial training program. Mr. Tousignant has over ~~45~~¹⁹ years of experience operating Body Energy Club Stores.

The instructional materials for our training programs include the Manual, lecture, discussions, and practice.

ITEM 12 **TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We reserve the overall right to acquire, develop, operate, license or franchise any form of business anywhere, by itself or through an affiliate, which is not specifically granted to you under the Franchise Agreement. Accordingly, we have the right to market goods or services of the same kind as are to be sold or distributed under the franchise being offered, whether under the same or a different trademark, trade name, logo or advertising or other commercial symbol, or to distribute goods or services described above through alternative channels of distribution (such as grocery store sales), by internet sales, telephone sales, catalogue sales or sales by other means such as by way of non-traditional units at non-traditional locations.

Our business model is for retail sales made in-person to retail customers from within a single Store location. You may only offer and sell products face to face to retail customers for consumption on the Store's premises, for personal carry-out consumption, and for pick up or delivery service in a manner that complies with our standards. You may only sell products to end-users and other entities that do not resell the products, and you may not sell products to people or entities that will re-sell the products. You may not sell products to gift stores and similar type stores. We will have the right to review and approve (or not approve) any proposed sale of the products to a restaurant, or any other customer (which may be required to comply with our standards in order to feature or give away Body Energy Club brand products). All sales will be counted in Gross Sales.

You may not offer or sell services or products through any means other than through the Franchised Business; and therefore, for example, you may not offer or sell services or products from satellite locations, at customers' homes, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the internet, or through any other electronic or print media (except as we may permit such transactions as part of our website and as part of our System).

The Approved Location for the Store will be specified in the Franchise Agreement. You may not relocate the Store without our prior written approval. If you ask to relocate the Store, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a Store for a new franchisee.

ITEM 13

TRADEMARKS

You will be licensed by the Franchise Agreement to use our Proprietary Marks, including the principal marks described below. We may also authorize you to use other current or future trademarks to operate your Franchised Business.

Our parent, Body Energy Club, Ltd., is the owner of the principal marks you will use in the operation of your Franchised Business. Body Energy Club, Ltd. has granted us a license to use the marks and to sublicense others to use them (the “**Trademark License Agreement**”). Body Energy Club, Ltd. has registered the following marks on the Principal Register of the United States Patent and Trademark Office:

Mark	Registration No.	Registration Date
BODY ENERGY CLUB	5,233,120	June 27, 2017

Body Energy Club, Ltd. intends to file an affidavit of use and an affidavit of incontestability, when due, for the mark listed above.

Body Energy Club, Ltd. has the right to terminate the Trademark License Agreement if we commit a breach of the Trademark License Agreement. In that event, Body Energy Club, Ltd. will have the right to assume our obligations under your Franchise Agreement. There are no other agreements that limit our right to license the Proprietary Marks to you under the Franchise Agreement

There are no currently effective determinations of the U.S. Patent and Trademark Office, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things as may, in our counsel's opinion, be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks

in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

ITEM 14 **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

Patents and Copyrights

We do not own any patents that are material to the franchise being offered.

We own common law copyrights in the Manuals, certain drawings, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

Unless we develop your Store, we will furnish you, under the terms of the Franchise Agreement, with standard floor plans and specifications for construction of a Franchised Business. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable approval, to prepare plans and specifications for construction of your Franchised Business, based upon our standard plans. These revised plans will be subject to our approval. You will be entitled to use the plans only for the construction of a single Franchised Business at the site approved in the Franchise Agreement, and for no other purpose. We will require your architect and contractor to agree to maintain the confidentiality of our plans and to assign to us any copyright in the derivative plans they create.

There are no currently effective determinations of the Patent and Trademark Office, Copyright Office, or any court concerning any copyright. There are no currently effective agreements pursuant to which we derive our rights in the copyrights which could limit your use thereof. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manual. We will lend you one set of our Manual, which we have the right to provide in any format we choose (including paper, CD, or online), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Manual, any other manuals we create (or that we approve) for use with the Franchised Business, and the information contained in the Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Manual and the related materials, in whole or in part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always maintain the security of the Manual.

We may periodically revise the contents of the Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, the version of the Manual (that we maintain) will be controlling.

Confidential Information

Except for the purpose of operating the Franchised Business under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Franchised Business. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require your management personnel to sign confidentiality covenants. We also require that persons who will attend training sign a confidentiality agreement. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Business. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this agreement is attached as Exhibit C to the Franchise Agreement. Once signed, you must provide us a copy of each executed confidentiality agreement.

ITEM 15 **OBLIGATION TO PARTICIPATE IN** **THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You and your principals will normally be required to participate personally and directly in the operation of the franchised business on a full-time/best efforts basis. If the franchisee is a corporation, partnership or other entity, the principles of such corporation, partnership and other entity are required to participate personally and directly in the operation of the franchised business on a full-time/best efforts basis unless we determine otherwise.

ITEM 16 **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may use the Store premises only to operate the Franchised Business. You must keep the Store open and in normal operation for the minimum hours and days we specify in the Manual or otherwise in writing. You must not use the premises for any other purpose or activity without first obtaining our written consent. You must operate the Store in strict conformity with the specifications contained in the Manual or otherwise in writing. You must not deviate from our specifications, menus, or procedures without first obtaining our written consent (see Item 8 for additional details).

You must sell only those items, products, and services that we have expressly approved in writing and which meet our current standards as established in the Manual or otherwise in writing. You must not sell any other kind of service or product without first obtaining our written consent. You must discontinue selling or offering for sale any items, services or products which

we, in our sole discretion, disapprove in writing at any time (see Item 8 for additional details). You must sell all items, products, or services which we direct.

Subject to applicable law, we may from time to time suggest retail prices to you for products sold at your Store. You may not charge a greater price than the suggested retail price.

You must comply with all reasonable requirements if we supplement, improve, or modify the System, including offering and selling new or different services and products that we specify. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes.

You may only offer and sell from the Approved Location to retail customers: **(a)** face-to-face, for consumption on the Store premise or **(b)** face-to-face, for personal carry-out consumption (see Item 12). The Approved Location for the Store is specified in the Franchise Agreement. The Store may not be relocated without our approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

These tables list important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
a. Term of the franchise	§ 2	5 years or until you no longer have the right to occupy the Approved location, whichever is earlier.
b. Renewal or extension of the term	§ 2	One additional 5-year term, subject to our discretion and your fulfillment of certain contractual requirements described in “c” below.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
c. Requirements for you to renew or extend	§ 2	Renewal is in our sole discretion; however, we may require that you meet any or all of the following conditions: You must notify us in writing not more than 42¹⁸ months or less than 7¹² months prior to the expiration of the term of this Franchise Agreement that it wish to renew; you must be in full compliance with the material terms and conditions of this the Franchise Agreement at the time you provide us notice and at the start of the renewal term; you must be entitled to remain in possession of the lease for the Approved Location for the Renewal Term; you must pay us a non-refundable renewal fee of \$10,000; you must reimburse us for our costs in evaluating the possible renewal; you must complete required maintenance and remodeling of your store; you must sign our then current form of franchise agreement; and you must execute and deliver to us a full release of us, our officers, directors, agents and shareholders in a form acceptable to us.
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	§ 13	Material Default under the Franchise Agreement; see § 13 of the Franchise Agreement.
g. "Cause" defined - defaults which can be cured	§ 13	All other defaults not specified in §§ 13.1 and 13.2 of the Franchise Agreement

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
h. "Cause" defined - defaults which cannot be cured	§ 13	Your failure to fulfill payment obligations to us, our affiliates, or suppliers; your failure to comply with our system standards or the Manual; your failure to comply with your lease terms; your failure to keep your Store open and in operation; bankruptcy and/or insolvency; your attempt to assign, transfer, or convey your interest in the Franchised Business without our approval; you engage in misleading advertising or unethical practice in your operation of the Franchised Business; you attempt to unilaterally repudiate the Franchise Agreement; you receive three or more notices of default from us during any consecutive 12 month period. See § 13.1 of the Franchise Agreement.
i. Your obligations on termination/nonrenewal	§ 14	Upon the expiration or termination of the Franchise Agreement, you must discontinue the use of the Marks, the Manual, advertising materials, training materials, trade secrets, systems, methods of operation, format and goodwill comprising System and you may not operate or do business under any name or in any manner that might tend to give the general public the impression that you are, either directly or indirectly, associated with us or the Body Energy Club System. If you are not our tenant for the Approved Location, you may not claim any right as a tenant in the Approved Location and you must remove all signage from the Approved Location displaying our name and Marks.
j. Assignment of contract by us	§ 15	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - definition	§ 15	Includes transfer of any interest in the Franchised Business.
l. Our approval of transfer by you	§ 15	We have the right to approve transfers.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
m. Conditions for our approval of transfer	§ 15	You notify us in writing of your desire to sell the business before listing it for sale; you pay us a non-refundable assignment fee of \$12,500; you provide us with all terms and conditions of the proposed sale of your business and provide us with the option to purchase the business on the same terms; the assignee agrees to be bound by the terms and conditions of the Franchise Agreement; you return the Manual to us; you are in compliance with the terms of all agreements between you and us or our affiliates; the assignee's management personnel complete our initial training; the assignee completes our franchisee selection procedure; and the Approved Location is updated or remodeled to comply with our then-current System Standards.
n. Our right of first refusal to acquire your business	§ 15	You will give us written notice of all of the terms and conditions of assignment, transfer and sale proposed to be accepted by you and all available information concerning the proposed assignee. Within 30 days after our receipt of such notice (or, if it shall request additional information, within 15 days after receipt of such additional information), we may at our option, require you to sell your interest in Franchise Agreement to us upon the terms and conditions specified in the notice. If we exercise this option, such sale will be completed within 15 days of the date we elect to exercise our option. If we elect to purchase your interest in the Agreement, then we will have the right to substitute cash as payment and to deduct any commission payable from the sale price.
o. Our option to purchase your business	§ 14	Upon termination or expiration of the Franchise Agreement, we will have the option, exercisable within 15 days after notice in writing to you, to purchase from you, all or any portion the assets of your Franchised Business at a price equal to the then current fair market value. See § 13.1 of the Franchise Agreement.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
p. Your death or disability	§ 15	In the event of the death or permanent incapacity or disability of you (or the sole principal thereof where you are a corporation or other entity with only one principal thereof active in the day-to-day management of the Franchised Business), then you or your estate shall have the right, within 30 days thereafter, to assign the Franchise Agreement provided that the proposed assignee is, in the Franchisor's opinion, financially and operationally capable of performing the obligations of you. See § 15.9 of the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	§ 16	During the Term of the Franchise Agreement, you will not, directly or indirectly, carry on or be engaged in the establishment or operation of any retail business featuring or offering for sale vitamins and nutritional supplements or products similar to those offered for sale at Body Energy Club retail locations or which is conducted in a similar format to Body Energy Club retail locations.
r. Non-competition covenants after the franchise is terminated or expires	§ 16	Without our prior written consent, you may not, at any time during the period of two (2) years from the date the Franchise Agreement ends, directly or indirectly, carry on or be engaged in the establishment or operation of any retail business featuring or offering for sale vitamins and nutritional supplements or products similar to those offered for sale at Body Energy Club retail locations or which is conducted in a similar format to Body Energy Club retail locations within a three (3) mile radius of the Approved Location or within a three (3) mile radius of any other Body Energy Club retail outlet.
s. Modification of the agreement	§ 17	Must be in writing executed by both parties.
t. Integration/merger clause	§ 17	Only the terms of the agreement are binding (subject to state law). However, this clause will not be treated as a disclaimer of our representations in this disclosure document. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
u. Dispute resolution by arbitration or mediation	Not Applicable	None.
v. Choice of forum	Not Applicable	You and your owners must file any suit against us in the federal or state court where our principal office is located at the time the suit is filed (currently Los Angeles, CA). We can sue you where we have our principal office or where you or the Franchised Business is located. You and we both waive the right to trial by jury and the right to seek punitive damages. All of these provisions are subject to state law in your state.
w. Choice of law	§ 17	California law applies (subject to state law).*

Please refer to the disclosure addenda and contractual amendments attached to this disclosure document at Exhibits H and I for additional terms that may be required under applicable state law. Please note, though, that if you would not otherwise be covered under those state laws by their own terms, then you will not be covered merely because we have given you an addendum (or signed an amendment) that describes the provisions of those state laws.

In addition to the provisions noted in the charts above, the Franchise Agreement contains a number of provisions that may affect your legal rights. We recommend that you carefully review all of these provisions, this disclosure document, and the entire contracts, with a qualified franchise lawyer.

ITEM 18 **PUBLIC FIGURES**

We do not use any public figures to promote our franchise.

ITEM 19 **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

Body Energy Group USA LLC does 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 our management by contacting Oscar

Rodriguez at ~~2775 Rinconia Drive~~ 6253 Hollywood Blvd, Suite 901, Los Angeles, California 9006890028, tel. 323-621-9335, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1:
System wide Outlet Summary For years ~~2015–2017~~ 2018 – 2020 (Note 1)
(United States Only)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2018 2015	0	0 1	0 +1
	2016 2019	0 1	0 1	0
	2017 2020	0 1	0 1	0
Company-Owned	2018 2015	0 2	1	+ -1
	2016 2019	1	1	0
	2017 2020	1	2 1	+ +0
Total Outlets	2018 2015	0 2	4 2	+ +0
	2016 2019	4 2	4 2	0
	2017 2020	4 2	2	+ +0

Notes

(1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.

Table 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisee)
For years ~~2015~~ 2018 to ~~2017~~ 2020 (Note 1)

State (Note 2)	Year	Number of Transfers
Any State	2018 2015	0
	2016 2019	0
	2017 2020	0
Total	2018 2015	0
	2016 2019	0
	2017 2020	0

Notes

(1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.

(2) States not listed had no activity during the relevant time frame.

Table 3:
Status of Franchised Outlets For years ~~2015 – 2017~~ 2018 - 2020 (Note 1)

State (Note 2)	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Re- acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Any State Califor nia	2015 2018	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2016 2019	0 <u>1</u>	0	0	0	0	0	0 <u>1</u>
	2017 2020	0 <u>1</u>	0	0	0	0	0	0 <u>1</u>
Totals	2015 2018	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2016 2019	0 <u>1</u>	0	0	0	0	0	0 <u>1</u>
	2017 2020	0 <u>1</u>	0	0	0	0	0	0 <u>1</u>

Notes

- (1) All numbers are as of the fiscal year end. Our fiscal year ends December 31st.
- (2) States not listed had no activity during the relevant time frame.

Table 4:
Status of Company-Owned Outlets (Note 1)
for years ~~2015 – 2017~~ 2018 – 2020 (Note 2)

State (Note 3)	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2015 2018	0 <u>2</u>	4 <u>0</u>	0	0	0 <u>1</u>	1
	2016 2019	1	0	0	0	0	1
	2017 2020	1	4 <u>0</u>	0	0	0	2 <u>1</u>
Totals	2015 2018	0 <u>2</u>	4 <u>0</u>	0	0	0 <u>1</u>	1
	2016 2019	1	0	0	0	0	1
	2017 2020	1	4 <u>0</u>	0	0	0	2 <u>1</u>

Notes

- (1) All numbers are as of the fiscal year end. Our fiscal year end is December 31ST.
(2) States not listed had no activity during the relevant time frame.

Table 5:
Projected Openings as of December 31, ~~2017~~2020 for ~~2021~~2018

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
California	0	1	0
Total	0	1	0

Notes

- (1) States not listed had no activity during the relevant time frame.

The names, addresses, and telephone numbers of our Franchisees as of our fiscal year ending December 31, ~~2017~~2020 are listed in Exhibit D. ~~There are none.~~

The name and last known home address and telephone number of every one of our franchisees who has had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during one-year period ending December 31, ~~2017~~2020, or who has not communicated with us within ten weeks of the issuance date of this disclosure document, are also listed in Exhibit D. There were none. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

~~We do not have any franchisees in the United States, thus, no~~No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with Body Energy Club.

As of the date of this franchise disclosure document, there are no Body Energy Club franchisee associations in existence regardless of whether they use our trademark or not.

ITEM 21 **FINANCIAL STATEMENTS**

~~Our fiscal years end on December 31st. Attached as~~ Exhibit E ~~is contains~~ our audited Financial Statements as of ~~May 29~~December 31, 2020, December 31, 2019 and December 31, 2018.

~~Body Energy Group USA LLC was formed on March 5, 2018 and did not begin offering franchises until the issuance date of this disclosure document. Therefore, we do not yet have three years of prior financial statements to provide in this disclosure document.~~ Our fiscal year ends on December 31.

ITEM 22
CONTRACTS

Exhibit A	The Franchise Agreement with its Exhibits: A Specific Terms B Principals and Ownership of Franchisee C Sample Form of Employee Confidentiality Agreement D Request For Pre-Authorized Payments E Terms of Lease F General Security Agreement G Guarantee, Indemnification, and Acknowledgement
Exhibit J	General Release

ITEM 23
RECEIPTS

The last two pages of this disclosure document (Exhibit K) are identical pages acknowledging receipt of this entire document (including the Exhibits). Please sign and return to us one copy; please keep the other copy along with this disclosure document.

EXHIBIT A

FRANCHISE AGREEMENT AND RELATED EXHIBITS

FRANCHISE DISCLOSURE DOCUMENT



Body Energy Group USA LLC
a California limited liability company
2775 Rinconia Drive
Los Angeles, California 90068
Telephone: 877-776-4844
Email: info@bodyenergyclub.com
Website: www.bodyenergyclub.com

We offer franchises for the operation of “Body Energy Club” retail outlets. A “Body Energy Club” retail outlet (a “**Store**”) specializes in the sale of vitamins, nutritional supplements, juices, smoothies, and other health food products.

The total investment necessary to begin operation of a “Body Energy Club” franchise ranges from \$624,000 to \$1,~~023~~123,500. This includes \$~~35~~50,000 to \$55,000 that must be paid to us or our affiliates.

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 Oscar Rodriguez at ~~2775 Rinconia Drive~~6253 Hollywood Blvd, Suite 901, Los Angeles, California ~~90068~~90028, tel. 323-621-9335.

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.

The issuance date of this Franchise Disclosure Document is: ~~May 29, 2018~~ April 26, 2021.

~~STATE COVER PAGE~~How

~~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 A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.~~

~~Call the state franchise administrator listed in Exhibit B for information about the franchisor or about franchising in your state.~~

~~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.~~

~~Risk factors:~~

~~*1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN THE OUR HOME STATE (CURRENTLY, CALIFORNIA). 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 CALIFORNIA THAN IN YOUR HOME STATE.~~

~~2. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.~~

~~* Local law may supersede these agreement provisions. Certain states require the superseding provisions to appear in an addendum to this disclosure document (see Exhibits G and H of this disclosure document).~~

~~Effective Date: See the next page for state effective dates.~~

STATE EFFECTIVE DATES

The following states require that the [Use This 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; as well as exemption from the business opportunity registration requirements in Florida, Kentucky, Nebraska, Texas, and Utah.

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

<u>STATES</u> <u>QUESTION</u>	<u>EFFECTIVE DATE</u> <u>WHERE TO FIND INFORMATION</u>
California <u>How much can I earn?</u>	August 14, 2018 <u>Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit</u>
<u>How much will I need to invest?</u> Hawaii	Not Filed <u>Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.</u>
Illinois <u>Does the franchisor have the financial ability to provide support to my business?</u>	Not Filed <u>Item 21 or Exhibit E includes financial statements. Review these statements carefully.</u>
Indiana <u>Is the franchise system stable, growing, or shrinking?</u>	Not Filed <u>Item 20 summarizes the recent history of the number of company-owned and franchised outlets.</u>
Maryland <u>Will my business be the only Body Energy business in my area?</u>	Not Filed <u>Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.</u>
Michigan <u>Does the franchisor have a troubled legal history?</u>	Not Filed <u>Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.</u>
Minnesota <u>What's it like to be a Body Energy franchisee?</u>	Not Filed <u>Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.</u>

New York <u>What else should I know?</u>	Not Filed <u>These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.</u>
North Dakota	Not Filed
Rhode Island	Not Filed
South Dakota	Not Filed
Virginia	Not Filed
Washington	Not Filed
Wisconsin	Not Filed

~~In all~~

What You Need To Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other states, fees even if you are losing money.

Business model can change. The franchise agreement may allow the effective date franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise Disclosure Document is the
issuance date of May 29,

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 California. 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 California than in your own state.

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.

2018

**BODY ENERGY GROUP USA LLC
FRANCHISE DISCLOSURE DOCUMENT**

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Exhibits

A	Franchise Agreement and Related Exhibits	F	Confidentiality and Non-Disclosure Agreement
B	List of Administrators	G	State-specific Disclosures
C	Agents for Service of Process	H	State-specific Agreement Amendments
D	List of Current and Former Franchisees	I	Franchise Compliance Certification
E	Financial Statements	J	General Release
		K	Receipts (2 copies)

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

Body Energy Group USA LLC ("us," "our," or "we") is a California limited liability company formed on March 5, 2018. We maintain our principal place of business at 2775 Rinconia Drive, Los Angeles, CA 90068. We conduct business under the names and marks "Body Energy" and "Body Energy Club." We do not conduct business under any other name.

We began offering franchises for "Body Energy Club" Stores ~~when this disclosure document was issued in August 2018. As of December 31, 2020, there was one franchised "Body Energy Club" Store located in the United States.~~ We do not offer and have never offered franchises in any other lines of business. We do not operate any Stores ~~however some of our affiliates do.~~ We do not have any other business activities.

Our agents for service of process are listed in Exhibit C.

Our Parent, Predecessor, and Affiliates

~~Our founder, Dominick Tousignant, developed the "Body Energy Club" system in 2002. The first "Body Energy Club" store opened in 2002 in Vancouver, British Columbia.~~

~~We do not have any predecessors that we are required to disclose in this disclosure document.~~

Our parent company is Body Energy Club Ltd., (our "Parent"), a corporation incorporated under the laws of British Columbia on February 6, 2002 that has a principal business address at Suite 800 - 1090 West Georgia Street, Vancouver, B.C. V6E 3V7. Our parent operates ~~five~~eight "company-owned" Body Energy Club ~~stores~~Stores in Canada. Our parent has never offered franchises in any line of business, nor does it have any other business activities.

~~Our founder, Dominick Tousignant, developed the "Body Energy Club" system in 2002. The first "Body Energy Club" store opened in 2002 in Vancouver, British Columbia.~~

In addition to our parent, ~~we have three affiliates which operate company owned Body Energy Club Stores in the United States and Canada: ROPD Ventures, Ltd, whose principal business address is the same as our parent, and~~affiliate Body Energy Club USA, Inc., ("BECUSA") operates one "Body Energy Club Store" in California. BECUSA is a California corporation whose principal business address is the same as ours.

~~As of the date of this disclosure document, our parent and affiliates operate 7 "Body Energy Club" Stores in Canada and 2 "Body Energy Club" Stores in the United States. The "Body Energy Club" Stores operated by our parent~~Parent and ~~affiliates~~BECUSA are referred to as "company-owned" Stores in this disclosure document.

Mr. Tousignant formed our affiliate, Body Energy Group, Inc. ("BECI"), in 2017 in order to offer "Body Energy Club" franchises in Canada. BECI's principal business address is the same as our parent's. BECI has been offering franchises in Canada since November 2017. They have never offered franchises in any other line of business.

With the exception of BECI, none of our affiliates have offered franchises in any line of business. None of our affiliates have any other business activities.

We do not have any predecessors that we are required to disclose in this disclosure document.

The Franchise Offered

Each “Body Energy Club” Store operates under our Proprietary Marks (defined below) in a building that bears our interior and/or exterior trade dress. Stores specialize in the sale of vitamins, nutritional supplements, juices, smoothies, and other health food products.

If we approve your application to become a “Body Energy Club” franchisee, you will sign a franchise agreement in the form attached to this disclosure document as Exhibit A (“**Franchise Agreement**”). Under a Franchise Agreement, we will grant you the right, and you will accept the responsibility, to establish and operate one Store (the “**Franchised Business**”) at an agreed-upon location (the “**Approved Location**”).

We do not currently offer franchise agreements for the establishment of “Body Energy Club” Stores outside the United States; however, our affiliate, BECI offers franchise agreements for the establishment of “Body Energy Club” Stores in Canada.

The System

We and our affiliates have developed and own a format and system relating to the operation of “Body Energy Club” Stores (the “**System**”). The System's distinguishing characteristics include distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for management and inventory control; training and assistance; and advertising and promotional programs; all of which we may periodically change, improve, and further develop.

We identify the System by means of certain trade names (for example, the “BODY ENERGY CLUB” mark), service marks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify (all of these are referred to as our “**Proprietary Marks**” or “**Marks**”). We continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of services and products marketed under those marks and under the System, and to represent the System's high standards of quality, appearance, and service. Stores must operate according to our standards and procedures, as set out in our confidential operating manual (the “**Manual**”).

A Store is typically located in a shopping mall or in a retail store front in high foot traffic areas. A typical newly-constructed Store will be approximately 900 to 1,500 square feet in size.

Competition

The market for retailers of nutritional supplements is well-developed and highly competitive. You can expect to compete in your market with locally-owned stores, as well as with national and regional store chains that sell similar products (some of which may be franchises of other and larger systems). You will compete on the basis of factors such as quality, price, service, and store location. Businesses in this industry are often affected by other factors as well, such as changes in consumer taste, economic conditions, population, and travel patterns.

Although we carefully evaluate persons who wish to become franchisees, no screening process that we implement can determine with certainty whether you will succeed in the Body Energy Club business. Completion of our training program does not guarantee your success.

You must rely on your own assessment of your suitability (in terms of business skills, people skills, energy, desire, temperament, and financial capability, among other things) and your own advisors in deciding whether to become a Body Energy Club franchisee.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your store operations including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 and state equivalents require readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. There are also federal, state, and local regulations that apply to sanitation, food and menu labeling (such as nutritional and caloric information), food preparation, food handling, food content (such as salt and trans fats), and food service. You must also obtain real estate permits, licenses, and operational licenses. You must comply with all applicable federal, state, and local laws and regulations during the operation of your Store. You should consult with your attorney concerning these and other local laws and ordinances that may affect your Store's operation.

ITEM 2 **BUSINESS EXPERIENCE**

Founder, President and Chief Executive Officer

Dominick Tousignant

Mr. Tousignant is our founder and has served as our President and CEO since we formed in March 2018. He has been the Director, Chief Executive Officer, and President of ~~Body Energy Club Ltd.~~our Parent since February 2002 and ~~Body Energy Group Inc.~~of BECI since October 2017, both of which are located in Vancouver, British Columbia. Mr. Tousignant has served as a director of ~~Body Energy Club USA Inc.~~BECI in Los Angeles, California since May 2014. He has been the majority shareholder and director of ~~RODP Ventures LTD in Vancouver, British Columbia since March 2014 and~~ Vice Versa Enterprises, Inc. in Vancouver since February 2005.

Director of Franchising

Oscar Rodriguez

Mr. Rodriguez has served as our Director of Franchising since we formed in March 2018. He has also been the Chief Financial Officer for our Parent since February 2017 and was the Operations Manager for our ~~parent company, Body Energy Club Ltd., since July 2012~~Parent from September 2014 to February 2017.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Item.

ITEM 4 **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement, you must pay us an initial franchise fee of \$35,000 for a single “Body Energy Club” Store (“**Initial Franchise Fee**”). The Initial Franchise Fee will be fully earned when paid, and must be paid in one lump-sum amount. The Initial Franchise Fee is uniform for new Franchisees.

If you and we fail to come to an agreement on a location for the Store within 120 days of signing the Franchise Agreement, and we do not extend the amount of time allowed for you to locate a site, then either party may terminate the Franchise Agreement. If the Franchise Agreement is terminated for this reason, we will refund you all but \$5,000 of the Initial Franchise Fee. See Item 11 for more details.

Initial Inventory

You must purchase an initial inventory of products from us, our affiliates, and/or approved suppliers. We estimate that the cost of the initial inventory that you must purchase from us or our affiliates will range from approximately \$15,000 to \$20,000.

Except as described above, the ~~Initial Franchise Fee is~~ initial fees are non-refundable.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty	5 7% of Gross Sales	By the 10th day of each month in respect of the previous month's Gross Sales	" Gross Sales " means the aggregate of all sales and other income to you from all sources, whether or not collected by you and whether by cheque, cash, credit or otherwise, arising from or relating to your operation of the Store including, without limitation, all proceeds from any business interruption insurance, but excluding all refunds made in good faith to arm's length customers; any sales, goods and services, taxes which are collected by you for or on behalf of any governmental or other public authority and actually remitted to such body, and the value of any coupon authorized by us and issued or granted to arms' length customers of the Franchised Business which is received or credited by you.
Marketing Fee	Up to 5% of Gross Sales	Same as Royalty	Only payable if we establish a System Brand Fund.
Local Advertising Obligation	2% of Gross Sales	Varies	You must spend 2% of your Gross Sales on local market advertising and promotion. See Items 7 and 11.
Assignment Fee	\$12,500	Before or at time of transfer	Only due if you sell your franchise or your company. Assignments are subject to our standard terms and conditions for transfer.
Audit by us	Cost of the audit	Upon request	Only due if we audit your records and find that you understated amounts, or if you fail to submit the required weekly sales report, then among other things, we may require you to reimburse us for the costs of our audit (such as auditors' fees). We may take other remedies as well.
Interest on Overdue Payments	1.5% per month or maximum rate permitted by law, whichever is less.	Upon request	Only due if you do not timely pay amounts due to us under the Franchise Agreement, then we may require you to pay interest on the overdue amounts.
Additional Training Fees	Will vary under circumstances	As incurred	If we determine that you or your management team require retraining, we may charge you a reasonable training fee based on the amount of training required.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Conference and Training Initiatives	Will vary under circumstances	Upon Request	We currently do not charge an attendance fee for conferences and training initiatives, but we reserve the right to do so.
Payment Irregularities	First occurrence in an 18 month period, \$25; second occurrence in an 18 month period, \$50; third occurrence in an 18 month period \$150	Upon Request	If you fail to pay amounts owed to us on time or in the right amounts, we may charge you these fees to cover our administrative expenses.
Liquidated Damages for Breach of Non-Competition	\$100,000 <i>and</i> 10% of your Gross Sales for 24 months generated by any business you own or operate in violation of the non-competition provisions of the Franchise Agreement	Upon request	Only due if you violate the non-competition provisions in the Franchise Agreement. These fees represent a genuine and reasonable estimate of the damage we will suffer from your breach of your non-competition obligations.
Liquidated Damages for Unauthorized Use of Trademarks	\$1000 per day	Upon request	Only due if you continue to use our Marks in violation of the Franchise Agreement after the Franchise Agreement expires or is terminated.
Indemnification	Will vary under circumstances	Upon request	Only due if you are required to indemnify us (if so, then you must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business). See Items 9 and 13 for further discussion of your obligation to indemnify us.
Renewal fee	\$10,000	Before renewal	Payable when you renew the Franchise Agreement, and due instead of a new initial franchise fee.

Notes:

1. General:

- We impose and collect all fees, except for certain local advertising expenses that you will make directly (see Item 11 for details). All fees are payable to us, uniformly applied to new system franchisees, and non-refundable. However, in instances that we consider appropriate, we may waive some or all of these fees for one or more franchisees.
- For all fees and charges, you must use the payment method we designate. We expect to require the use of EFT (electronic fund transfer) methods, such as bank-to-bank ACH.

- If you fail to report your Gross Sales or pay your Royalty, Marketing Fee, or other fees to us as required, then we may estimate the amount of your Royalty, Marketing Fee or other fees payable for any period by using your Gross Sales or payment amounts from prior periods.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (Low Amount to High Amount)		Method of Payment	When Due	To Whom Payment is Made
	<u>Low Estimate</u>	<u>High Estimate</u>			
Initial franchise fee (Note 1)	\$35,000	<u>\$35,000</u>	Lump Sum	Upon signing the Franchise Agreement	Us
Lease/rent (Note 2)	\$25,000 to \$40,000	<u>\$40,000</u>	As Arranged	Monthly rental amount due upon signing	Landlord
Plans and Construction; Equipment; Signage (Note 3)	\$300,500 to \$502,500	<u>\$502,500</u>	As Arranged	As Arranged	Contractors, Vendors, Approved Suppliers
Inventory (Note 4)	\$100,000 to \$200,000	<u>\$300,000</u>	Lump sum	As Arranged	Approved Suppliers, <u>Us</u>
Insurance (Note 5)	<u>\$5,000</u>	\$5,000 to \$15,000	As Arranged	As Arranged	Insurance Providers
Training Expenses (Note 6)	<u>\$3,000</u>	\$3,000 to \$10,000	As Incurred	As Incurred	Airlines, hotels, restaurants
Business Licenses (Note 7)	\$1,000 to \$5,000	<u>\$5,000</u>	As Incurred	As Incurred	Government Agencies, providers
Utilities and Security Deposits (Note 8)	\$1,000 to \$2,500	<u>\$2,500</u>	As Incurred	As Incurred	Service Providers
High Speed Internet Set-Up Fees	\$100 to \$300	<u>\$300</u>	As Incurred	As Incurred	Service Providers
Telephone Set-Up Fees	\$150 to \$200	<u>\$200</u>	As Incurred	As Incurred	Service Providers

Type of Expenditure	Amount (Low Amount to High Amount)		Method of Payment	When Due	To Whom Payment is Made
	<u>Low Estimate</u>	<u>High Estimate</u>			
Server Set-Up Fees	<u>\$250</u>	\$250 to \$1,000	As Incurred	As Incurred	Service Providers
Professional Fees (Note 9)	<u>\$3,000</u>	\$3,000 to \$12,000	As Incurred	As Arranged	Service Providers
Additional Funds (6 Months) (Note 10)	\$150,000 to \$200,000	<u>\$200,000</u>	As Incurred	As Incurred	Employees, vendors, utilities
Total (Note 11)	\$624,000 to \$1,023,500 <u>\$624,000</u>	<u>\$1,123,500</u>			

Notes:

The following notes are intended to be read with the chart above.

Please note that 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.

1 INITIAL FRANCHISE FEE. These amounts are discussed in detail in Item 5. The Initial Franchise Fee must be paid when the Franchise Agreement is signed. If you and we fail to come to an agreement on a location for the Store within 120 days of signing the Franchise Agreement, and we do not extend the amount of time allowed for you to locate a site, either you or we may terminate the Franchise Agreement. If the Franchise Agreement is terminated for this reason, we will refund you all but \$5,000 of the Initial Franchise Fee.

2 LEASE/RENT. If you do not own a location for your Franchised Business, you must purchase or lease a space. You will probably need to lease a space at least two months in advance; however, you may attempt to negotiate an abatement from the landlord. Store locations include stand-alone buildings and shopping centers. The figures in the table represent our estimate for 2 months rent and a one month security deposit. Many factors may impact rent, including market conditions, competition for leased space, demographics, and other business factors. If the site you choose is larger, has a higher rental cost, or you choose to buy the land and building, then your costs will be higher than those in the table.

Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the Franchised Business, the terms of the lease, and the desirability of the location. If you decide to purchase the property for the location of your Franchised Business, you will incur additional costs that we cannot estimate.

3. PLANS AND CONSTRUCTION; EQUIPMENT; SIGNAGE. Unless we are developing the premises on your behalf, you are required to develop, furnish, fixture, equip and set up the Franchised Business at your own cost and expense using contractors and suppliers who meet our specifications. Although we usually provide basic drawings to you, you are ultimately

responsible for obtaining construction plans and blueprints for the Store, and for obtaining all permits, approvals and licences required by law or by any local or other governmental agency.

We require franchisees to purchase equipment needed to operate the Franchised Business, such as refrigerators, freezers, ice machines, work tables and many other miscellaneous items. You will need to obtain the exact equipment we specify and in some cases from the vendor we specify. The amount spent for equipment will vary for each Store depending upon the Store' size, style and local zoning requirements.

We require our franchisees to purchase a computer and a POS system. To install and operate the POS system, you must purchase the peripheral hardware devices that we designate. The computer system is described below in this disclosure document.

The cost of signs will vary from location to location depending on lease requirements, ordinances and restrictions, traffic patterns, competition, and related factors. In addition, other considerations – such as zoning requirements, as well as historical and architectural design standards – may affect your costs (both in terms of materials as well as professional fees that you will incur to get approval of your proposed signs and awnings).

4. INVENTORY. Items of inventory which you are required to obtain from approved suppliers are paid for at the prices agreed upon by you and the supplier. Start-up inventory of products and supplies will vary based on expected volume of business and size of storage areas in the building. This estimate is for the initial inventory only.

5. INSURANCE. The estimate is for the annual premium for the policies required under the Franchise Agreement. Insurance costs will vary depending upon factors such as the size and location of the Franchised Business, business income level to be insured, payroll totals for workers' compensation, flood zoning, and lease requirements. See Item 8 below.

6. TRAINING EXPENSES. The estimates assume travel, meals, auto, and lodging, for two individuals. The cost you incur will vary depending upon factors such as the distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, salary of the trainees, *per diem* expenses actually incurred, and the number of persons who will attend training. If you send more than two persons to attend training, we estimate that the additional cost, on a per person basis, will range from \$3,000 to \$10,000. Training will take place in the United States.

7. BUSINESS LICENSES. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. These fees are paid to governmental authorities before starting business.

8. UTILITIES. These fees cover the estimated costs for setting up various utilities with service providers.

9. PROFESSIONAL FEES. The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.

10. ADDITIONAL FUNDS. You will need capital to support on-going expenses, such as payroll, training, and utilities, to the extent that these costs are not covered by sales revenue. New

businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on information provided to us by our affiliates' and parent's franchisees in Canada, which we believe will translate to franchises in the United States, and our company-owned Stores in California.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

11. **TOTAL**. All estimates are based on our own experience, as well as information provided to us by our affiliates' and parent's franchisees in Canada. Your costs may vary based on a number of factors including, but not limited to, the geographic area in which you open, the specific location you select, local market and economic conditions, the time it takes you to build a clientele, your ability to hire and train your employees, and your skills at operating a retail business.

The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Franchised Business; timing of your Franchised Business opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

ITEM 8 **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

General

You must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Manual or otherwise in writing.

You are obligated to purchase (or lease, as the case may be) from us, or from suppliers designated or approved by us in writing (which may include our affiliates), all goods sold and supplies used in your Franchised Business. If you deviate (or propose to deviate) from our standards and specifications, whether or not we have provided approval, the deviation will become our exclusive property.

You are required to sell or offer for sale only the products and services that we have approved, in particular, vitamins, food, juices, smoothies and nutritional supplement products. We have the right to inspect and test the products and services you offer at your Store to ensure that the premises, equipment, products and services conform to our specifications, standards and operating procedures. You are responsible for correcting all deficiencies promptly after receiving notice from us to do so. If you fail to correct the deficiencies, we may enter your Store and correct the deficiencies at your cost.

You must at all times maintain an inventory of products at your Store necessary to meet prospective demand in your market.

If you wish to use a supplier or vendor that we have not previously approved, you must submit the proposed supplier's name and address and must identify with specificity the items you desire to purchase from the supplier. If specifications for the item are not in the Manual, we will furnish them to you at your request. We do not have written criteria for the approval of products, services, or suppliers, but we will discuss the criteria for supplier approval with you at your request. Our criteria generally focus on quality and concept uniformity, but we reserve the right to modify the supplier approval criteria at any time. We generally will give you written notice of approval or disapproval of the proposed vendor within 30 days after receiving your request and completion of evaluation and testing, if required. You may not sell or offer for sale any products or services of the proposed vendor until you receive our written approval.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items.

We estimate that your product purchases from approved suppliers and according to our specifications will represent approximately 80% to 90% of your total product purchases in establishing the Franchised Business, and approximately 80% to 90% in the continuing operation of the Franchised Business. We also estimate that your product purchases from designated suppliers will represent approximately 80% to 90% of your total product purchases in establishing the Franchised Business, and approximately 80% to 90% of your total product purchases in the continuing operation of the Franchised Business. This estimate does not account for service purchases, such as insurance, pest control, equipment maintenance, landscaping, and the like.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Stores in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from Franchisees to add new suppliers if we believe that action would be in the best interests of the System or the franchised network of Stores.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of products, equipment and other items.

~~Neither~~For our fiscal year ended December 31, 2020, we ~~nor any affiliate had~~did not receive any revenue from ~~sales~~the sale of required products or services to franchisees ~~in our last fiscal year~~. However, our affiliate, BECUSA, received \$174,202 from the sale of required products of services to franchisees, which represented approximately 12.6% of its total revenue of \$1,378,855. Neither we nor any affiliate received any payments from unaffiliated vendors based on their sales to franchisees in our last fiscal year. None of our officers owns an interest in any companies that are vendors or suppliers to our franchisees.

As noted in Item 11, we will have the right to review and approve all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent.

We do not confer material benefits on our franchisees based on use of designated or approved suppliers.

Computer System

You must buy (or lease) and maintain a computer system. More detailed information concerning the computer system can be found in Item 11 of this disclosure document under the heading “Computer System.” In general terms, you will be required to install, maintain, and at all times operate the computer hardware and software, including peripheral devices and equipment, that we specify in the Manual or otherwise in writing as reasonably necessary for the efficient management and operation of the Store and the transmission of data to and from us.

Insurance

Under the Franchise Agreement, you must obtain and maintain the types and amounts of insurance coverage that we specify in our Manual or otherwise in writing.

All policies must name us as additional insureds. We have the right to periodically make changes to minimum policy limits and endorsements. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	§§ 2 and 4 of Franchise Agreement	5, 6, 7, and 11
b. Pre-opening purchases/leases	§§ 4 and 6 of Franchise Agreement	5, 7, and 8
c. Site development and other pre-opening requirements	§§ 2 and 4 of Franchise Agreement	8 and 11
d. Initial and ongoing training	§§ 4 and 12 of Franchise Agreement	11
e. Opening	§§ 3 and 4 of Franchise Agreement	11
f. Fees	§§ 2, 5, 6, 8, 14, 15 and 16 of Franchise Agreement	5 and 6
g. Compliance with standards and policies/Operating Manual	§§ 4, 6 and 11 of Franchise Agreement	8, 11, and 14
h. Trademarks and proprietary information	§§ 10 and 14 of Franchise Agreement	13 and 14

Obligation	Section in Agreement	Disclosure Document Item
i. Restrictions on products/services offered	§ 6 of Franchise Agreement	5, 8, and 16
j. Warranty and customer service requirements	§ 11 of Franchise Agreement	16
k. Territorial development and sales quotas	§ 2 of Franchise Agreement	12
l. Ongoing product/service purchases	§§ 6 and 11 of Franchise Agreement	8
m. Maintenance, appearance and remodeling requirements	§ 11 of Franchise Agreement	8
n. Insurance	§ 12 of Franchise Agreement	7 and 8
o. Advertising	§ 8 of Franchise Agreement	6, 8, and 11
p. Indemnification	§ 17 and Schedule G of Franchise Agreement	6 and 13
q. Owner's/ participation/ management/ staffing	§§ 9 and Schedule A of Franchise Agreement	15
r. Records/reports	§ 7 of Franchise Agreement	6
s. Inspection/audits	§§ 3, 7, and 11 of Franchise Agreement	6 and 11
t. Transfer	§ 15 of Franchise Agreement	17
u. Renewal	§ 2 of Franchise Agreement	17
v. Post-termination obligations	§§ 14 and 16 of Franchise Agreement	17
w. Non-competition covenants	§ 16 of Franchise Agreement	17
x. Dispute resolution	§ 17 of Franchise Agreement	17
y. Taxes/permits	§§ 5 and 11 of Franchise Agreement	1 and 7
z. Other: Personal Guarantee	Exhibit G of Franchise Agreement	15

ITEM 10 **FINANCING**

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or have any practice or intent to sell, assign, or discount to a third party all or part of any financing arrangement of yours.

ITEM 11 **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

Listed below are our obligations under the Franchise Agreement.

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

If you sign a Franchise Agreement, we will agree to:

- a. Provide an initial training program, at a location we designate, for you and your management employees (maximum of two individuals). You must complete the training to our satisfaction before you may open the Store. We will provide ongoing training that we deem appropriate. We will be responsible for the cost of instruction and materials, subject to the terms of the Franchise Agreement; you will pay all others costs (e.g., transportation) incurred to attend training (see Items 6 and 7 above). (*Franchise Agreement, Sections 4.4 and 12.2*)
- b. If you will develop the Store, we will provide you with prototype plans and specifications for constructing the Store and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. (*Franchise Agreement, Section 4.3*)
- c. If we will develop the Store on a turnkey basis, we will construct and develop the Store on your behalf. (*Franchise Agreement, Section 4.5*)
- d. Lend you a copy of the Manual, for the duration of the Franchise Agreement. (*Franchise Agreement, Section 2.1*)
- e. Inspect the Store for opening before you open. You may not open the Store for business unless you have our prior written approval. (*Franchise Agreement, Section 3*)

Continuing Obligations

Under the Franchise Agreement, we will provide the following assistance and service to you:

- a. We will provide you with the benefits of our continuing efforts toward development and testing of new vitamin products, health food supplements and other products for sale and new marketing and merchandising techniques for the Body Energy Club System. (*Franchise Agreement, Section 12.1*)
- b. We may conduct, as we deem advisable, periodic inspections of the Store, and may provide evaluations of the products sold and services rendered by the Franchised Business. (*Franchise Agreement, Section 12.4*)
- b. We will make available additional training programs, as we deem appropriate. (*Franchise Agreement, Sections 12.3 and 12.4*)
- c. We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business. (*Franchise Agreement, Section 12.5*)
- d. We will review your proposed advertising materials and promotional materials. (*Franchise Agreement, Section 8.1*)
- e. We will administer the System Brand Fund (as defined below) in the manner described in the Franchise Agreement. (*Franchise Agreement, Section 8.2*)

Marketing

If we establish a System Brand Fund, then for each month during the term of the Franchise Agreement you will be required to make a contribution of up to 5% of the Gross Sales of the Franchised Business (the "**Marketing Fee**").

You will be required to make your Marketing Fee by electronic funds transfer using the Automated Clearing House (ACH) Network on or before the tenth (10th) calendar day of each month (in the same manner and time as the Royalty is paid) based on your Gross Sales in the previous month. Each company-owned Store will make contributions to the System Brand Fund at the same rate as our franchised Stores.

You must submit samples of all marketing and promotional plans and materials to us for our review and approval. You may not implement a promotional plan, nor may you use any advertising materials until you have received our written approval under the process described in the Franchise Agreement.

We have not established any regional marketing funds. We do not have an advertising council composed of franchisees.

None of the amounts in the System Brand Fund will be used for marketing that is principally a solicitation for the sale of franchises. An accounting of the System Brand Fund's operations, as shown on our books, will be prepared annually, and that accounting will be made available to you upon request. The System Brand Fund is not audited. As described below, we are not required to spend any particular amount on marketing in the area where your Franchised Business is located. If amounts are unspent in the System Brand Fund at fiscal year-end, those amounts are carried over by the System Brand Fund for expenditure in the following year.

System Brand Fund

At our option, we may establish a System Brand Fund (the "**System Brand Fund**"). We will administer the System Brand Fund exclusively for advertising, marketing and public relations purposes for the collective benefit of all Body Energy Club retail outlets in the USA. The System Brand Fund will be expended on national, regional or local advertising, "image advertising", promotions and public relations programs. The System Brand Fund may also be directed to advertising, marketing, promotions and public relations programs in specific geographic regions, as we may determine. The System Brand Fund may be used to establish the Marks in any additional territories in the USA, to engage in test marketing, to conduct surveys of advertising effectiveness and market research, to support an under-performing territory, to create and produce new commercials and other video, audio and written promotional and advertising materials and programs, including, but without limitation, point of sale material, direct mail, coupon and gift certificate pieces, or for other purposes deemed to be beneficial for the general recognition of the Marks, the System and all Body Energy Club retail locations.

All marketing programs financed by the System Brand Fund will be directed by us with discretion over the creative concepts, materials and endorsements used in the geographic market and media placement and allocation of the programs. The System Brand Fund may be used to pay, among other things, advertising and other agency fees, media time costs, menu creative development, telemarketing programs, direct mail programs, promotions for special occasions, events and sponsorships, developing local store marketing program kits and public relations

programs including, but without limitation, crisis management to develop and protect the Trademarks.

The System Brand Fund will not pay for any consumer discounts, signage production, point of sale hardware office stationery (such as business cards and letterhead) or gift certificates. We (or our designee) are not obligated, in administering the System Brand Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the System Brand Fund

~~During our fiscal year ended December 31, 2017, we did not~~ We have any franchisees or collect any amounts, so the ~~not established a~~ System Brand Fund ~~and therefore~~ did not ~~make any expenditures~~ collect any marketing fees from franchisees in our last fiscal year.

Local Advertising and Promotion

You will be required to spend a minimum of 2% of your monthly Gross Sales on local advertising and promotion. Certain criteria will apply to the local advertising that you conduct. All of your local advertising must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. At our request, you must provide invoices and other documentation to verify the type and amount of spending for local advertising.

As used in the Franchise Agreement, the term “**local advertising**” refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready advertising and point of sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of marketing in your local market or area.

Online Sites (as defined below) are considered “marketing” under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used.

Electronic Point-Of-Sale and Computer Systems

We require our franchisees to purchase a computer system. You must meet our requirements concerning the computer system, including: (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Stores, between or among Stores, and between and among the Franchised Business, and you, and us; (b) POS systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices (such as digital menu boards); (e) archival back-up systems; (f) internet access mode (such as the telecommunications connection) and speed; and (g) front-of-the-house WiFi and other internet service for customers (collectively, referred to as the “**Computer System**”).

The Body Energy Club Point of Sale (POS) system is NCR. You must be able to maintain a continuous cabled (not wireless) connection to the internet to send and receive POS data to us. Wireless connections to the internet are not authorized or supported for the POS system. You must establish merchant accounts and internet-based credit card and gift card authorization accounts that we designate for use with online card authorizations.

We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

We estimate that the cost of purchasing the Computer System will typically range from \$~~19~~20,000 to \$25,000.

The estimated annual cost of Computer System maintenance, support, and upgrades is \$~~4~~5,000 to \$~~6~~10,000. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address or require you to use only an e-mail address that we provide for your Franchised Business' business e-mails.

There are no contractual limitations on our ability to access to your Computer System in the manner, form, and at the times we may request. We will have the right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

We may modify the specifications and the components of the Computer System. We have the right to charge a reasonable systems fee for any software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our affiliates may furnish to you.

Online Sites

You may only use Online Sites in association with the Body Energy Club name, the Marks and the Franchised Business in the manner and form that we designate or approve from time to time. The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Instagram, Snapchat, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications, etc.

We have the right to approve or disapprove of the contents of any Online Site associated with or linked to the Body Energy Club name or the Marks and you agree to remove any content from Online Sites that we may disapprove from time to time.

We have the right to claim the ownership of, and the right to use and to license the use of any or all of the information collected on or in connection with any Online Site associated with the Body Energy Club name or the Trademarks. You may not engage in any use, such as linking or framing, of any Online Site associated with the Body Energy Club name, the Marks or the Franchised Business in association with any other Online Site or in association with any other name or trade mark or internet domain name not owned by us or in association with any other business than the Franchised Business.

You are required to pay us any webhosting or related fees that we require in relation to any Online Site.

Manuals

We will offer you the opportunity to view the Manual before purchasing a franchise. If you wish to view the Manual, you must sign our then-current form of Confidentiality and Non-Disclosure Agreement. A sample form of Confidentiality and Non-Disclosure Agreement is attached to this disclosure document as Exhibit F.

Site Selection

You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. The procedure for selecting a site is outlined in Section 2.5 of the Franchise Agreement.

Under the terms of the Franchise Agreement you will have 120 days within which to lease, sublease or acquire a site for the Franchised Business, subject to our approval according to our site selection guidelines. You may not enter into any lease, sublease, or acquire a site for the Franchised business without first receiving our approval. We will consider demographic data you provide, as well as the characteristics of the site and trade area. This will include visibility, access, the proximity of competing businesses, traffic patterns, and the availability of parking.

If you cannot identify an acceptable site within 120 days of signing the Franchise Agreement, either you or we may decide to terminate the Franchise Agreement by notice to the other party. If the Agreement is terminated because you cannot locate a suitable site, we will refund you all but \$5,000 of the Initial Franchise Fee. We may, in our sole discretion, extend the time for selecting a suitable site.

If you plan to lease the site, then you must submit the proposed lease to us for review. We must provide our written approval of the terms and conditions of the proposed lease before you sign the lease or take possession of the site.

If you plan to sublease the site from us, then you must enter into our then-current standard form of sublease. You may not take possession of the site unless and until you execute and deliver our then-current standard form of sublease.

Opening the Franchised Business

You must establish the Franchised Business and have it open and in operation within 180 days after signing the Franchise Agreement. We estimate that the time period between beginning to find a site for the Approved Location and the start of operations at the Franchised Business will be approximately 6 months. Factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the Franchised Business, weather conditions, construction delays, and obtain furniture, fixtures, equipment and supplies. You must construct your Store and all furniture, fixtures, equipment and signs in accordance with our standard sample plans, specifications, layout, and design; the details of which we will provide to you.

You may not open your Franchised Business until we have completed a final inspection and provided our approval for opening the Franchised Business.

While you will generally be responsible for developing and constructing your Franchised Business, we may construct, develop and equip your Franchised Business on your behalf or sell you a "company-owned" Body Energy Club location as a turnkey operation.

Training

Prior to the opening of your Store, we will train a maximum of two of your personnel or principals who will have management responsibilities in your Franchised Business, in the Body Energy System, Standards and methods of operation to a point where such persons are, in our sole opinion, trained. The length of time and the type of training required for a person to be trained will vary depending on each individual's retail and business management experience.

All franchisees and their managers must satisfactorily complete initial training prior to the opening of the franchised business. We will provide the initial training at no additional cost to you, but you will be solely responsible for all travel and living expenses incurred by your principals and/or managers while such persons are in attendance for training, and for any salaries or other compensation for such persons during the training period.

We may require that you and your trained managers attend, at your expense, and satisfactorily complete, training for replacement key personnel, retraining, or refresher courses which we may conduct. In addition, at least once per year, you, and your trained managers are required to attend at your expense, a conference of Body Energy Club franchisees. We reserve the right to charge a fee for attending such conferences. After the opening of the franchised business, we will furnish you with such continuing advice and guidance as we may reasonably be require.

We will conduct our initial training program as follows:

TRAINING PROGRAM

Subject	# Hours Of Class-Room Training	# Hours Of On-The-Job Training	Location
Understanding the POS System: Creating Purchase Orders (POs), Receiving and Closing POs, Initiating Counts, Ringing Up Transactions, Analyzing Reports.	0	40 20	Your Store, our training facility in Los Angeles , or our training facility in Los Angeles Vancouver
Operating a Smoothie Bar	0	16 8	Your Store, our training facility in Los Angeles , or our training facility in Los Angeles Vancouver
Operating Kitchen & Production	0	8 4	Your Store, our training facility in Los Angeles , or our training facility in Los Angeles Vancouver
Operating the Floor	0	16 8	Your Store, our training facility in Los Angeles , or our training facility in Los Angeles Vancouver
TOTAL	0	80 40	

Training will be conducted over ~~an 8a~~ four week period at a location of our choosing (typically, at your store, [our training facility in Los Angeles](#), or our training facility in ~~Los Angeles~~[Vancouver](#)). Each day of training consists of a minimum of 4 hours per day. Training is

conducted as frequently as we determine it necessary in order to hold a training class. [We may elect to conduct all or a portion of the training virtually.](#)

Our founder, Dominick Tousignant, is responsible for supervising the initial training program. Mr. Tousignant has over ~~45~~¹⁸ years of experience operating Body Energy Club Stores.

The instructional materials for our training programs include the Manual, lecture, discussions, and practice.

ITEM 12 **TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We reserve the overall right to acquire, develop, operate, license or franchise any form of business anywhere, by itself or through an affiliate, which is not specifically granted to you under the Franchise Agreement. Accordingly, we have the right to market goods or services of the same kind as are to be sold or distributed under the franchise being offered, whether under the same or a different trademark, trade name, logo or advertising or other commercial symbol, or to distribute goods or services described above through alternative channels of distribution (such as grocery store sales), by internet sales, telephone sales, catalogue sales or sales by other means such as by way of non-traditional units at non-traditional locations.

Our business model is for retail sales made in-person to retail customers from within a single Store location. You may only offer and sell products face to face to retail customers for consumption on the Store's premises, for personal carry-out consumption, and for pick up or delivery service in a manner that complies with our standards. You may only sell products to end-users and other entities that do not resell the products, and you may not sell products to people or entities that will re-sell the products. You may not sell products to gift stores and similar type stores. We will have the right to review and approve (or not approve) any proposed sale of the products to a restaurant, or any other customer (which may be required to comply with our standards in order to feature or give away Body Energy Club brand products). All sales will be counted in Gross Sales.

You may not offer or sell services or products through any means other than through the Franchised Business; and therefore, for example, you may not offer or sell services or products from satellite locations, at customers' homes, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the internet, or through any other electronic or print media (except as we may permit such transactions as part of our website and as part of our System).

The Approved Location for the Store will be specified in the Franchise Agreement. You may not relocate the Store without our prior written approval. If you ask to relocate the Store, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a Store for a new franchisee.

ITEM 13

TRADEMARKS

You will be licensed by the Franchise Agreement to use our Proprietary Marks, including the principal marks described below. We may also authorize you to use other current or future trademarks to operate your Franchised Business.

Our parent, Body Energy Club, Ltd., is the owner of the principal marks you will use in the operation of your Franchised Business. Body Energy Club, Ltd. has granted us a license to use the marks and to sublicense others to use them (the “**Trademark License Agreement**”). Body Energy Club, Ltd. has registered the following marks on the Principal Register of the United States Patent and Trademark Office:

Mark	Registration No.	Registration Date
BODY ENERGY CLUB	5,233,120	June 27, 2017

Body Energy Club, Ltd. intends to file an affidavit of use and an affidavit of incontestability, when due, for the mark listed above.

Body Energy Club, Ltd. has the right to terminate the Trademark License Agreement if we commit a breach of the Trademark License Agreement. In that event, Body Energy Club, Ltd. will have the right to assume our obligations under your Franchise Agreement. There are no other agreements that limit our right to license the Proprietary Marks to you under the Franchise Agreement

There are no currently effective determinations of the U.S. Patent and Trademark Office, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things as may, in our counsel's opinion, be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks

in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

ITEM 14 **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

Patents and Copyrights

We do not own any patents that are material to the franchise being offered.

We own common law copyrights in the Manuals, certain drawings, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

Unless we develop your Store, we will furnish you, under the terms of the Franchise Agreement, with standard floor plans and specifications for construction of a Franchised Business. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable approval, to prepare plans and specifications for construction of your Franchised Business, based upon our standard plans. These revised plans will be subject to our approval. You will be entitled to use the plans only for the construction of a single Franchised Business at the site approved in the Franchise Agreement, and for no other purpose. We will require your architect and contractor to agree to maintain the confidentiality of our plans and to assign to us any copyright in the derivative plans they create.

There are no currently effective determinations of the Patent and Trademark Office, Copyright Office, or any court concerning any copyright. There are no currently effective agreements pursuant to which we derive our rights in the copyrights which could limit your use thereof. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manual. We will lend you one set of our Manual, which we have the right to provide in any format we choose (including paper, CD, or online), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Manual, any other manuals we create (or that we approve) for use with the Franchised Business, and the information contained in the Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Manual and the related materials, in whole or in part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always maintain the security of the Manual.

We may periodically revise the contents of the Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, the version of the Manual (that we maintain) will be controlling.

Confidential Information

Except for the purpose of operating the Franchised Business under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Franchised Business. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require your management personnel to sign confidentiality covenants. We also require that persons who will attend training sign a confidentiality agreement. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Business. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this agreement is attached as Exhibit C to the Franchise Agreement. Once signed, you must provide us a copy of each executed confidentiality agreement.

ITEM 15 **OBLIGATION TO PARTICIPATE IN** **THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You and your principals will normally be required to participate personally and directly in the operation of the franchised business on a full-time/best efforts basis. If the franchisee is a corporation, partnership or other entity, the principles of such corporation, partnership and other entity are required to participate personally and directly in the operation of the franchised business on a full-time/best efforts basis unless we determine otherwise.

ITEM 16 **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may use the Store premises only to operate the Franchised Business. You must keep the Store open and in normal operation for the minimum hours and days we specify in the Manual or otherwise in writing. You must not use the premises for any other purpose or activity without first obtaining our written consent. You must operate the Store in strict conformity with the specifications contained in the Manual or otherwise in writing. You must not deviate from our specifications, menus, or procedures without first obtaining our written consent (see Item 8 for additional details).

You must sell only those items, products, and services that we have expressly approved in writing and which meet our current standards as established in the Manual or otherwise in writing. You must not sell any other kind of service or product without first obtaining our written consent. You must discontinue selling or offering for sale any items, services or products which

we, in our sole discretion, disapprove in writing at any time (see Item 8 for additional details). You must sell all items, products, or services which we direct.

Subject to applicable law, we may from time to time suggest retail prices to you for products sold at your Store. You may not charge a greater price than the suggested retail price.

You must comply with all reasonable requirements if we supplement, improve, or modify the System, including offering and selling new or different services and products that we specify. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes.

You may only offer and sell from the Approved Location to retail customers: **(a)** face-to-face, for consumption on the Store premise or **(b)** face-to-face, for personal carry-out consumption (see Item 12). The Approved Location for the Store is specified in the Franchise Agreement. The Store may not be relocated without our approval.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

These tables list important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
a. Term of the franchise	§ 2	5 years or until you no longer have the right to occupy the Approved location, whichever is earlier.
b. Renewal or extension of the term	§ 2	One additional 5-year term, subject to our discretion and your fulfillment of certain contractual requirements described in “c” below.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
c. Requirements for you to renew or extend	§ 2	Renewal is in our sole discretion; however, we may require that you meet any or all of the following conditions: You must notify us in writing not more than 42¹⁸ months or less than 7¹² months prior to the expiration of the term of this Franchise Agreement that it wish to renew; you must be in full compliance with the material terms and conditions of this the Franchise Agreement at the time you provide us notice and at the start of the renewal term; you must be entitled to remain in possession of the lease for the Approved Location for the Renewal Term; you must pay us a non-refundable renewal fee of \$10,000; you must reimburse us for our costs in evaluating the possible renewal; you must complete required maintenance and remodeling of your store; you must sign our then current form of franchise agreement; and you must execute and deliver to us a full release of us, our officers, directors, agents and shareholders in a form acceptable to us.
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	§ 13	Material Default under the Franchise Agreement; see § 13 of the Franchise Agreement.
g. "Cause" defined - defaults which can be cured	§ 13	All other defaults not specified in §§ 13.1 and 13.2 of the Franchise Agreement

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
h. "Cause" defined - defaults which cannot be cured	§ 13	Your failure to fulfill payment obligations to us, our affiliates, or suppliers; your failure to comply with our system standards or the Manual; your failure to comply with your lease terms; your failure to keep your Store open and in operation; bankruptcy and/or insolvency; your attempt to assign, transfer, or convey your interest in the Franchised Business without our approval; you engage in misleading advertising or unethical practice in your operation of the Franchised Business; you attempt to unilaterally repudiate the Franchise Agreement; you receive three or more notices of default from us during any consecutive 12 month period. See § 13.1 of the Franchise Agreement.
i. Your obligations on termination/nonrenewal	§ 14	Upon the expiration or termination of the Franchise Agreement, you must discontinue the use of the Marks, the Manual, advertising materials, training materials, trade secrets, systems, methods of operation, format and goodwill comprising System and you may not operate or do business under any name or in any manner that might tend to give the general public the impression that you are, either directly or indirectly, associated with us or the Body Energy Club System. If you are not our tenant for the Approved Location, you may not claim any right as a tenant in the Approved Location and you must remove all signage from the Approved Location displaying our name and Marks.
j. Assignment of contract by us	§ 15	There are no limits on our right to assign the Franchise Agreement.
k. "Transfer" by you - definition	§ 15	Includes transfer of any interest in the Franchised Business.
l. Our approval of transfer by you	§ 15	We have the right to approve transfers.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
m. Conditions for our approval of transfer	§ 15	You notify us in writing of your desire to sell the business before listing it for sale; you pay us a non-refundable assignment fee of \$12,500; you provide us with all terms and conditions of the proposed sale of your business and provide us with the option to purchase the business on the same terms; the assignee agrees to be bound by the terms and conditions of the Franchise Agreement; you return the Manual to us; you are in compliance with the terms of all agreements between you and us or our affiliates; the assignee's management personnel complete our initial training; the assignee completes our franchisee selection procedure; and the Approved Location is updated or remodeled to comply with our then-current System Standards.
n. Our right of first refusal to acquire your business	§ 15	You will give us written notice of all of the terms and conditions of assignment, transfer and sale proposed to be accepted by you and all available information concerning the proposed assignee. Within 30 days after our receipt of such notice (or, if it shall request additional information, within 15 days after receipt of such additional information), we may at our option, require you to sell your interest in Franchise Agreement to us upon the terms and conditions specified in the notice. If we exercise this option, such sale will be completed within 15 days of the date we elect to exercise our option. If we elect to purchase your interest in the Agreement, then we will have the right to substitute cash as payment and to deduct any commission payable from the sale price.
o. Our option to purchase your business	§ 14	Upon termination or expiration of the Franchise Agreement, we will have the option, exercisable within 15 days after notice in writing to you, to purchase from you, all or any portion the assets of your Franchised Business at a price equal to the then current fair market value. See § 13.1 of the Franchise Agreement.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
p. Your death or disability	§ 15	In the event of the death or permanent incapacity or disability of you (or the sole principal thereof where you are a corporation or other entity with only one principal thereof active in the day-to-day management of the Franchised Business), then you or your estate shall have the right, within 30 days thereafter, to assign the Franchise Agreement provided that the proposed assignee is, in the Franchisor's opinion, financially and operationally capable of performing the obligations of you. See § 15.9 of the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	§ 16	During the Term of the Franchise Agreement, you will not, directly or indirectly, carry on or be engaged in the establishment or operation of any retail business featuring or offering for sale vitamins and nutritional supplements or products similar to those offered for sale at Body Energy Club retail locations or which is conducted in a similar format to Body Energy Club retail locations.
r. Non-competition covenants after the franchise is terminated or expires	§ 16	Without our prior written consent, you may not, at any time during the period of two (2) years from the date the Franchise Agreement ends, directly or indirectly, carry on or be engaged in the establishment or operation of any retail business featuring or offering for sale vitamins and nutritional supplements or products similar to those offered for sale at Body Energy Club retail locations or which is conducted in a similar format to Body Energy Club retail locations within a three (3) mile radius of the Approved Location or within a three (3) mile radius of any other Body Energy Club retail outlet.
s. Modification of the agreement	§ 17	Must be in writing executed by both parties.
t. Integration/merger clause	§ 17	Only the terms of the agreement are binding (subject to state law). However, this clause will not be treated as a disclaimer of our representations in this disclosure document. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

Franchise Agreement		
Provision	Section in Franchise Agreement	Summary *
u. Dispute resolution by arbitration or mediation	Not Applicable	None.
v. Choice of forum	Not Applicable	You and your owners must file any suit against us in the federal or state court where our principal office is located at the time the suit is filed (currently Los Angeles, CA). We can sue you where we have our principal office or where you or the Franchised Business is located. You and we both waive the right to trial by jury and the right to seek punitive damages. All of these provisions are subject to state law in your state.
w. Choice of law	§ 17	California law applies (subject to state law).*

Please refer to the disclosure addenda and contractual amendments attached to this disclosure document at Exhibits H and I for additional terms that may be required under applicable state law. Please note, though, that if you would not otherwise be covered under those state laws by their own terms, then you will not be covered merely because we have given you an addendum (or signed an amendment) that describes the provisions of those state laws.

In addition to the provisions noted in the charts above, the Franchise Agreement contains a number of provisions that may affect your legal rights. We recommend that you carefully review all of these provisions, this disclosure document, and the entire contracts, with a qualified franchise lawyer.

ITEM 18 **PUBLIC FIGURES**

We do not use any public figures to promote our franchise.

ITEM 19 **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to disclose information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

Body Energy Group USA LLC does 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 our management by contacting Oscar

Rodriguez at ~~2775 Rinconia Drive~~ 6253 Hollywood Blvd, Suite 901, Los Angeles, California ~~90068~~ 90028, tel. 323-621-9335, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1:
System wide Outlet Summary For years ~~2015–2017~~ 2018 – 2020 (Note 1)
(United States Only)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2018 <u>2015</u>	0	0 <u>1</u>	0 <u>+1</u>
	2016 <u>2019</u>	0 <u>1</u>	0 <u>1</u>	0
	2017 <u>2020</u>	0 <u>1</u>	0 <u>1</u>	0
Company-Owned	2018 <u>2015</u>	0 <u>2</u>	1	+1 <u>-1</u>
	2016 <u>2019</u>	1	1	0
	2017 <u>2020</u>	1	2 <u>1</u>	+1 <u>0</u>
Total Outlets	2018 <u>2015</u>	0 <u>2</u>	4 <u>2</u>	+4 <u>0</u>
	2016 <u>2019</u>	4 <u>2</u>	4 <u>2</u>	0
	2017 <u>2020</u>	4 <u>2</u>	2	+1 <u>0</u>

Notes

(1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.

Table 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisee)
For years ~~2015~~ 2018 to ~~2017~~ 2020 (Note 1)

State (Note 2)	Year	Number of Transfers
Any State	2018 <u>2015</u>	0
	2016 <u>2019</u>	0
	2017 <u>2020</u>	0
Total	2018 <u>2015</u>	0
	2016 <u>2019</u>	0
	2017 <u>2020</u>	0

Notes

(1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.

(2) States not listed had no activity during the relevant time frame.

Table 3:
Status of Franchised Outlets For years ~~2015 – 2017~~ 2018 - 2020 (Note 1)

State (Note 2)	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Re- acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Any State Califor nia	2015 2018	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2016 2019	0 <u>1</u>	0	0	0	0	0	0 <u>1</u>
	2017 2020	0 <u>1</u>	0	0	0	0	0	0 <u>1</u>
Totals	2015 2018	0	0 <u>1</u>	0	0	0	0	0 <u>1</u>
	2016 2019	0 <u>1</u>	0	0	0	0	0	0 <u>1</u>
	2017 2020	0 <u>1</u>	0	0	0	0	0	0 <u>1</u>

Notes

- (1) All numbers are as of the fiscal year end. Our fiscal year ends December 31st.
- (2) States not listed had no activity during the relevant time frame.

Table 4:
Status of Company-Owned Outlets (Note 1)
for years ~~2015 – 2017~~ 2018 – 2020 (Note 2)

State (Note 3)	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2015 2018	0 <u>2</u>	4 <u>0</u>	0	0	0 <u>1</u>	1
	2016 2019	1	0	0	0	0	1
	2017 2020	1	4 <u>0</u>	0	0	0	2 <u>1</u>
Totals	2015 2018	0 <u>2</u>	4 <u>0</u>	0	0	0 <u>1</u>	1
	2016 2019	1	0	0	0	0	1
	2017 2020	1	4 <u>0</u>	0	0	0	2 <u>1</u>

Notes

- (1) All numbers are as of the fiscal year end. Our fiscal year end is December 31ST.
(2) States not listed had no activity during the relevant time frame.

Table 5:
Projected Openings as of December 31, ~~2017~~2020 for ~~2021~~2018

State (Note 1)	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
California	0	1	0
Total	0	1	0

Notes

- (1) States not listed had no activity during the relevant time frame.

The names, addresses, and telephone numbers of our Franchisees as of our fiscal year ending December 31, ~~2017~~2020 are listed in Exhibit D. ~~There are none.~~

The name and last known home address and telephone number of every one of our franchisees who has had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during one-year period ending December 31, ~~2017~~2020, or who has not communicated with us within ten weeks of the issuance date of this disclosure document, are also listed in Exhibit D. There were none. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

~~We do not have any franchisees in the United States, thus, no~~No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with Body Energy Club.

As of the date of this franchise disclosure document, there are no Body Energy Club franchisee associations in existence regardless of whether they use our trademark or not.

ITEM 21 **FINANCIAL STATEMENTS**

~~Our fiscal years end on December 31st. Attached as~~ Exhibit E ~~is~~contains our audited Financial Statements as of ~~May 29~~December 31, 2020, December 31, 2019 and December 31, 2018.

~~Body Energy Group USA LLC was formed on March 5, 2018 and did not begin offering franchises until the issuance date of this disclosure document. Therefore, we do not yet have three years of prior financial statements to provide in this disclosure document.~~ Our fiscal year ends on December 31.

ITEM 22
CONTRACTS

Exhibit A	The Franchise Agreement with its Exhibits: A Specific Terms B Principals and Ownership of Franchisee C Sample Form of Employee Confidentiality Agreement D Request For Pre-Authorized Payments E Terms of Lease F General Security Agreement G Guarantee, Indemnification, and Acknowledgement
Exhibit J	General Release

ITEM 23
RECEIPTS

The last two pages of this disclosure document (Exhibit K) are identical pages acknowledging receipt of this entire document (including the Exhibits). Please sign and return to us one copy; please keep the other copy along with this disclosure document.

EXHIBIT A

FRANCHISE AGREEMENT AND RELATED EXHIBITS

EXHIBIT B
LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight Financial Protection and Innovation Department of Business Oversight Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	NEW YORK Office of the New York State Attorney General Department of Law Investor Protection Bureau Franchise Section 120 Broadway, 23rd 28 Liberty Street, 21st Floor New York, NY 10271-0332 New York 10005 (212) 416- 8236 Phone (212) 416-6042 Fax 8285
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 205 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Department of Business Regulation Securities Division Bldg. Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Securities Regulation 124 South Euclid Avenue, Suite 104 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Consumer Protection Div. Corporate Oversight Division , Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 373-7417 335-7567	WASHINGTON Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, S.W. Southwest Tumwater, Washington 98501 (360) 902-8760

MINNESOTA~~Commissioner of Commerce~~~~Minnesota~~ Department of Commerce, ~~Securities Unit~~85 7th Place East, Suite 280

St. Paul, Minnesota 55101

(651) 539-~~1500~~ 1600**WISCONSIN**~~Office of the Commissioner~~ Division of
Securities~~201 W. Washington Ave., Suite 300~~4822 Madison, WI 53703 Yards Way, North
TowerMadison, Wisconsin 53705(608) ~~261-9555~~ 266-2139

EXHIBIT C
AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Business Oversight Financial Protection and Innovation Department of Business Oversight Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	NEW YORK New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, NY New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 205 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, Suite 104 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Consumer Protection Div. Corporate Oversight Division , Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 373-7417 335-7567	WASHINGTON Director of Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, S.W. Southwest Tumwater, Washington 98501 (360) 902-8760

MINNESOTA

Commissioner of Commerce

[Minnesota Department of Commerce](#)85 7th Place East, Suite 280

St. Paul, Minnesota 55101

(651) 539-~~1500~~ [1600](#)**WISCONSIN**~~Commissioner~~ [Division](#) of Securities~~201 W. Washington Ave., Suite 300~~[4822](#) Madison, ~~WI 53703~~ [Yards Way, North Tower](#)[Madison, Wisconsin 53705](#)(608) ~~261-9555~~ [266-2139](#)

EXHIBIT D

LIST OF CURRENT FRANCHISED LOCATIONS AND FORMER ~~BODY ENERGY GROUP~~
~~USA LLC~~ FRANCHISEES

Body Energy Club ~~Franchisees~~ Franchised Locations and Former Franchisees
(as of the date of this Disclosure Document)

~~Franchisees~~

~~None.~~
Franchised Locations

<u>Entity Name</u>	<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Telephone Number</u>
<u>Kingtide North Inc.</u>	<u>6318 Hollywood Blvd.</u>	<u>Los Angeles</u>	<u>California</u>	<u>90028</u>	<u>(323) 798-4804</u>

Former Franchisees

Note: If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None.

EXHIBIT E

BODY ENERGY GROUP USA LLC'S FINANCIAL STATEMENTS

**AUDITED FINANCIAL STATEMENTS AS OF ~~MAY 29~~DECEMBER 31, 2020, DECEMBER 31,
2019 AND DECEMBER 31, 2018**

EXHIBIT F

FORM OF CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

Given the confidential nature of the information to be provided to persons interested in purchasing Body Energy Club franchises ("Prospective Franchisee") during their evaluation of the Body Energy Club franchise opportunity ("Body Energy Club Franchises"), Body Energy Group USA LLC (the "Franchisor") requires that, should the Prospective Franchisee not purchase a Body Energy Club Franchise, the Prospective Franchisee may not use any of the information provided by Franchisor during the Prospective Franchisee's evaluation of Franchisor's business, for any purpose whatsoever. Therefore, Franchisor requires Prospective Franchisees interested in learning about the operation of a Body Energy Club Franchise to execute this Confidentiality & Nondisclosure Agreement.

Now, Therefore:

1. It is understood that the Franchisor is offering for sale Body Energy Club Franchises for operating Body Energy Club stores. As such, Prospective Franchisees will be provided confidential information regarding the development and operation of Body Energy Club stores.

2. It is further understood that the Franchisor has invested significant money to develop certain proprietary and confidential systems and trade secrets relating to the operation of a Body Energy Club store, which include, without limitation, proprietary recipes and other standards and specifications relating to the sale of vitamins, health food products and nutritional supplements and the build-out of a Body Energy Club store; as well as information about proprietary merchandise, proprietary software Franchisor may now or in the future create; the Franchisor's confidential operations manuals and copyrighted materials; food preparation and cooking methods; and other techniques and know-how concerning the operation of the Franchisor's business ("Confidential Information").

3. Therefore, any and all Confidential Information provided to Prospective Franchisees during in-person meetings with the Franchisor, as well as information that may be provided (in any format) to Prospective Franchisee by other means such as by personal meetings, conversations, mail, fax or electronic transmissions, shall be deemed to be Confidential Information for purposes of this Agreement.

4. The Confidential Information that is disclosed to Prospective Franchisees is being provided solely on the condition that the Prospective Franchisee(s) agree herein that he/she shall hold in strict confidence all Confidential Information and all other information provided them by the Franchisor. Unless the Franchisor otherwise agrees in writing, the Prospective Franchisee will not to disclose any such information even after said person(s) cease to be considered a Prospective Franchisee; and, the Prospective Franchisee will not use any such information for the purpose of operating or owning a business that is considered to be in competition with Body Energy Club stores.

5. Except as otherwise approved in writing by the Franchisor, the prospective Franchisee shall not for himself/herself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, lend money to, extend credit to, have controlling interest in, or be employed as an officer, director, executive, or principal of any retail vitamin and nutritional supplement store, except as stipulated in Item 8 below.

6. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Franchisor is a party, the Prospective Franchisee expressly agree to be bound by any

lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

7. The Prospective Franchisee is aware that a violation of this Agreement will cause the Franchisor irreparable harm; and therefore acknowledges and agrees that the Franchisor may apply for the issuance of an injunction preventing the Prospective Franchisee from violating this Agreement. In addition, the prospective Franchisee hereby agrees to pay Franchisor all costs it incurs, including, without limitation, legal fees and expenses, if this Agreement is enforced.

8. Notwithstanding anything stated herein, this Agreement shall not restrict the Prospective Franchisee from purchasing a franchise from other companies operating retail vitamin and nutritional supplement stores; provided, however, that Prospective Franchisee does not in any manner use the information learned while discussing the Franchise opportunity with Franchisor.

9. This Agreement shall be construed under the laws of North Carolina. The only way this Agreement can be changed is in writing signed by both the Franchisor and the Prospective Franchisee.

ACKNOWLEDGED

PROSPECTIVE FRANCHISEE

Signature: _____

Date: _____

Name: _____

EXHIBIT G

STATE-SPECIFIC DISCLOSURES

We may register our franchise offering in some or all of the states listed on the State Effective Dates page at the front of this disclosure document. As a condition of registering our franchise offering in certain states, we are required to provide you with additional information and, in some states, to amend our Franchise Agreement (See Exhibit H). If we have elected to register in any of those states, the required disclosures and amendments are set out in the following pages, in alphabetical order by state.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF CALIFORNIA**

1. 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.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

See the cover page of the disclosure document for our URL address. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF ~~BUSINESS—OVERSIGHT~~FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF ~~BUSINESS OVERSIGHT~~FINANCIAL PROTECTION AND INNOVATION AT WWW.DBODFPI.CA.GOV.

2. **Item 3, Additional Disclosure.** The following statement is added to Item 3:

Neither we nor any person listed in Item 2 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 parties from membership in such association or exchange.

3. **Item 5, Additional Disclosure.** The following statement is added to Item 5:

The California Department of ~~Business Oversight~~Financial Protection and Innovation has required that we defer the payment of the Initial Franchise Fee for each “Body Energy Club” Store until the Store opens for business. Upon the opening of the “Body Energy Club” Store, you must pay to us the Initial Franchise Fee for that Store.

4. **Item 6, Additional Disclosure.** The following statement is added to Item 6:

The maximum interest rate permitted in California as of the issuance date of this disclosure document is 10% per annum.

5. **Item 8, Additional Disclosure.** The following statement is added to Item 8:

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 the prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

6. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of the Franchise. If the franchise agreements contain a provision that is inconsistent with the law, the law will control.

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The franchise agreements contain a covenant not to compete that extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The franchise agreements contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must sign a general release when you execute the Franchise Agreement and if you transfer your franchise rights or execute a successor franchise agreement. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

EXHIBIT H

STATE-SPECIFIC AGREEMENT AMENDMENTS

ADDENDUM TO THE BODY ENERGY CLUB FRANCHISE AGREEMENT
FRANCHISE AGREEMENT
REQUIRED FOR CALIFORNIA FRANCHISEES

This Addendum to the Body Energy Club Franchise Agreement dated _____ (“Franchise Agreement”) between Body Energy Group USA, LLC, a California limited liability company (“Franchisor,” “we,” “us,” or “our”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of California; (B) you are a resident of the State of California; and/or (C) the Franchised Business will be located and/or operated in the State of California.
2. Section 5.1 of the Franchise Agreement is hereby amended by the addition of the following:

Notwithstanding the foregoing, in the State of California, Franchisor will defer the payment of the Initial Franchise Fee until the Franchised Business opens for business. Upon the opening of the Franchised Business, Franchisee shall pay to Franchisor the Initial Franchise Fee. Franchisee’s failure to pay the Initial Franchise Fee when due shall be a breach of this Agreement.
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
4. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and Franchisee satisfy all of the jurisdictional requirements of the California Franchise Investment Law, without considering this Addendum. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the day and year first above written.

FRANCHISOR:

BODY ENERGY GROUP USA, LLC
a California limited liability company

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

FRANCHISEE:

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

EXHIBIT I

FRANCHISE COMPLIANCE CERTIFICATION

**BODY ENERGY GROUP USA LLC
FRANCHISEE COMPLIANCE CERTIFICATION**

As you know, you and Body Energy Group USA LLC (the “**Franchisor**” or “**we**” or “**our**” (as the case may be) are preparing to enter into a Franchise Agreement for the establishment and operation of a “Body Energy Club” franchised business. The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

a. _____, ~~201~~20 The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a “Body Energy Club” franchised business.
Initials _____

b. _____, ~~201~~20 The date on which I received Franchisor’s Franchise Disclosure Document (“**FDD**”).
Initials _____

c. _____, ~~201~~20 The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.
Initials _____

d. _____, ~~201~~20 The date on which I signed the Franchise Agreement.
Initials _____

2. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Do you understand that the Franchise Agreement contains a number of provisions that may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes _____ No _____

5. Have you received and personally reviewed the FDD that we gave to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

8. Did you discuss the benefits and risks of establishing and operating a “Body Energy Club” franchised business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your "Body Energy Club" franchised business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
- Yes _____ No _____
10. Has anyone speaking on our behalf made any statement or promise to you concerning the revenues, profits or operating costs of a "Body Energy Club" franchised business operated by us or by our Franchisees that is different from the information contained in the FDD?
- Yes _____ No _____
11. Has anyone speaking on our behalf made any statement or promise to you about how much amount of money you may earn in operating the franchised business that is different from the information contained in the FDD?
- Yes _____ No _____
12. Has anyone speaking on our behalf made any statement or promise concerning the total amount of revenue your "Body Energy Club" franchised business will generate that is different from the information contained in the FDD?
- Yes _____ No _____
13. Has anyone speaking on our behalf made any statement or promise regarding the costs you may incur in operating your "Body Energy Club" franchised business that is different from the information contained in the FDD?
- Yes _____ No _____
14. Has anyone speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a "Body Energy Club" franchised business?
- Yes _____ No _____
15. Has anyone speaking on our behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance we will provide to you (for example, concerning advertising, marketing, training, and support) that is different from the information contained in the FDD?
- Yes _____ No _____
16. Before today, did you enter into any binding agreement with us concerning the purchase of this franchise?
- Yes _____ No _____

17. Before today, have you paid us any money concerning the purchase of this franchise before today?

Yes _____ No _____

18. If you have answered "Yes" to any of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.)

If you have answered "no" to each of questions 10-17, please leave the following lines blank.

19. Do you understand that the Franchise Agreement and the personal guarantee provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes _____ No _____

20. Do you understand that the Franchise Agreement and the personal guarantee each include a waiver of jury trials?

Yes _____ No _____

21. Do you understand that the Franchise Agreement and the personal guarantee includes a statement that claims need to be brought within one year after they arise or they may no longer be brought after that time?

Yes _____ No _____

23. I spoke with the following persons from the Franchisor, its affiliates, and independent brokers about buying a "Body Energy Club" franchise:

24. I signed the Franchise Agreement and Addenda (if any) on _____, ~~2018~~2020, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Certification, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

Signed _____

Printed Name _____

_____, ~~2018~~²⁰²⁰
Date _____

EXHIBIT J
GENERAL RELEASE

GENERAL RELEASE LANGUAGE

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the form of this release.

THIS GENERAL RELEASE (the “**Release**”) is made and entered into on this __ day of _____, ~~201~~20 (the “**Effective Date**”), by and between:

• Body Energy Group USA LLC a California limited liability company (“**Franchisor**”);
and

• _____
a [resident of] [corporation organized in] [limited liability company organized in] _____
[(“**Franchisee**”)] [(“**Transferor**”)].

BACKGROUND:

A. Franchisor and Franchisee are party to a Franchise Agreement dated _____ (the “**Franchise Agreement**”);

B. Franchisor and Franchisee have agreed, pursuant to the Franchise Agreement, [to renew or extend Franchisee’s rights under the Franchise Agreement (the “**Renewal Transaction**”)] [to permit a transfer or assignment of _____ pursuant to Section 15 of the Franchise Agreement (the “**Transfer Transaction**”)], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. [Franchisee] [Transferor], its officers and directors and Principals, and their respective agents, heirs, administrators, successors and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors and assigns (the “**Franchisor Group**”) from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership or operation of the Franchised Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’ and expert witness fees, costs of investigation and proof of facts, court costs and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating

to the Franchise Agreement or the Franchised Business. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

2. General Terms.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and shall neither amend nor modify the terms hereof.

2.5. The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in California, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. This Release shall be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the laws of the State of California shall prevail (without regard to, and without giving effect to, the application of California conflict of law rules).

2.6. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. This includes the waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor"). No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Body Energy Group USA LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

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:

<u>State</u>	<u>Effective Date</u>
<u>California</u>	<u>Pending</u>
<u>Hawaii</u>	<u>Not Filed</u>
<u>Illinois</u>	<u>Not Filed</u>
<u>Indiana</u>	<u>Not Filed</u>
<u>Maryland</u>	<u>Not Filed</u>
<u>Michigan</u>	<u>Not Filed</u>
<u>Minnesota</u>	<u>Not Filed</u>
<u>New York</u>	<u>Not Filed</u>
<u>North Dakota</u>	<u>Not Filed</u>
<u>Rhode Island</u>	<u>Not Filed</u>
<u>South Dakota</u>	<u>Not Filed</u>
<u>Virginia</u>	<u>Not Filed</u>
<u>Washington</u>	<u>Not Filed</u>
<u>Wisconsin</u>	<u>Not Filed</u>

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.

ITEM 23 • RECEIPT

(Exhibit K)

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Body Energy Group USA LLC offers you a franchise, Body Energy Group USA LLC must provide this document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **New York** requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. **Iowa** requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. **Michigan** requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Body Energy Group USA LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit C.

The franchise seller is Oscar Rodriguez at ~~2775 Rinconia Drive~~ 6253 Hollywood Blvd, Suite 901, Los Angeles, California ~~90068~~ 90028, tel. 323-621-9335. Any additional individual franchise sellers involved in offering the franchise are:

The issuance date of this Franchise Disclosure Document is ~~May 29, 2018~~ April 26, 2021.

We authorize the agents listed in Exhibit C to receive service of process for us.

I have received a Franchise Disclosure Document dated ~~May 29, 2018~~ April 26, 2021, and with effective dates of state registration as listed on the State Effective Dates Page. This Disclosure Document included the following Exhibits:

- | | | | |
|---|---|---|--|
| A | Franchise Agreement and Related Exhibits | F | Confidentiality and Non-Disclosure Agreement |
| B | List of Administrators | G | State-specific Disclosures |
| C | Agents for Service of Process | H | State-specific Agreement Amendments |
| D | List of Current <u>Franchised Locations</u> and Former Body Energy Group USA LLC Franchisees | I | Franchise Compliance Certification |
| E | Financial Statements | J | General Release |
| | | K | Receipts (2 copies) |

Date Received

Prospective Franchisee

Name (Please print)

Address

ITEM 23 • RECEIPT

(Exhibit K)

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| E | Financial Statements | J | General Release |
| | | K | Receipts (2 copies) |

Date Received

Prospective Franchisee

Name (Please print)

Address

EXHIBIT B
LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight Financial Protection and Innovation Department of Business Oversight Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	NEW YORK Office of the New York State Attorney General Department of Law Investor Protection Bureau Franchise Section 120 Broadway, 23rd 28 Liberty Street, 21st Floor New York, NY 10271-0332 New York 10005 (212) 416- 8236 Phone (212) 416-6042 Fax 8285
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 205 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Department of Business Regulation Securities Division Bldg. Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Securities Regulation 124 South Euclid Avenue, Suite 104 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Consumer Protection Div. Corporate Oversight Division , Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 373-7417 335-7567	WASHINGTON Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, S.W. Southwest Tumwater, Washington 98501 (360) 902-8760

MINNESOTA~~Commissioner of Commerce~~~~Minnesota~~ Department of Commerce, ~~Securities Unit~~85 7th Place East, Suite 280

St. Paul, Minnesota 55101

(651) 539-~~1500~~ 1600**WISCONSIN**~~Office of the Commissioner~~ Division of
Securities~~201 W. Washington Ave., Suite 300~~4822 Madison, WI 53703 Yards Way, North
TowerMadison, Wisconsin 53705(608) ~~261-9555~~ 266-2139

EXHIBIT C
AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Business Oversight Financial Protection and Innovation Department of Business Oversight Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	NEW YORK New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, NY New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 205 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, Suite 104 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Consumer Protection Div. Corporate Oversight Division , Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48913 (517) 373-7447 335-7567	WASHINGTON Director of Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, S.W. Southwest Tumwater, Washington 98501 (360) 902-8760

MINNESOTA

Commissioner of Commerce

[Minnesota Department of Commerce](#)85 7th Place East, Suite 280

St. Paul, Minnesota 55101

(651) 539-~~1500~~ [1600](#)**WISCONSIN**~~Commissioner~~ [Division](#) of Securities~~201 W. Washington Ave., Suite 300~~[4822](#) Madison, ~~WI 53703~~ [Yards Way, North Tower](#)[Madison, Wisconsin 53705](#)(608) ~~261-9555~~ [266-2139](#)

EXHIBIT D

LIST OF CURRENT FRANCHISED LOCATIONS AND FORMER ~~BODY ENERGY GROUP~~
~~USA LLC~~ FRANCHISEES

Body Energy Club ~~Franchisees~~ Franchised Locations and Former Franchisees
(as of the date of this Disclosure Document)

~~Franchisees~~

~~None.~~
Franchised Locations

<u>Entity Name</u>	<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Telephone Number</u>
<u>Kingtide North Inc.</u>	<u>6318 Hollywood Blvd.</u>	<u>Los Angeles</u>	<u>California</u>	<u>90028</u>	<u>(323) 798-4804</u>

Former Franchisees

Note: If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None.

EXHIBIT E

BODY ENERGY GROUP USA LLC'S FINANCIAL STATEMENTS

**AUDITED FINANCIAL STATEMENTS AS OF ~~MAY 29~~DECEMBER 31, 2020, DECEMBER 31,
2019 AND DECEMBER 31, 2018**

BODY ENERGY GROUP USA LLC

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

BODY ENERGY GROUP USA LLC

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Body Energy Group USA LLC
Los Angeles, CA

Opinion

We have audited the accompanying financial statements of Body Energy Group USA LLC (a California limited liability company), which comprise the balance sheet as of December 31, 2020, and the related statement of operations, statement of changes in members equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Body Energy Group USA LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Body Energy Group USA LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Body Energy Group USA LLC as of December 31, 2019 were audited by other auditors whose report dated February 17, 2020 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Body Energy Group USA LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

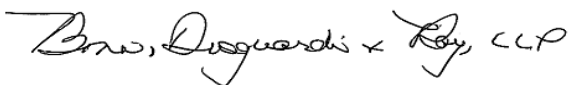
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Body Energy Group USA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Body Energy Group USA LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Rochester, New York
April 20, 2021

BODY ENERGY GROUP USA LLC

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash	\$ 179	\$ 5,342
Accounts receivables	<u>4,359</u>	<u>4,762</u>
Total Current Assets	<u>4,538</u>	<u>10,104</u>
Other assets		
Intangible assets (net)	<u>750</u>	<u>812</u>
Total Assets	<u>\$ 5,288</u>	<u>\$ 10,916</u>

	<u>2020</u>	<u>2019</u>
LIABILITIES & EQUITY		
Current liabilities		
Accrued expenses	\$ 3,260	\$ 27,600
Due to affiliate	<u>11,889</u>	<u>16,689</u>
Total liabilities	<u>15,149</u>	<u>44,289</u>
Members' Equity		
Members' equity (deficiency)	<u>(9,861)</u>	<u>(33,373)</u>
Total liabilities and equity	<u>\$ 5,288</u>	<u>\$ 10,916</u>

See accompanying notes and independent auditors' report.

BODY ENERGY GROUP USA LLC

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Royalties	\$ <u>64,700</u>	\$ <u>77,559</u>
Total revenue	<u>64,700</u>	<u>77,559</u>
Expenses		
Auto expenses	39	0
Bank charges	92	168
Management fees	34,000	0
Office expenses	22	58
Professional fees	<u>6,173</u>	<u>4,677</u>
Total expenses	<u>40,326</u>	<u>4,903</u>
Operating income	24,374	72,656
Other Expense		
Amortization	(62)	(62)
Franchise taxes	<u>(800)</u>	<u>(1,600)</u>
Net Income	\$ <u><u>23,512</u></u>	\$ <u><u>70,994</u></u>

See accompanying notes and independent auditors' report.

BODY ENERGY GROUP USA LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIENCY)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Members' equity (deficiency) at January 1, 2019	\$	(104,367)
Net income		<u>70,994</u>
Members' equity (deficiency) at December 31, 2019	\$	<u><u>(33,373)</u></u>
Members' equity (deficiency) at January 1, 2020	\$	(33,373)
Net income		<u>23,512</u>
Members' equity (deficiency) at December 31, 2020	\$	<u><u>(9,861)</u></u>

See accompanying notes and independent auditors' report.

BODY ENERGY GROUP USA LLC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net Income	\$ 23,512	\$ 70,994
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	62	62
Changes in assets and liabilities:		
Current assets	402	1,029
Current liabilities	<u>(29,140)</u>	<u>(69,757)</u>
Net cash provided (used) by operating activities	<u>(5,164)</u>	<u>2,328</u>
Net change in cash	(5,164)	2,328
Cash - beginning of year	<u>5,343</u>	<u>3,014</u>
Cash - end of year	\$ <u><u>179</u></u>	\$ <u><u>5,342</u></u>

Supplemental disclosures:

Income taxes paid	\$ <u><u>800</u></u>	\$ <u><u>1,600.00</u></u>
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See accompanying notes and independent auditors' report.

BODY ENERGY GROUP USA LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - Body Energy Group USA LLC (the Company) is a California Limited Liability Company, located in Los Angeles, California. It was established on May 21, 2018, to offer franchise opportunities to entrepreneurs who want to own and operate their own Body Energy operation as a franchise.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less.

Revenue Recognition - The Company derives its revenues from the sale of franchises, royalty fees and advertising fund fees. Franchise fees are recognized upon completion of all material conditions relating to the franchise agreement contract and control of the franchise is transferred to the franchisee. Continuing franchise royalty fees and advertising fund fees are based on a defined percentage of gross sales of the franchisee and are recognized when earned.

Accounts Receivable - Accounts receivable are franchisee obligations determined under a signed franchise agreement. Losses from uncollectible accounts receivable are accrued when it is probable that a receivable has been impaired; and the amount of the loss can be reasonably estimated. As of the date of these financial statements, management believes that neither of these conditions exists regarding accounts receivable and, as such, an allowance for doubtful accounts has not been established.

Intangible asset - Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, "Intangibles - Goodwill and Other," requires that intangible assets with finite lives are to be amortized over their useful lives and reviewed for impairment. The Company has determined that none of its recorded intangible assets have been impaired as of December 31, 2020.

Income Taxes - The Company has elected to be treated as a limited liability company for both federal and state income tax purposes. Under these provisions, the Company does not pay corporate income taxes on its taxable income. Instead, the member is liable for individual income taxes on the Company's taxable income.

The Company files income tax returns in the U.S. federal and California state jurisdictions. The Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2017.

Management Estimates - The presentation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent auditors' report.

BODY ENERGY GROUP USA LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Subsequent Events - In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 20, 2021, the date the financial statements were available to be issued. Specific events are identified in Note 6 to these financial statements.

NOTE 2: ADOPTION OF NEW ACCOUNTING STANDARD

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company sold no new franchises in 2020 or 2019, as such, no deferrals are recognized at December 31, 2020.

NOTE 3: FRANCHISE AGREEMENT

The terms of the Company’s franchise agreement will be as follows:

- a) The Company will grant the right to use the Company name, trademark and system in the franchisee’s franchise development business.
- b) The franchisee is obligated to pay a non-refundable initial franchise fee.
- c) The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

NOTE 4: INTANGIBLE ASSET

Intangible assets consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Organizational costs	\$ 925	\$ 925
Less: accumulated amortization	<u>(175)</u>	<u>(113)</u>
Organizational costs, net	<u>\$ 750</u>	<u>\$ 812</u>

See independent auditors’ report.

BODY ENERGY GROUP USA LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 4: INTANGIBLE ASSET – (CONTINUED)

Amortization expense for the years ended December 31, 2020 and 2019 was \$62, respectively.

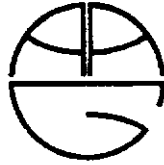
NOTE 5: CONCENTRATIONS OF CREDIT RISK

The Company's financial instruments and trade accounts receivable that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash in bank demand deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash. The Company also routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited. As of December 31, 2020, the Company's cash balances were fully insured.

NOTE 6: SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses and industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Company expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

See independent auditors' report.



A. ANDREW GIANIODIS

CERTIFIED PUBLIC ACCOUNTANT

BODY ENERGY GROUP USA, LLC

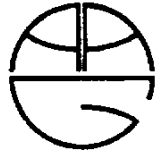
DECEMBER 31, 2019 AND 2018

FINANCIAL STATEMENTS

BODY ENERGY GROUP USA, LLC

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A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

February 17, 2020

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members of
Body Energy Group USA, LLC:

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Body Energy Group USA, LLC, which consist of a balance sheet as of December 31, 2019 and 2018 and the related statements of income, changes in stockholders' equity and cash flows for the year ending December 31, 2019 and four months ending December 31, 2018 and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Body Energy Group USA, LLC, as of December 31, 2019 and 2018 and the results of operations and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, appearing to read "A. Andrew Gianiodis CPA". The signature is fluid and cursive, with the "CPA" part written in a slightly more formal, blocky style at the end.

A. Andrew Gianiodis

Certified Public Accountant

Amherst, New York

Body Energy Group USA, LLC

Balance Sheet December 31, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 5,342	\$ 3,014
Accounts Receivable	4,762	5,791
Total Current Assets	<u>10,104</u>	<u>8,805</u>
Other Assets		
Organization costs, net of amortization	<u>812</u>	<u>874</u>
TOTAL ASSETS	<u>\$ 10,916</u>	<u>\$ 9,679</u>
LIABILITIES & EQUITY		
Current Liabilities		
Accounts Payable	\$ 27,600	\$ 96,691
Due to affiliates	16,689	17,355
Total Current Liabilities	<u>44,289</u>	<u>114,046</u>
Total Liabilities	<u>44,289</u>	<u>114,046</u>
Total Equity	<u>(33,373)</u>	<u>(104,367)</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 10,916</u>	<u>\$ 9,679</u>

See accompanying notes

Body Energy Group USA, LLC

Statement of Operations

Year ending December 31, 2019 and 4 months ending December 31, 2018

	2019	2018
Revenues		
Royalties	\$ 77,559	\$ 5,791
Other revenue	-	
Total revenue	<u>77,559</u>	<u>5,791</u>
Expenses		
Bank charges	168	
Management fee	-	94,800
Office	58	57
Professional fees	<u>4,677</u>	<u>15,250</u>
Total expenses	<u>4,903</u>	<u>110,107</u>
Operating Income/(Loss)	72,656	(104,316)
Income taxes	(1,600)	-
Amortization	<u>(62)</u>	<u>(51)</u>
Net Income/(Loss)	<u>\$ 70,994</u>	<u>\$ (104,367)</u>

See accompanying notes

Body Energy Group USA, LLC

Statement of Changes in Member's Equity Year ending December 31, 2019 and 4 months ending December 31, 2018

	Total Equity
Balance, September 1, 2018	\$ -
Capital Infusion	-
Net Loss	<u>(104,367)</u>
Balance, December 31, 2018	<u><u>\$ (104,367)</u></u>
Balance, January 1, 2019	\$ (104,367)
Capital Infusion	-
Net Income	<u>70,994</u>
Balance, December 31, 2019	<u><u>\$ (33,373)</u></u>

See accompanying notes

Body Energy Group USA, LLC

Statement of Cash Flows

Year ending December 31, 2019 and 4 months ending December 31, 2018

	2019	2018
Cash flows from operating activities:		
Net Income/(Loss)	<u>\$ 70,994</u>	<u>\$ (104,367)</u>
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation & amortization	62	51
Changes in assets and liabilities		
Current assets	1,029	(5,791)
Current liabilities	<u>(69,757)</u>	<u>114,046</u>
Net cash provided by operating activities	<u>2,328</u>	<u>3,939</u>
Cash flows from investing activities:		
Organization costs expenditure	<u>-</u>	<u>(925)</u>
Net cash provided by investing activities	<u>-</u>	<u>(925)</u>
Cash flows from financing activities:		
Capital infusion	-	-
Owner draws	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net change in cash	2,328	3,014
Cash - beginning of period	<u>3,014</u>	<u>-</u>
Cash - end of period	<u><u>\$ 5,342</u></u>	<u><u>\$ 3,014</u></u>
Supplemental Disclosures		
Interest Paid	-	-
Income Taxes Paid	1,600	-

See accompanying notes

BODY ENERGY GROUP USA, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Body Energy Group USA, LLC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

ORGANIZATION AND NATURE OF BUSINESS

The Company was founded under the laws of the State of California for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Body Energy Group operation, as a franchise.

BASIS OF PRESENTATION

The financial statements are presented on the accrual basis of accounting.

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, the Company considers unrestricted currency, demand deposits, money market accounts and all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

REVENUE RECOGNITION

The Company accounts for revenue using the accounting method prescribed under Accounting Standards Codification 606 ("ASC") Topic Franchisors.

Deferred revenue consists of fees paid to the Company when a franchise agreement is signed. This revenue is deferred until all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. In 2019, the Company recognized no franchise fees.

The Company similarly defers the related expenses specific to the franchise agreements, primarily sales commissions. Similarly, there are prepaid commissions relating to the deferred revenue.

Royalty fees will be charged on a monthly basis and are recorded as earned

BODY ENERGY GROUP USA, LLC
NOTES TO FINANCIAL STATEMENTS

COMPANY INCOME TAXES

The Company, with the consent of its stockholders, has elected to be a limited liability company. In lieu of income taxes at the business level, the members of a limited liability company is taxed based on its proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at December 31, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

NOTE 3 COMMITMENTS AND CONTINGENCIES

The Company does not carry general liability or worker's compensation coverage, nor is it self-insured.

BODY ENERGY GROUP USA, LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 4 FRANCHISE AGREEMENT

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

NOTE 5 SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 18, 2020, the date that the financial statements were available to be issued.

EXHIBIT F

FORM OF CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

Given the confidential nature of the information to be provided to persons interested in purchasing Body Energy Club franchises ("Prospective Franchisee") during their evaluation of the Body Energy Club franchise opportunity ("Body Energy Club Franchises"), Body Energy Group USA LLC (the "Franchisor") requires that, should the Prospective Franchisee not purchase a Body Energy Club Franchise, the Prospective Franchisee may not use any of the information provided by Franchisor during the Prospective Franchisee's evaluation of Franchisor's business, for any purpose whatsoever. Therefore, Franchisor requires Prospective Franchisees interested in learning about the operation of a Body Energy Club Franchise to execute this Confidentiality & Nondisclosure Agreement.

Now, Therefore:

1. It is understood that the Franchisor is offering for sale Body Energy Club Franchises for operating Body Energy Club stores. As such, Prospective Franchisees will be provided confidential information regarding the development and operation of Body Energy Club stores.

2. It is further understood that the Franchisor has invested significant money to develop certain proprietary and confidential systems and trade secrets relating to the operation of a Body Energy Club store, which include, without limitation, proprietary recipes and other standards and specifications relating to the sale of vitamins, health food products and nutritional supplements and the build-out of a Body Energy Club store; as well as information about proprietary merchandise, proprietary software Franchisor may now or in the future create; the Franchisor's confidential operations manuals and copyrighted materials; food preparation and cooking methods; and other techniques and know-how concerning the operation of the Franchisor's business ("Confidential Information").

3. Therefore, any and all Confidential Information provided to Prospective Franchisees during in-person meetings with the Franchisor, as well as information that may be provided (in any format) to Prospective Franchisee by other means such as by personal meetings, conversations, mail, fax or electronic transmissions, shall be deemed to be Confidential Information for purposes of this Agreement.

4. The Confidential Information that is disclosed to Prospective Franchisees is being provided solely on the condition that the Prospective Franchisee(s) agree herein that he/she shall hold in strict confidence all Confidential Information and all other information provided them by the Franchisor. Unless the Franchisor otherwise agrees in writing, the Prospective Franchisee will not to disclose any such information even after said person(s) cease to be considered a Prospective Franchisee; and, the Prospective Franchisee will not use any such information for the purpose of operating or owning a business that is considered to be in competition with Body Energy Club stores.

5. Except as otherwise approved in writing by the Franchisor, the prospective Franchisee shall not for himself/herself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, lend money to, extend credit to, have controlling interest in, or be employed as an officer, director, executive, or principal of any retail vitamin and nutritional supplement store, except as stipulated in Item 8 below.

6. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Franchisor is a party, the Prospective Franchisee expressly agree to be bound by any

lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

7. The Prospective Franchisee is aware that a violation of this Agreement will cause the Franchisor irreparable harm; and therefore acknowledges and agrees that the Franchisor may apply for the issuance of an injunction preventing the Prospective Franchisee from violating this Agreement. In addition, the prospective Franchisee hereby agrees to pay Franchisor all costs it incurs, including, without limitation, legal fees and expenses, if this Agreement is enforced.

8. Notwithstanding anything stated herein, this Agreement shall not restrict the Prospective Franchisee from purchasing a franchise from other companies operating retail vitamin and nutritional supplement stores; provided, however, that Prospective Franchisee does not in any manner use the information learned while discussing the Franchise opportunity with Franchisor.

9. This Agreement shall be construed under the laws of North Carolina. The only way this Agreement can be changed is in writing signed by both the Franchisor and the Prospective Franchisee.

ACKNOWLEDGED

PROSPECTIVE FRANCHISEE

Signature: _____

Date: _____

Name: _____

EXHIBIT G

STATE-SPECIFIC DISCLOSURES

We may register our franchise offering in some or all of the states listed on the State Effective Dates page at the front of this disclosure document. As a condition of registering our franchise offering in certain states, we are required to provide you with additional information and, in some states, to amend our Franchise Agreement (See Exhibit H). If we have elected to register in any of those states, the required disclosures and amendments are set out in the following pages, in alphabetical order by state.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF CALIFORNIA**

1. 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.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

See the cover page of the disclosure document for our URL address. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF ~~BUSINESS—OVERSIGHT~~FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF ~~BUSINESS OVERSIGHT~~FINANCIAL PROTECTION AND INNOVATION AT WWW.DBODFPI.CA.GOV.

2. **Item 3, Additional Disclosure.** The following statement is added to Item 3:

Neither we nor any person listed in Item 2 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 parties from membership in such association or exchange.

3. **Item 5, Additional Disclosure.** The following statement is added to Item 5:

The California Department of ~~Business Oversight~~Financial Protection and Innovation has required that we defer the payment of the Initial Franchise Fee for each “Body Energy Club” Store until the Store opens for business. Upon the opening of the “Body Energy Club” Store, you must pay to us the Initial Franchise Fee for that Store.

4. **Item 6, Additional Disclosure.** The following statement is added to Item 6:

The maximum interest rate permitted in California as of the issuance date of this disclosure document is 10% per annum.

5. **Item 8, Additional Disclosure.** The following statement is added to Item 8:

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 the prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

6. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of the Franchise. If the franchise agreements contain a provision that is inconsistent with the law, the law will control.

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The franchise agreements contain a covenant not to compete that extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The franchise agreements contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

You must sign a general release when you execute the Franchise Agreement and if you transfer your franchise rights or execute a successor franchise agreement. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

EXHIBIT H

STATE-SPECIFIC AGREEMENT AMENDMENTS

ADDENDUM TO THE BODY ENERGY CLUB FRANCHISE AGREEMENT
FRANCHISE AGREEMENT
REQUIRED FOR CALIFORNIA FRANCHISEES

This Addendum to the Body Energy Club Franchise Agreement dated _____ (“Franchise Agreement”) between Body Energy Group USA, LLC, a California limited liability company (“Franchisor,” “we,” “us,” or “our”) and _____ (“Franchisee,” “you,” or “your”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of California; (B) you are a resident of the State of California; and/or (C) the Franchised Business will be located and/or operated in the State of California.
2. Section 5.1 of the Franchise Agreement is hereby amended by the addition of the following:

Notwithstanding the foregoing, in the State of California, Franchisor will defer the payment of the Initial Franchise Fee until the Franchised Business opens for business. Upon the opening of the Franchised Business, Franchisee shall pay to Franchisor the Initial Franchise Fee. Franchisee’s failure to pay the Initial Franchise Fee when due shall be a breach of this Agreement.
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
4. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and Franchisee satisfy all of the jurisdictional requirements of the California Franchise Investment Law, without considering this Addendum. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Addendum as of the day and year first above written.

FRANCHISOR:

BODY ENERGY GROUP USA, LLC
a California limited liability company

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT I

FRANCHISE COMPLIANCE CERTIFICATION

**BODY ENERGY GROUP USA LLC
FRANCHISEE COMPLIANCE CERTIFICATION**

As you know, you and Body Energy Group USA LLC (the “**Franchisor**” or “**we**” or “**our**” (as the case may be) are preparing to enter into a Franchise Agreement for the establishment and operation of a “Body Energy Club” franchised business. The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

a. _____, ~~201~~20 The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a “Body Energy Club” franchised business.
Initials _____

b. _____, ~~201~~20 The date on which I received Franchisor’s Franchise Disclosure Document (“**FDD**”).
Initials _____

c. _____, ~~201~~20 The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.
Initials _____

d. _____, ~~201~~20 The date on which I signed the Franchise Agreement.
Initials _____

2. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Do you understand that the Franchise Agreement contains a number of provisions that may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes _____ No _____

5. Have you received and personally reviewed the FDD that we gave to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

8. Did you discuss the benefits and risks of establishing and operating a “Body Energy Club” franchised business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your "Body Energy Club" franchised business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
- Yes _____ No _____
10. Has anyone speaking on our behalf made any statement or promise to you concerning the revenues, profits or operating costs of a "Body Energy Club" franchised business operated by us or by our Franchisees that is different from the information contained in the FDD?
- Yes _____ No _____
11. Has anyone speaking on our behalf made any statement or promise to you about how much amount of money you may earn in operating the franchised business that is different from the information contained in the FDD?
- Yes _____ No _____
12. Has anyone speaking on our behalf made any statement or promise concerning the total amount of revenue your "Body Energy Club" franchised business will generate that is different from the information contained in the FDD?
- Yes _____ No _____
13. Has anyone speaking on our behalf made any statement or promise regarding the costs you may incur in operating your "Body Energy Club" franchised business that is different from the information contained in the FDD?
- Yes _____ No _____
14. Has anyone speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a "Body Energy Club" franchised business?
- Yes _____ No _____
15. Has anyone speaking on our behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance we will provide to you (for example, concerning advertising, marketing, training, and support) that is different from the information contained in the FDD?
- Yes _____ No _____
16. Before today, did you enter into any binding agreement with us concerning the purchase of this franchise?
- Yes _____ No _____

17. Before today, have you paid us any money concerning the purchase of this franchise before today?

Yes _____ No _____

18. If you have answered "Yes" to any of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.)

If you have answered "no" to each of questions 10-17, please leave the following lines blank.

19. Do you understand that the Franchise Agreement and the personal guarantee provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes _____ No _____

20. Do you understand that the Franchise Agreement and the personal guarantee each include a waiver of jury trials?

Yes _____ No _____

21. Do you understand that the Franchise Agreement and the personal guarantee includes a statement that claims need to be brought within one year after they arise or they may no longer be brought after that time?

Yes _____ No _____

23. I spoke with the following persons from the Franchisor, its affiliates, and independent brokers about buying a "Body Energy Club" franchise:

24. I signed the Franchise Agreement and Addenda (if any) on _____, ~~201~~²⁰____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Certification, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

Signed

Printed Name

_____, ~~201~~²⁰_____
Date

EXHIBIT J
GENERAL RELEASE

GENERAL RELEASE LANGUAGE

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the form of this release.

THIS GENERAL RELEASE (the “**Release**”) is made and entered into on this __ day of _____, ~~201~~20 (the “**Effective Date**”), by and between:

• Body Energy Group USA LLC a California limited liability company (“**Franchisor**”);
and

• _____
a [resident of] [corporation organized in] [limited liability company organized in] _____
[(“**Franchisee**”)] [(“**Transferor**”)].

BACKGROUND:

A. Franchisor and Franchisee are party to a Franchise Agreement dated _____
(the “**Franchise Agreement**”);

B. Franchisor and Franchisee have agreed, pursuant to the Franchise Agreement, [to renew or extend Franchisee’s rights under the Franchise Agreement (the “**Renewal Transaction**”)] [to permit a transfer or assignment of _____ pursuant to Section 15 of the Franchise Agreement (the “**Transfer Transaction**”)], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. [Franchisee] [Transferor], its officers and directors and Principals, and their respective agents, heirs, administrators, successors and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors and assigns (the “**Franchisor Group**”) from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership or operation of the Franchised Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’ and expert witness fees, costs of investigation and proof of facts, court costs and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating

to the Franchise Agreement or the Franchised Business. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

2. General Terms.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and shall neither amend nor modify the terms hereof.

2.5. The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in California, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. This Release shall be interpreted and construed under the laws of the State of California. In the event of any conflict of law, the laws of the State of California shall prevail (without regard to, and without giving effect to, the application of California conflict of law rules).

2.6. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. This includes the waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor"). No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Body Energy Group USA LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

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:

<u>State</u>	<u>Effective Date</u>
<u>California</u>	<u>Pending</u>
<u>Hawaii</u>	<u>Not Filed</u>
<u>Illinois</u>	<u>Not Filed</u>
<u>Indiana</u>	<u>Not Filed</u>
<u>Maryland</u>	<u>Not Filed</u>
<u>Michigan</u>	<u>Not Filed</u>
<u>Minnesota</u>	<u>Not Filed</u>
<u>New York</u>	<u>Not Filed</u>
<u>North Dakota</u>	<u>Not Filed</u>
<u>Rhode Island</u>	<u>Not Filed</u>
<u>South Dakota</u>	<u>Not Filed</u>
<u>Virginia</u>	<u>Not Filed</u>
<u>Washington</u>	<u>Not Filed</u>
<u>Wisconsin</u>	<u>Not Filed</u>

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.

ITEM 23 • RECEIPT

(Exhibit K)

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Body Energy Group USA LLC offers you a franchise, Body Energy Group USA LLC must provide this document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **New York** requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. **Iowa** requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. **Michigan** requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Body Energy Group USA LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit C.

The franchise seller ~~is~~ are Dominick Tousignant and Oscar Rodriguez at ~~2775 Rinconia Drive~~ 6253 Hollywood Blvd, Suite 901, Los Angeles, California ~~90068~~ 90028, tel. 323-621-9335. Any additional individual franchise sellers involved in offering the franchise are:

The issuance date of this Franchise Disclosure Document is ~~May 29, 2018~~ April 26, 2021.

We authorize the agents listed in Exhibit C to receive service of process for us.

I have received a Franchise Disclosure Document dated ~~May 29, 2018~~ April 26, 2021, and with effective dates of state registration as listed on the State Effective Dates Page. This Disclosure Document included the following Exhibits:

- | | | | |
|---|---|---|--|
| A | Franchise Agreement and Related Exhibits | F | Confidentiality and Non-Disclosure Agreement |
| B | List of Administrators | G | State-specific Disclosures |
| C | Agents for Service of Process | H | State-specific Agreement Amendments |
| D | List of Current <u>Franchised Locations</u> and Former Body Energy Group USA LLC Franchisees | I | Franchise Compliance Certification |
| E | Financial Statements | J | General Release |
| | | K | Receipts (2 copies) |

Date Received

Prospective Franchisee

Name (Please print)

Address

ITEM 23 • RECEIPT

(Exhibit K)

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Date Received

Prospective Franchisee

Name (Please print)

Address