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20 **UNITED STATES DISTRICT COURT**  
21 **CENTRAL DISTRICT OF CALIFORNIA**

22 FEDERAL TRADE COMMISSION,

23 Plaintiff,

24 v.

25 XPONENTIAL FITNESS, INC.,  
26 a corporation;

27 XPONENTIAL FITNESS LLC,  
28 a limited liability company;

XPOF ASSETCO, LLC,  
a limited liability company;

Case No. 8:26-CV-00610

**COMPLAINT FOR  
PERMANENT INJUNCTION,  
MONETARY JUDGMENT, AND  
OTHER RELIEF**

1 AKT FRANCHISE, LLC,  
2 a limited liability company;  
3  
4 AKT FRANCHISE SPV, LLC,  
5 a limited liability company;  
6  
7 CYCLEBAR FRANCHISING, LLC,  
8 a limited liability company;  
9  
10 CYCLEBAR FRANCHISING SPV, LLC,  
11 a limited liability company;  
12  
13 PB FRANCHISING, LLC,  
14 a limited liability company;  
15  
16 PB FRANCHISING SPV, LLC,  
17 a limited liability company;  
18  
19 YOGA SIX FRANCHISE, LLC,  
20 a limited liability company; and  
21  
22 YOGA SIX FRANCHISE SPV, LLC,  
23 a limited liability company,  
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Defendants.

Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

1. The FTC brings this action for Defendants’ violations of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), and the FTC’s Trade Regulation Rule entitled “Disclosure Requirements and Prohibitions Concerning Franchising,” as amended (the “Franchise Rule”), 16 C.F.R. Part 436. For these violations, the FTC seeks relief, including a permanent injunction, monetary relief, and other relief, pursuant

1 to Sections 13(b) and 19 of the FTC Act, 15 U.S.C. §§ 53(b), 57b, and the  
2 Franchise Rule, 16 C.F.R. Part 436.

3 **SUMMARY OF THE CASE**

4 2. Since 2017, Defendants have sold fitness studio franchise  
5 opportunities to prospective franchisees throughout the United States and have  
6 grown to become one of the largest global franchisors in the boutique fitness  
7 market. Defendants have offered franchises for at least ten well-known boutique  
8 fitness brands, including Club Pilates, Pure Barre, YogaSix, StretchLab, and BFT.  
9 Defendants have claimed to be “the largest boutique fitness franchisor in the  
10 United States.” Indeed, Defendants have sold thousands of licenses globally and  
11 have approximately 2,500 studios currently operating in the U.S. With an average  
12 initial fee of \$45,000—not to mention the tens of thousands of dollars required to  
13 build out and operate the studio—consumers who purchase a franchise from  
14 Defendants take on significant financial risk.

15 3. But in marketing franchises, Defendants have misrepresented or failed  
16 to provide key information that directly relates to the cost and risk of opening and  
17 operating a fitness studio franchised by Defendants. Defendants’  
18 misrepresentations have included how long it typically took for franchisee studios  
19 to open, bearing on when franchisees could expect to begin generating recurring  
20 revenue to offset the significant costs of opening and operating a studio.

21 4. In a franchise business model, franchisees operate a business under  
22 the franchisor’s trademark. Defendants have marketed their franchise  
23 opportunities as a business with “a playbook in place” and a “recipe” for success,  
24 promising substantial franchisor support. This business model appeals to  
25 individuals who want to own their own business and either have little or no prior  
26 experience running a company or do not wish to create a business model of their  
27 own. Thus, the truthfulness of the Defendants’ representations about their  
28

1 franchise opportunities is vital as franchisees rely on these representations to enter  
2 long-term contracts and invest hundreds of thousands of dollars in their franchise,  
3 with many incurring significant debt in the process.

4 5. Promulgated in 1978, and amended in 2007, the Federal Trade  
5 Commission’s Franchise Rule governs the disclosure responsibilities of franchisors  
6 like Defendants. The Franchise Rule is a presale disclosure rule requiring a  
7 franchisor to provide to prospective franchisees a Franchise Disclosure Document  
8 (“FDD”) at least 14 days before the franchisee makes a required payment or signs  
9 a binding contract. The FDD must provide 23 items of material information,  
10 including information about the franchisor’s executives, the franchisor’s litigation  
11 and bankruptcy history, and how long it takes for franchises to get off the ground.  
12 Because of the scale of the investment required to own and operate a franchise, the  
13 Franchise Rule aims to protect consumers who seek to purchase a franchise by  
14 requiring that franchisors selling these opportunities provide clear and accurate  
15 information about the franchise. This information is critical for consumers to  
16 evaluate the costs and risks of any such opportunity, and to compare alternative  
17 offerings.

18 6. Defendants, nevertheless, have in numerous instances misrepresented  
19 or failed to provide the required information, leaving prospective franchisees in the  
20 dark about information important to evaluating the costs and risks of Defendants’  
21 franchise opportunities and deciding whether to invest in any such opportunity.

22 7. For example, the Franchise Rule requires Defendants to provide  
23 consumers with the “typical length of time between the earlier of the signing of the  
24 franchise agreement or the first payment of consideration for the franchise and the  
25 opening of the franchisee’s business.” Defendants have represented to consumers  
26 that franchisees typically get their franchise studios up and running, with buildout  
27 complete, within six months of signing the franchise agreement. But these  
28

1 representations are false. As Defendants are aware and have represented to  
2 investors in SEC filings, their franchisees have typically taken more than a year  
3 after the signing of the franchise agreement to open their studios, if they opened at  
4 all.

5 8. Additionally, in their FDDs, Defendants have failed to disclose to  
6 prospective franchisees that their founder, Anthony Geisler, was involved in their  
7 franchisors' businesses as either an officer or a manager with responsibility  
8 relating to the sale or operation of the offered franchises—and that he was involved  
9 in litigation that Defendants were required to disclose under the Franchise Rule.  
10 They have further misrepresented the extent to which franchisors, and their parents  
11 or affiliates who guarantee their performance, were involved in certain litigations  
12 and arbitrations. Defendants have also misrepresented that no officers or managers  
13 had reportable bankruptcies.

14 9. Defendants have, in many instances, also omitted the names of  
15 franchisees who had a studio that ceased to do business, or was terminated,  
16 cancelled, or not renewed, during the previous year, as required by the Franchise  
17 Rule. And even when Defendants have disclosed the names of those franchisees,  
18 in numerous instances, Defendants have disclosed outdated contact information.  
19 As a result, Defendants have thwarted prospective franchisees' ability to assess  
20 studio turnover rates and obtain unvarnished experiences from prior purchasers.

21 10. Finally, in many instances, Defendants have failed to provide the  
22 FDDs to prospective franchisees at least 14 days before the consumer signed the  
23 franchise agreement, as required by the Franchise Rule, thereby denying  
24 consumers the opportunity to meaningfully review crucial information before  
25 paying the substantial initial franchisee fee, averaging \$45,000 per studio, and  
26 entering into a 10-year franchise agreement.

1 11. Defendants’ misrepresentations of critical information have induced  
2 prospective franchisees to pay Defendants tens of millions of dollars for the  
3 opportunity to open, or take over operations of, one or more franchised fitness  
4 studios. Because Defendants systematically understated the time needed to open  
5 franchised studios, franchisees have incurred substantial unanticipated additional  
6 costs during the time the studios remained unopened and not generating recurring  
7 revenue.

8 **JURISDICTION AND VENUE**

9 12. This Court has subject matter jurisdiction pursuant to 28 U.S.C.  
10 §§ 1331, 1337(a), and 1345.

11 13. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2),  
12 (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b).

13 **PLAINTIFF**

14 14. The FTC is an agency of the United States Government created by the  
15 FTC Act, which authorizes the FTC to commence this district court civil action by  
16 its own attorneys. 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the FTC  
17 Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or  
18 affecting commerce. The FTC also enforces the Franchise Rule, 16 C.F.R. Part  
19 436, which is a presale disclosure rule requiring a franchisor to provide a  
20 franchisee with an FDD before the franchisee makes a required payment or signs a  
21 binding contract.

22 **DEFENDANTS**

23 15. Defendant Xponential Fitness, Inc. (“XPOF”) is a Delaware  
24 corporation with its principal place of business at 17877 Von Karman Avenue,  
25 Suite 100, Irvine, California 92614 (“Xponential Corporate Offices”). XPOF owns  
26 a controlling interest in and in fact controls Xponential Fitness LLC (“XPO LLC”),  
27 which is the principal operating subsidiary of XPOF. XPOF has been the ultimate  
28

1 parent company of and has operated more than ten franchised Xponential Brands,  
2 including: (1) Club Pilates, the largest Pilates brand in the U.S.; (2) CycleBar, the  
3 largest indoor cycling brand in the U.S.; (3) StretchLab, a concept providing  
4 individual and group stretching services; (4) Row House, the largest franchised  
5 indoor rowing brand in the U.S.; (5) AKT, a dance-centric cardio workout provider  
6 which combines toning, interval, and circuit training; (6) Yoga Six, the largest  
7 franchised yoga brand in the U.S.; (7) Pure Barre, a total body workout using a  
8 ballet barre to perform small isometric movements, and the largest barre brand in  
9 the U.S.; (8) Stride, a treadmill-based cardio and strength training concept offering;  
10 (9) Rumble, a boxing-inspired full-body workout; and (10) Body Fit Training, a  
11 functional training and strength-based program (hereinafter collectively the  
12 “Xponential Brands”). XPOF transacts or has transacted business in this District  
13 and throughout the United States. At all times relevant to this Complaint, acting  
14 alone or in concert with others, XPOF has advertised, marketed, distributed, or  
15 sold franchise opportunities to consumers throughout the United States.

16 16. Defendant Xponential Fitness LLC (“XPO LLC”) is a Delaware  
17 limited liability company, with its principal place of business at the Xponential  
18 Corporate Offices. XPO LLC is the principal operating subsidiary of XPOF and is  
19 controlled by XPOF. At all times relevant to this Complaint, XPO LLC has  
20 controlled, directly or through intermediaries, franchisors of the Xponential  
21 Brands. XPO LLC has marketed and sold franchises for the Xponential Brands,  
22 and XPO LLC officers and employees have participated in the preparation of  
23 FDDs for the Xponential Brands. XPO LLC transacts or has transacted business in  
24 this District and throughout the United States. At all times relevant to this  
25 Complaint, acting alone or in concert with others, XPO LLC has advertised,  
26 marketed, distributed, or sold franchise opportunities to consumers throughout the  
27 United States.

1 17. Defendant XPOF Assetco, LLC (“**Assetco**”) is a Delaware limited  
2 liability company with its principal place of business at the Xponential Corporate  
3 Offices. Assetco is a wholly owned subsidiary of XPO LLC, which is Assetco’s  
4 sole member. Assetco is the direct parent and sole member of each of the SPV  
5 Xponential Brands and guarantees the franchisors’ performance of their franchise  
6 registrations and franchise agreements. Assetco transacts or has transacted  
7 business in this District and throughout the United States. At times relevant to this  
8 Complaint, acting alone or in concert with others, Assetco has advertised,  
9 marketed, distributed, or sold franchise opportunities to consumers throughout the  
10 United States.

11 *Brand Franchisors*

12 18. From at least January 2020 through March 2023, XPO LLC was the  
13 direct parent of several franchisors of the Xponential Brands, which were all  
14 organized as limited liability companies (“**LLC Xponential Brands**”). Each of the  
15 LLC Xponential Brands issued annual FDDs, participated in marketing and selling  
16 franchise licenses, and entered into franchise agreements with consumers for each  
17 respective brand. In March 2023, pursuant to a corporate reorganization,  
18 Defendants created a new group of franchisors directly under, and wholly  
19 controlled by, Assetco to perform these functions. These franchisors were  
20 organized as special purpose vehicle LLCs (“**SPV Xponential Brands**”).

21 19. Defendants AKT Franchise, LLC; AKT Franchise SPV, LLC;  
22 CycleBar Franchising, LLC; CycleBar Franchising SPV, LLC; PB Franchising,  
23 LLC; PB Franchising SPV, LLC; Yoga Six Franchise, LLC; and Yoga Six  
24 Franchise SPV, LLC (collectively, the “**Brand Franchisors**”) are a subset of the  
25 franchisors of the Xponential Brands.

26 20. Defendant AKT Franchise, LLC (“**AKT LLC**”) is a Delaware limited  
27 liability company with its principal place of business at the Xponential Corporate  
28

1 Offices. AKT LLC is a wholly owned subsidiary of XPO LLC and was the  
2 franchisor of the AKT franchise system from 2018 into 2023. AKT LLC transacts  
3 or has transacted business in this District and throughout the United States. At  
4 times relevant to this Complaint, acting alone or in concert with others, AKT LLC  
5 has advertised, marketed, distributed, or sold franchise opportunities to consumers  
6 throughout the United States.

7 21. Defendant AKT Franchise SPV, LLC (“**AKT SPV**”) is a Delaware  
8 limited liability company with its principal place of business at the Xponential  
9 Corporate Offices. AKT SPV is a wholly owned subsidiary of Assetco and began  
10 selling franchises for AKT studios in 2023. AKT SPV transacts or has transacted  
11 business in this District and throughout the United States. At times relevant to this  
12 Complaint, acting alone or in concert with others, AKT SPV has advertised,  
13 marketed, distributed, or sold franchise opportunities to consumers throughout the  
14 United States.

15 22. Defendant CycleBar Franchising, LLC (“**CB LLC**”) is an Ohio  
16 limited liability company with its principal place of business at the Xponential  
17 Corporate Offices. CB LLC is controlled by XPO LLC via a wholly owned  
18 intermediary and was the franchisor of the CycleBar franchise system from 2015  
19 into 2023. CB LLC transacts or has transacted business in this District and  
20 throughout the United States. At times relevant to this Complaint, acting alone or  
21 in concert with others, CB LLC has advertised, marketed, distributed, or sold  
22 franchise opportunities to consumers throughout the United States.

23 23. Defendant CycleBar Franchising SPV, LLC (“**CB SPV**”) is a  
24 Delaware limited liability company with its principal place of business at the  
25 Xponential Corporate Offices. CB SPV is a wholly owned subsidiary of Assetco  
26 and began selling franchises for CycleBar studios in 2023. CB SPV transacts or  
27 has transacted business in this District and throughout the United States. At times  
28

1 relevant to this Complaint, acting alone or in concert with others, CB SPV has  
2 advertised, marketed, distributed, or sold franchise opportunities to consumers  
3 throughout the United States.

4 24. Defendant PB Franchising, LLC (“**PB LLC**”) is a Delaware limited  
5 liability company with its principal place of business at the Xponential Corporate  
6 Offices. PB LLC is a wholly owned subsidiary of XPO LLC and was the  
7 franchisor of the Pure Barre franchise system from 2012 into 2023. PB LLC  
8 transacts or has transacted business in this District and throughout the United  
9 States. At times relevant to this Complaint, acting alone or in concert with others,  
10 PB LLC has advertised, marketed, distributed, or sold franchise opportunities to  
11 consumers throughout the United States.

12 25. Defendant PB Franchising SPV, LLC (“**PB SPV**”) is a Delaware  
13 limited liability company with its principal place of business at the Xponential  
14 Corporate Offices. PB SPV is a wholly owned subsidiary of Assetco and began  
15 selling franchises for Pure Barre studios in 2023. PB SPV transacts or has  
16 transacted business in this District and throughout the United States. At times  
17 relevant to this Complaint, acting alone or in concert with others, PB SPV has  
18 advertised, marketed, distributed, or sold franchise opportunities to consumers  
19 throughout the United States.

20 26. Defendant Yoga Six Franchise, LLC (“**Y6 LLC**”) is a Delaware  
21 limited liability company with its principal place of business at the Xponential  
22 Corporate Offices. Y6 LLC is a wholly owned subsidiary of XPO LLC and was  
23 the franchisor of the Yoga Six franchise system from 2018 into 2023. Y6 LLC  
24 transacts or has transacted business in this District and throughout the United  
25 States. At times relevant to this Complaint, acting alone or in concert with others,  
26 Y6 LLC has advertised, marketed, distributed, or sold franchise opportunities to  
27 consumers throughout the United States.

1 27. Defendant Yoga Six Franchise SPV, LLC (“Y6 SPV”) is a Delaware  
2 limited liability company with its principal place of business at the Xponential  
3 Corporate Office. Y6 SPV is a wholly owned subsidiary of Assetco and began  
4 selling franchises for Yoga Six studios in 2023. Y6 SPV transacts or has  
5 transacted business in this District and throughout the United States. At times  
6 relevant to this Complaint, acting alone or in concert with others, Y6 SPV has  
7 advertised, marketed, distributed, or sold franchise opportunities to consumers  
8 throughout the United States.

9 **COMMON ENTERPRISE**

10 28. Defendants XPOF, XPO LLC, Assetco, and the Brand Franchisors,  
11 and other Xponential Brands, have operated as a common enterprise while  
12 engaging in the deceptive, unfair, and unlawful acts and practices and other  
13 violations of law alleged below. Defendants have conducted the business practices  
14 described below through an interrelated network of companies that have common  
15 ownership, officers, managers, business functions, employees, and shared  
16 revenues, office locations, and phone numbers. Because Defendants have operated  
17 as a common enterprise, each of them is liable for the acts and practices alleged  
18 below.

19 **COMMERCE**

20 29. At all times relevant to this Complaint, Defendants have maintained a  
21 substantial course of trade in or affecting commerce, as “commerce” is defined in  
22 Section 4 of the FTC Act, 15 U.S.C. § 44.

23 **DEFENDANTS’ BUSINESS ACTIVITIES**

24 *Overview*

25 30. Since 2020, Defendants’ franchisors have entered into thousands of  
26 franchise agreements with consumers to open, or take over operations of,  
27 individual fitness studios, which the Franchise Rule refers to as “outlets.”  
28

1 Franchisees have collectively paid tens of millions of dollars to Defendants to open  
2 these studios, which is a small fraction of their total costs, including payments to  
3 landlords, employees, and other third parties.

4 31. Defendants’ franchise sales tactics, through misrepresentations and  
5 omissions in the FDDs and elsewhere, lured prospective franchisees to enter into  
6 10-year franchise agreements with Defendants.

7 32. In selling these licenses, Defendants have understated the risks and  
8 difficulties of opening and operating a franchise. In marketing to prospective  
9 franchisees, Defendants have promoted their franchise opportunity as a “semi-  
10 absentee, recurring revenue model” requiring a time investment of 10-15 hours per  
11 week. Defendants have touted their “Xponential Playbook,” as providing a  
12 “proven operational model ... that helps franchisees generate compelling studio  
13 economics,” and which delivers “a turnkey toolkit” for taking on ownership of one  
14 or more studios and brands.

15 33. In reality, for consumers interested in opening an Xponential  
16 franchise, the investment of time and money is substantial. For instance,  
17 franchisees have paid the Brand Franchisors, on average, an initial franchise fee of  
18 approximately \$45,000 for each franchise agreement.

19 34. In exchange for the franchise fee, Defendants have provided  
20 franchisees the right to establish and operate a fitness studio. The franchise fee,  
21 however, is only a small portion of the investment required to open an Xponential  
22 studio. Franchisees must also shoulder the costs of securing a location (usually  
23 through a lease), building out the studio, outfitting it with necessary equipment,  
24 obtaining products and supplies, marketing and advertising, and employee wages  
25 and training, among other costs. Defendants have estimated a franchisee’s initial  
26 investment to establish and operate a fitness studio can run into the hundreds of  
27 thousands of dollars in addition to the initial franchise fee.

1 35. Franchisees' timeline for buildout and opening of a studio is subject to  
2 Defendants' control, restrictions, and requirements for opening and operating a  
3 studio. For instance, Defendants control approval of site locations for fitness  
4 studios, impose building design specifications, and require franchisees to use  
5 designated design and planning professionals and equipment and to purchase only  
6 approved services and products from approved vendors.

7 36. Defendants' franchise agreements bind franchisees with significant  
8 consequences during the franchise term, and upon exit. For example, if a  
9 franchisee were to leave the system upon learning Defendants' presale disclosures  
10 omitted or provided inaccurate information, the hefty initial franchise fee is non-  
11 refundable. Further, Defendants charge a fee to franchisees who transfer a fitness  
12 studio to another franchisee, with Defendants collecting millions in transfer fees  
13 since 2020. In addition, the noncompete agreements or covenants not to compete  
14 that franchisees enter into with Defendants prohibit franchisees from opening  
15 another fitness studio not associated with Xponential during the franchise  
16 agreement term and for two years after the nonrenewal, transfer, or termination of  
17 the franchise agreement.

18 37. Because of the significant investment of time and money in opening  
19 an Xponential franchise, and the significant economic consequences of doing so,  
20 Defendants' representations to consumers about the risk associated with franchise  
21 opportunities are critical. However, as alleged within, Defendants frequently  
22 misrepresent and omit material information associated with those costs and risks.

23 38. In November 2024, the California Department of Financial Protection  
24 and Innovation entered a consent order with all Defendants and other Xponential  
25 franchisors and entities associated with Defendants. That order specified  
26 numerous material misrepresentations and omissions in several of the Defendants'  
27 FDDs, in violation of the California Franchise Investment Law, and also included a  
28

1 Desist and Refrain Order for injunctive relief and an administrative monetary  
2 penalty. In August 2025, the State of Washington Department of Financial  
3 Institutions Securities Division entered into a consent order with Xponential  
4 Fitness LLC which imposed injunctive relief and a monetary order for costs. The  
5 Washington order was based on findings that the FDDs for the various franchise  
6 brands failed to disclose and misrepresented material information including, but  
7 not limited to, misrepresenting the opening timeline for their franchise locations  
8 and failing to disclose Geisler’s involvement in the franchise brands.

9 ***Defendants Have Misrepresented Key Information in the Disclosure Documents***  
10 ***and Have Provided Untimely Disclosure Documents***

11 39. For years, Defendants have entered into franchise agreements for  
12 fitness studios throughout the United States.

13 40. Defendants have prepared FDDs for one or more of the Xponential  
14 Brands annually since 2018. As alleged within, Defendants’ FDDs have  
15 misrepresented and omitted key information, and in instances, Defendants have  
16 failed to timely deliver these FDDs.

17 41. Defendants’ FDDs have systematically understated the typical length  
18 of time between a franchisee signing a franchise agreement and the opening of the  
19 franchisee’s fitness studio — a key metric for anyone considering opening a  
20 business. The FDDs have misrepresented or omitted crucial, required information  
21 concerning officers, litigations, arbitrations, and bankruptcies. Defendants’ FDDs  
22 also have failed to identify many franchisees who had an outlet that ceased to do  
23 business, or was terminated, cancelled, or not renewed. In other instances,  
24 Defendants’ FDDs have provided outdated or inaccurate contact information for  
25 franchisees with a studio that had ceased to do business, or was terminated,  
26 cancelled, or not renewed. And, in many instances, Defendants have failed to  
27  
28

1 deliver the required presale franchise disclosure documents to prospective  
2 franchisees in a timely manner.

3 ***Defendants Have Misrepresented the Time to Open Franchises***

4 42. The Franchise Rule requires Defendants to disclose, in Item 11(2) of  
5 their FDDs, the typical length of time it takes a franchisee to open a studio after  
6 signing a franchise agreement. 16 C.F.R § 436.5(k)(2). Misrepresenting such  
7 information misleads prospective franchisees as to when the business is likely to  
8 begin generating recurring revenues, thereby requiring franchisees to incur  
9 unanticipated additional costs during months of delay before they can begin  
10 recouping their investment. Further, Defendants' misrepresentation of the time to  
11 open undermines the basis for Defendants' disclosures in Item 7 of the FDDs  
12 regarding the estimated initial investment.

13 43. In Item 11 of the Xponential Brands' FDDs for each of the years 2020  
14 through 2024, Defendants have represented to prospective franchisees that the  
15 "typical length of time between the signing of the Franchise Agreement and the  
16 time you open your Studio is approximately three (3) to six (6) months;" or that the  
17 "typical length of time between the signing of the Franchise Agreement and the  
18 time you open your Studio is approximately six (6) months." In Item 11 of these  
19 FDDs, Defendants have further represented that the franchisee's "timeframe may  
20 be shorter or longer depending on the time necessary to ... complete construction  
21 or remodeling" and "to complete the interior and exterior of the Franchise  
22 Business, including decorating, installing fixtures, equipment, and signs...." Thus,  
23 Defendants have represented that the typical length of time to open a studio,  
24 including construction, remodeling, and all other tasks necessary to open the  
25 franchise, is six months.

26 44. Consistently, the Xponential Brands' franchise agreements also have  
27 required studios to open within six months, and Defendants' management has  
28

1 recognized that their timeline documents, presentations, and discussions “always  
2 refer to 6 months from Franchise Agreement Signing to Open” to encourage  
3 franchise partners to become “immediately actively engaged in working towards  
4 opening without delay.”

5 45. Nevertheless, Defendants’ 2020 – 2024 FDDs’ reporting of the typical  
6 length of time between the signing of the Franchise Agreement and the opening of  
7 a franchise studio dramatically understated the actual time it took franchisees to  
8 open a studio. In reality, the average time Xponential Brand franchisees needed to  
9 open a fitness studio, with buildout complete, during the period from January 2020  
10 through August 2024, exceeded 12 months. For example, the Pure Barre  
11 franchisees who opened their studios in 2022 had signed their franchise  
12 agreements, on average, more than 17 months before studio opening. The  
13 CycleBar franchisees who opened their studios in 2022 had signed their franchise  
14 agreements, on average, more than 15 months before studio opening. And the  
15 Yoga Six franchisees who opened their studios in 2023 had signed their franchise  
16 agreements, on average, more than 15 months before studio opening.

17 46. Defendants are aware that their franchisees have typically taken much  
18 longer to open their studios, if they opened at all. Defendants have disclosed in  
19 Securities and Exchange Commission filings that, for all Xponential Brands, “[o]f  
20 the franchisees that entered into the system in 2021 or later and opened their first  
21 studio in 2023 on average it took approximately 15.0 months from signing the  
22 franchise agreement to open a studio,” and that “[a]s of December 31, 2024, we  
23 estimate approximately 30% of our licenses contractually obligated to open in  
24 North America are over 12 months behind the applicable development schedule  
25 due to various circumstances and are currently inactive.” These filings are  
26 consistent with franchisee reports of delayed openings.

1 47. These delayed openings have been widespread. In internal documents  
2 and disclosures prepared for investors, Defendants have reported the vast majority  
3 of studios in the U.S. and Canada took longer than 12 months to open from the  
4 franchise agreement signing. For example, in 2023, Defendants reported that for  
5 Brand Franchisor licenses sold in 2022, for studios in the U.S. and Canada, 0% of  
6 AKT studios, Row House studios, and Stride studios opened within one year of the  
7 license sold date; 1% of the Rumble studios, 2% of the BFT studios, 3% of the  
8 CycleBar studios, and 5% of the Yoga Six studios opened within one year of the  
9 license sold date; 10% of the Pure Barre studios opened within one year of the  
10 license sold date; and 5% and 11% of the Club Pilates studios and Stretch Lab  
11 studios opened within one year of the license sold date. Moreover, among the  
12 thousands of franchise agreements that were signed between 2020 and 2024,  
13 hundreds of them never opened their studios for classes.

14 48. During such delays, franchisees continue to incur substantial costs that  
15 dramatically worsen their investments. One Yoga Six franchisee outlined some of  
16 the financial losses associated with her delay in opening as including: “\*loss of  
17 revenue \*continued rent payments with no corresponding revenue \*continued  
18 payroll expense \*goodwill to the current members and the public \*goodwill with  
19 the [landlord].” Additionally, during such delays, franchisees must pay other  
20 monthly overhead costs to third parties and numerous monthly fees to Defendants  
21 as required by the franchise agreements.

22 ***Defendants Have Misrepresented Anthony Geisler’s Role***  
23 ***in Franchise Sales and Operations***

24 49. In 2017, Anthony Geisler founded XPO LLC, under which he  
25 proceeded to organize and acquire the Xponential Brands. Geisler founded XPOF  
26 in January 2020, has owned more than 10% of the common shares of XPOF, and  
27 has served as the Chief Executive Officer of XPOF. He has been a “Manager on  
28

1 [the] Board of Managers” and the Chief Executive Officer of XPO LLC, and has  
2 served as the Chief Executive Officer or, at minimum, had management  
3 responsibility relating to the sale or operation of franchises for all Xponential  
4 Brands. In May 2024, XPOF’s board of directors indefinitely suspended Geisler as  
5 CEO of XPOF, and soon after, Geisler resigned as CEO of XPOF and XPO LLC,  
6 and left the other businesses named as Defendants.

7 50. At times relevant to this Complaint, Geisler has had the authority to  
8 control, and has directed, the actions of Defendants’ officers and management.  
9 Geisler has participated in the Xponential Brands’ promotion and sale of  
10 franchises, has interfaced with prospective franchisees, and has also been involved  
11 in negotiations related to franchise resales, reacquisitions, and relocations. Geisler  
12 has been involved in the details of each Xponential Brand’s day-to-day business.  
13 Geisler has responded to individual franchisee complaints, and he has relayed  
14 franchisee complaints to Xponential service providers. He also has responded to  
15 franchisees’ requests for help in negotiations with landlords and has been involved  
16 in efforts to help franchisees refinance outstanding loans. Further, Geisler has  
17 participated in regular Xponential Brand President’s Council Meetings with  
18 franchisee representatives and in “Open Forum[s] with Anthony Geisler” for  
19 franchisees.

20 51. Under the Franchise Rule, Defendants are required to disclose, in Item  
21 2 of their FDDs, the names and positions of their principal officers and those with  
22 management responsibility for selling or operating the franchises, as well as their  
23 principal positions and employers during the preceding five years. 16 C.F.R. §  
24 436.5(b). In Item 2 of their 2019 through 2024 FDDs, Defendants’ Brand  
25 Franchisors did not disclose anything about Geisler. Relatedly, Defendants also  
26 failed to disclose certain legal actions in which Geisler was held liable for  
27 fraudulent, unfair, or deceptive practices. During these years, Geisler served as  
28

1 CEO of all Brand Franchisors and, as to all Brand Franchisors, he had management  
2 responsibility for selling or operating the franchises offered.

3 52. In Defendants' FDDs issued between 2017 and July 2018 for the then-  
4 existing Xponential Brands, Item 2 disclosed Geisler as the CEO or "Manager."  
5 On October 25, 2018, Geisler was named a third-party defendant in *Stretch Lab*  
6 *Franchise, LLC, et al. v. Stretch Lab, LLC, et al.*, No. 2:18-cv-07816 (C.D. Cal.  
7 Oct. 25, 2018), which alleged Geisler fraudulently induced the third-party  
8 plaintiffs. As discussed in Paragraph 62-64, *infra*, while pending, this third-party  
9 action, alleging "fraud, unfair or deceptive practices," would have been required to  
10 be disclosed in Item 3 of all FDDs under 16 C.F.R. § 436.5(c)(1)(i)(A), if it related  
11 to any person disclosed in Item 2. Starting soon after the *Stretch Lab* lawsuit was  
12 filed and continuing through the 2024 FDDs, however, Defendants removed  
13 Geisler from the Item 2 reporting across all Xponential Brands.

14 53. Despite this removal from the FDDs, Geisler continued to act as an  
15 officer and manager of the Xponential Brands, as Geisler and Defendants  
16 acknowledged. For example, in 2019, Geisler attested that he was the CEO of the  
17 Xponential Brand Stretch Lab, and in 2020 and 2021, attested that he was the CEO  
18 of AKT LLC. Additionally, Geisler was appointed as CEO of all LLC Xponential  
19 Brands in approximately March 2021, and stayed in that role through February  
20 2022. However, even after his 2024 suspension and resignation from Xponential,  
21 Geisler publicly reported in his Sequel Brands 2025 FDDs that he had been the  
22 CEO of each of the Xponential Brands during the period of 2021 through 2024.  
23 From his founding of XPO LLC in 2017 until his departure in May 2024, as  
24 alleged above, Geisler exercised the authority and control of an officer or manager  
25 with responsibility for selling or operating the franchises offered by each of the  
26 Xponential Brands. As such, Geisler was also required to be disclosed in Item 2 of  
27 Defendants' FDDs for the years 2019 through 2024.

1 54. Defendants' failure to disclose Geisler in Item 2 from September 2018  
2 through the 2024 FDDs impeded prospective franchisees from conducting  
3 appropriate due diligence about Geisler's employment and, as alleged below, his  
4 litigation history. Defendants' failure to disclose Geisler's involvement in their  
5 business deprived prospective franchisees of essential information to assess the  
6 risk of opening a franchise through Defendants and violated the Franchise Rule.

7 ***Defendants Have Misrepresented Relevant Legal Actions***

8 55. For years, and across their brands, Defendants have misrepresented to  
9 franchisees that they were not involved in any relevant legal disputes, or that they  
10 had disclosed all such actions. In so doing, Defendants omitted cases in which  
11 Geisler was held liable for deception and fraud and disputes Defendants had with  
12 their franchisees or others.

13 56. Under the Franchise Rule, Defendants are required to disclose, in Item  
14 3 of their FDDs, certain legal actions involving the franchisor, its guarantor, or any  
15 individual identified in Item 2 of the same FDD ("Specified Persons"). 16 C.F.R.  
16 § 436.5(c). The legal actions Item 3 requires to be disclosed include, but are not  
17 limited to: (a) pending civil actions, including arbitrations, against any of the  
18 Specified Persons "alleging fraud, unfair or deceptive practices, or comparable  
19 allegations"; (b) civil actions in the last fiscal year, including arbitrations,  
20 involving the franchise relationship, in which any of the Specified Persons was a  
21 party; and (c) where, in the 10-year period immediately before the FDD's issuance  
22 date, any of the Specified Persons has been "held liable" in a civil action, including  
23 arbitrations, "involving allegations of fraud, unfair or deceptive practices, or  
24 comparable allegations." 16 C.F.R. § 436.5(c).

25 57. In Item 3 of Defendants' 2019 through 2024 FDDs, for the AKT,  
26 CycleBar, Pure Barre, and Yoga Six brands, Defendants affirmatively represented  
27 that they had disclosed all relevant legal actions. These statements were false or  
28

1 misleading, as Defendants failed to disclose several material legal actions,  
2 including certain legal actions involving Geisler, all of which they were required to  
3 disclose pursuant to the Franchise Rule.

4 *Legal Actions Involving Geisler*

5 58. Geisler, the founder and principal of Defendants' franchising  
6 enterprise, has been sued and held liable for deception and fraud in prior  
7 litigations. Defendants were required to disclose some of these actions, but did  
8 not, instead falsely claiming that they had disclosed all relevant legal actions.

9 59. LA Boxing lawsuit. In 2011, Geisler was found liable for a monetary  
10 judgment for making a false promise to an LA Boxing employee. *Christopher T.*  
11 *Poland v. LA Boxing Franchise Corporation and Anthony Geisler*, Case No. 30-  
12 2009-00121184 (Superior Court of California, Orange County, April 8, 2009).  
13 Even though this judgment held Geisler liable for deception, Defendants did not  
14 disclose it in the FDDs falling within the ten-year period following the judgment as  
15 required by 16 C.F.R. § 436.5(c)(1)(iii)(B).

16 60. Although Geisler was disclosed as an Item 2 officer in the 2017 and  
17 2018 FDDs of the then-existing Xponential Brands (including, but not limited to,  
18 Cycle Bar and AKT), the *LA Boxing* judgment against Geisler was not disclosed in  
19 the same FDDs' Item 3. Instead, Defendants represented that no litigation was  
20 required to be disclosed.

21 61. Additionally, because Defendants should have disclosed that Geisler  
22 was an officer or a manager with responsibility relating to the sale or operation of  
23 the franchises offered in the Brand Franchisors' FDDs Item 2 for the years 2019  
24 through 2024, Defendants should also have disclosed the *LA Boxing* judgment in  
25 Item 3 of their 2019 through 2021 FDDs. Defendants failed to do so and instead  
26 represented in each Brand Franchisors' 2019 through 2021 FDDs that "no  
27 litigation" or "no other litigations" were required to be disclosed.



1 franchisees, in violation of the Franchise Rule. Instead of disclosing this  
2 information, Defendants misrepresented that “no litigation” or “no other  
3 litigations” were required to be disclosed.

4 67. Haran arbitration. In the PB LLC 2021 and 2022 FDDs, Defendants  
5 failed to disclose an arbitration involving former Pure Barre franchisees. *PB*  
6 *Franchising, LLC and Xponential Fitness, LLC v. Melissa Haran and Kyle Haran*  
7 (AAA Case Number 01-20-0015-1033).

8 68. Defendants initiated the *Haran* arbitration in response to public  
9 comments made by former franchisees which allegedly violated the former  
10 franchisees’ continuing non-disparagement and confidentiality contractual  
11 obligations to Pure Barre. The *Haran* arbitration directly related to the continued  
12 operation of the franchised business, namely the former franchisees’ transferred  
13 studio. Defendants commenced the *Haran* arbitration in September 2020, and the  
14 matter was resolved in February 2021. Thus, in 2021 and 2022, Defendants had  
15 been “a party to any material civil action involving the franchise relationship in the  
16 last fiscal year.” 16 C.F.R. § 436.5(c)(1)(ii).

17 69. Defendants did not disclose the *Haran* arbitration in Item 3 of PB  
18 LLC’s 2021 or 2022 FDDs, as required by 16 C.F.R. § 436.5(c)(1)(ii), and instead  
19 represented in these FDDs that no other litigations were required to be disclosed.

20 70. Additionally, Defendants failed to disclose the *Haran* arbitration in  
21 AKT LLC’s 2022 FDD. Beginning on March 31, 2022, PB LLC guaranteed AKT  
22 LLC’s performance under all franchise agreements identified in the AKT FDD  
23 issued on April 1, 2022. Accordingly, Defendants should have disclosed in the  
24 AKT 2022 FDD the *Haran* arbitration involving its guarantor, PB LLC, as  
25 required under 16 C.F.R. § 436.5(c)(1). Instead, Defendants represented in this  
26 FDD that no other litigations were required to be disclosed.

1 71. Defendants' omission of the *Haran* action deprived prospective  
2 franchisees of essential information to assess the risk of opening a franchise  
3 through Defendants and violated the Franchise Rule.

4 ***Defendants Failed to Disclose the Bankruptcy of Jason Losco***

5 72. Defendants are required to disclose, in Item 4 of their FDDs, whether  
6 anyone with management responsibility relating to the sale or operation of the  
7 franchise has filed a petition or obtained a discharge in bankruptcy during the  
8 preceding ten years. 16 C.F.R. § 436.5(d). This information bears directly on the  
9 ability of the franchisors' managers with whom the prospective franchisee will be  
10 dealing.

11 73. In Item 4 of the Brand Franchisors' 2020 and 2021 FDDs, Defendants  
12 stated: "No bankruptcy is required to be disclosed in this item." This  
13 representation is false.

14 74. From May 2018 through February 2022, Jason Losco served as XPO  
15 LLC's Vice President of Franchise Development, and Defendants disclosed Losco  
16 as an Item 2 officer in the Brand Franchisors' 2019, 2020, and 2021 FDDs. As the  
17 XPO LLC Vice President of Franchise Development, Jason Losco was responsible  
18 for the marketing and resale of franchise licenses for the Xponential Brands,  
19 including AKT, CycleBar, Pure Barre, and Yoga Six.

20 75. Jason Losco filed for bankruptcy on May 5, 2019, and the Bankruptcy  
21 discharge order was entered on August 26, 2019. Nevertheless, Defendants failed  
22 to disclose Losco's May 2019 bankruptcy petition and August 2019 discharge  
23 order in the Brand Franchisors' 2020 and 2021 FDDs, although Losco was  
24 disclosed as an officer in Item 2 of the same FDDs.

25 76. Losco's bankruptcy is material to prospective franchisees. Losco filed  
26 for Chapter 7 bankruptcy primarily for business debts related to his operation of  
27 one or more UFC Gym franchised studios. In his role as XPO LLC Vice President  
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1 of Franchise Development, not only did Losco oversee the team responsible for  
2 marketing the resale of franchise license opportunities, but Losco also provided  
3 FDDs to prospective franchisees and worked directly with both existing and  
4 prospective franchisees, in connection with the resale and transfer of studios. By  
5 failing to disclose this information, Defendants prevented prospective franchisees  
6 from assessing the risk of investing in a franchise relationship with Defendants and  
7 violated the Franchise Rule.

8 ***Defendants Have Omitted Names, and Have Inaccurately Reported Contact***  
9 ***Information, of Former Franchisees***

10 77. Item 20 of the Franchise Rule requires a variety of disclosures relating  
11 to the status and contact information of current and former franchise outlets. 16  
12 C.F.R. § 436.5(t)(4) and (5).

13 78. Defendants have violated this provision in numerous instances by  
14 omitting from the Brand Franchisor FDDs the names of numerous franchisees with  
15 an outlet that had been terminated, canceled, not renewed, or otherwise ceased to  
16 do business under the franchise agreement during the most recent fiscal year.  
17 These violations extended over multiple years. For instance, in multiple instances,  
18 Defendants have failed to disclose in the Pure Barre FDDs numerous franchisees  
19 who were no longer operating their outlets because the outlets had been transferred  
20 to other owners.

21 79. Further, even when Defendants have listed franchisees who had an  
22 outlet that had been terminated, canceled, not renewed, or otherwise ceased to do  
23 business under the franchise agreement, in numerous instances, Defendants have  
24 failed to provide complete and accurate contact information for these franchisees,  
25 as required by the Franchise Rule, 16 C.F.R. § 436.5(t)(5).

26 80. Specifically, for multiple years, the Brand Franchisor FDDs listed, for  
27 the vast majority of former franchisees, only their franchisor-issued email  
28

1 addresses or studio telephone numbers, to which franchisees lost access when they  
2 ceased to operate their studio. As a result, prospective franchisees would have  
3 been unable to contact these former franchisees using the disclosed information.

4 ***Defendants Have Untimely Delivered the Franchise Disclosure Document***

5 81. The Franchise Rule requires franchisors to furnish prospective  
6 franchisees with a copy of the franchisor's current disclosure document at least 14  
7 calendar days before the prospective franchisee signs a binding agreement with the  
8 franchisor or an affiliate in connection with the proposed franchise sale. 16 C.F.R.  
9 § 436.2.

10 82. Defendants' Brand Franchisor FDDs for the years 2020 through 2025  
11 are lengthy, averaging 263 pages, and contain detailed contractual, financial and  
12 operating information. Franchisees need sufficient time to review, and seek  
13 financial and legal advice regarding, the FDD's contents to allow them to make  
14 informed decisions regarding long-term, substantial financial investments and  
15 commitments.

16 83. Defendants have in numerous instances failed to furnish prospective  
17 franchisees with the FDD at least 14 calendar days before the franchisee signs the  
18 franchise agreement.

19 ***Defendants Are Violating or Are About to Violate the Law***

20 84. Based on the facts and violations of law alleged in this Complaint, the  
21 FTC has reason to believe that Defendants are violating or are about to violate laws  
22 enforced by the Commission because, among other things: Defendants have  
23 engaged in their unlawful acts and practices repeatedly over multiple years;  
24 Defendants have engaged in their unlawful acts and practices willfully and  
25 knowingly; and Defendants have earned significant revenues from participating in  
26 these unlawful acts and practices. Defendants continue to market and sell  
27 franchise opportunities, including but not limited to Pure Barre and Yoga Six  
28

1 franchise opportunities, and maintain the means, ability, and incentive to continue  
2 their unlawful conduct at any time.

3 **VIOLATIONS OF THE FTC ACT**

4 85. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or  
5 deceptive acts or practices in or affecting commerce.”

6 86. Misrepresentations or deceptive omissions of material fact constitute  
7 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.

8 **Count I – Misrepresentations**

9 87. In numerous instances, in connection with the advertising, marketing,  
10 promotion, offering for sale, or sale of franchises, Defendants have represented,  
11 directly, or indirectly, expressly or by implication that:

- 12 a. the typical length of time between a franchisee signing a franchise  
13 agreement and the opening of the franchisee’s outlet, with buildout  
14 construction completed, was six months;
- 15 b. the FDDs disclosed all relevant officers or managers;
- 16 c. the FDDs disclosed all material litigations or arbitrations;
- 17 d. the FDDs disclosed all material bankruptcies; and
- 18 e. the FDDs accurately and completely disclosed the identity of  
19 franchisees who had an outlet terminated, canceled, not renewed, or  
20 otherwise voluntarily or involuntarily ceased to do business under the  
21 franchise agreement during the most recently completed fiscal year,  
22 and their contact information.

23 88. In truth and in fact:

- 24 a. the typical length of time between a franchisee signing a franchise  
25 agreement and the opening of the franchisee outlet, with buildout  
26 construction completed, was more than six months;
- 27 b. the FDDs did not disclose all relevant officers or managers;
- 28

- c. the FDDs did not disclose all material litigations and arbitrations;
- d. the FDDs did not disclose all material bankruptcies; and
- e. the FDDs did not accurately and completely disclose the identity of franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, and their contact information.

89. Therefore, Defendants’ representations set forth in Paragraph 87 are false or misleading and constitute deceptive acts or practices in violation of Section 5(a) of the FTC Act.

### **VIOLATIONS OF THE FRANCHISE RULE**

90. The FTC promulgated the Franchise Rule to prevent “deceptive and unfair practices [in the sale of franchises] through presale disclosure of material information necessary to make an informed purchasing decision” and to prohibit “specified misrepresentations” in the sale of franchises. 72 Fed. Reg. 15445, 15448 (Mar. 30, 2007).

91. The Franchise Rule defines “franchise” as any continuing commercial relationship or arrangement, whatever it may be called, in which the terms of the offer or contract specify, or the franchise seller promises or represents, orally or in writing, that:

- a. The franchisee will obtain the right to operate a business that is identified or associated with the franchisor’s trademark, or to offer, sell, or distribute goods, services, or commodities that are identified or associated with the franchisor’s trademark;
- b. The franchisor will exert or has authority to exert a significant degree of control over the franchisee’s method of operation, or provide significant assistance in the franchisee’s method of operation; and

1 c. As a condition of obtaining or commencing operation of the franchise,  
2 the franchisee makes a required payment or commits to make a  
3 required payment to the franchisor or its affiliate. 16 C.F.R.  
4 § 436.1(h)(1)-(3).

5 92. The Xponential brand opportunities that Defendants have sold are  
6 each a “franchise” pursuant to the Franchise Rule.

7 93. Under the Franchise Rule, a “franchise seller” is a person that offers  
8 for sale, sells, or arranges for the sale of a franchise. The term includes the  
9 franchisor and the franchisor’s employees, representatives, agents, subfranchisors,  
10 and third-party brokers who are involved in franchise sales activities. It does not  
11 include existing franchisees who sell only their own outlet and who are otherwise  
12 not engaged in franchise sales on behalf of the franchisor. 16 C.F.R. § 436.1(j).  
13 One or more Defendants have been “franchise sellers” pursuant to the Franchise  
14 Rule.

15 94. A “franchisor” means any person who grants a franchise and  
16 participates in the franchise relationship. Unless otherwise stated, it includes  
17 subfranchisors. For purposes of this definition, a “subfranchisor” means “a person  
18 who functions as a franchisor by engaging in both pre-sale activities and post-sale  
19 performance.” 16 C.F.R. § 436.1(k). One or more Defendants have been  
20 “franchisors” pursuant to the Franchise Rule.

21 95. The Franchise Rule requires a franchisor to provide prospective  
22 franchisees with an FDD, which must be current, 16 C.F.R. § 436.2(a), and marked  
23 with an issuance date, 16 C.F.R. § 436.3(e)(6). The franchisor must furnish a  
24 prospective franchisee with a copy of the franchisor’s current FDD at least 14 days  
25 before the prospective franchisee signs a contract or makes a payment to the  
26 franchisor. 16 C.F.R. § 436.2(a). The Franchise Rule was drafted with the intent  
27 that “the 14 days commence the day after delivery of the disclosure document and  
28

1 that signing of any agreement take place on the 15<sup>th</sup> day after delivery.” 72 Fed.  
2 Reg. 15469. Thus, Section 436.2(a) “ensures that prospective franchisees have at  
3 least a full 14 days in which to review the disclosures.” Franchise Rule  
4 Compliance Guide at 20. The FDD must contain twenty-three categories (or  
5 “Items”) of information. Each Item typically is referred to by a number.

6 96. Item 2 of the FDD must disclose the franchisor’s principal officers  
7 and other individuals with management responsibility for the sale or operation of  
8 franchises, along with each officer’s or other individual’s principal positions and  
9 employers during the preceding five years. 16 C.F.R. § 436.5(b).

10 97. Item 3 of the FDD must disclose whether the franchisor, a parent or  
11 affiliate who guarantees the franchisor’s performance, and any of the franchisor’s  
12 directors, trustees, general partners, principal officers and any other individuals  
13 with management responsibility relating to the sale or operation of the franchise,  
14 has any certain pending and prior legal actions, including litigations and  
15 arbitrations, as well as current injunctive or restrictive orders. 16 C.F.R.  
16 § 436.5(c).

17 98. Item 4 of the FDD must disclose whether any of the franchisor’s  
18 officers, or other individuals with management responsibility relating to the sale or  
19 operation of the franchise, have filed a petition or obtained a discharge under the  
20 United States Bankruptcy Code within the past 10 years. 16 C.F.R.  
21 § 436.5(d)(1)(i)-(ii).

22 99. Item 11 of the FDD must disclose the typical length of time to open  
23 the franchisee’s business after the earlier of the signing of the franchise agreement  
24 or the franchisee’s payment for the franchise. It must also describe the factors that  
25 might affect this period of time. 16 C.F.R. § 436.5(k)(2).

1 100. Item 20 of the FDD must disclose, *inter alia*, the names of all current  
2 franchisees and the address and telephone number of each of their outlets. 16  
3 C.F.R. § 436.5(t)(4).

4 101. Item 20 of the FDD must also disclose, *inter alia*, the name, city, state  
5 and current business telephone number — or if unknown, the last home telephone  
6 number (or at the request of the former franchisee, other alternative contact  
7 information such as a home address, post office address, or personal or business  
8 email address) — of every franchisee who had an outlet terminated, canceled, not  
9 renewed, or otherwise voluntarily or involuntarily ceased to do business under the  
10 franchise agreement during the most recently completed fiscal year, or who has not  
11 communicated with the franchisor within 10 weeks of the disclosure document  
12 issuance date. 16 C.F.R. § 436.5(t)(5).

13 102. Under the Franchise Rule, “disclose” means to “present all material  
14 facts accurately, clearly, concisely, and legibly in plain English.” 16 C.F.R.  
15 § 436.1(d). “State,” “describe,” and “list” all have the same meaning as “disclose.”  
16 *Id.*

17 103. Pursuant to Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3),  
18 and subparts B and D, 16 C.F.R. § 436.2 and § 436.6(a), violations of the  
19 Franchise Rule constitute unfair or deceptive acts or practices in or affecting  
20 commerce, in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).

21 104. Defendants had knowledge of the requirements of the Franchise Rule  
22 as evidenced by the fact that they provided an FDD to prospective franchisees.

23 **Count II – Disclosure Violations**

24 105. In connection with the offering for sale and sale of franchises, as  
25 “franchise” is defined in 16 C.F.R. § 436.1(h), in numerous instances, Defendants  
26 have furnished prospective franchisees with FDDs that fail to: (1) include all of  
27 the information required by the Franchise Rule, 16 C.F.R. § 436.5 and (2) follow  
28

1 the instructions for preparing disclosure documents set forth in 16 C.F.R. § 436.6  
2 of the Franchise Rule. For example, Defendants have failed to adequately disclose  
3 in the FDDs they have provided to prospective franchisees:

- 4 a. the name and position of the franchisor’s directors, trustees, general  
5 partners, principal officers, and any other individuals who will have  
6 management responsibility relating to the sale or operation of the  
7 franchises, as well as their principal positions and employers during  
8 the past five years, along with the starting date, ending date, and  
9 location for each position, 16 C.F.R. § 436.5(b);
- 10 b. whether the franchisor, a parent or affiliate who guarantees the  
11 franchisor’s performance, any of the franchisor’s directors, trustees,  
12 general partners, principal officers, and any other individuals with  
13 management responsibility relating to the sale or operation of the  
14 franchise, has certain pending and prior legal actions, including  
15 litigations and arbitrations, as well as current injunctive or restrictive  
16 orders, 16 C.F.R. § 436.5(c);
- 17 c. whether any officer or person with management responsibility relating  
18 to the sale or operation of the franchise has, during the preceding 10-  
19 year period, (i) filed a petition as a debtor under the United States  
20 Bankruptcy Code, or (ii) obtained a discharge of debts under the  
21 Bankruptcy Code, 16 C.F.R. § 436.5(d);
- 22 d. the typical length of time between the earlier of the signing of the  
23 franchise agreement or the first payment for the franchise, and the  
24 opening of the franchisee’s business, 16 C.F.R. § 436.5(k)(2); and
- 25 e. the name, city, state and current business telephone number — or if  
26 unknown, the last home telephone number (or at the request of the  
27 former franchisee, other alternative contact information such as a  
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1 home address or personal or business email address) — of every  
2 franchisee who had an outlet terminated, canceled, not renewed, or  
3 otherwise voluntarily or involuntarily ceased to do business under the  
4 franchise agreement during the most recently completed fiscal year, or  
5 who has not communicated with the franchisor within 10 weeks of the  
6 disclosure document issuance date, 16 C.F.R. § 436.5(t)(5).

7 106. Therefore, Defendants have violated subpart C, 16 C.F.R. § 436.5,  
8 and subpart D, 16 C.F.R. § 436.6, of the Franchise Rule, and Section 5(a) of the  
9 FTC Act.

10 **Count III – Failure to Provide FDDs to Prospective Franchisees**

11 107. In connection with the offering for sale and sale of franchises, as  
12 “franchise” is defined in 16 C.F.R. § 436.1(h), in numerous instances, Defendants  
13 have failed to timely furnish a prospective franchisee with an FDD at least 14 days  
14 before the prospective franchisee signs a contract with, or makes a payment to,  
15 Defendants, as required by 16 C.F.R. § 436.2(a).

16 108. Therefore, Defendants have violated subpart B, 16 C.F.R. § 436.2(a),  
17 of the Franchise Rule and Section 5(a) of the FTC Act.

18 **CONSUMER INJURY**

19 109. Consumers are suffering, have suffered, and will continue to suffer  
20 substantial injury as a result of Defendants’ violations of the Franchise Rule and  
21 Section 5(a) of the FTC Act. Absent injunctive relief by this Court, Defendants are  
22 likely to continue to injure consumers and harm the public interest.

23 **PRAYER FOR RELIEF**

24 Wherefore, the FTC requests that the Court:

- 25 A. Enter a permanent injunction to prevent future violations of the FTC  
26 Act and the Franchise Rule;

- 1 B. Award monetary and other relief within the Court's power to grant;  
2 and  
3 C. Award any additional relief as the Court determines to be just and  
4 proper.

5  
6 Dated: 3/18/26

Respectfully submitted,

7  
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