

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide 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 if 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) franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

DEFINITIONS

(a) Adjusted Gross Profit – refers to and means Direct Gross Profit less Disclosed Expenses and less adjustments for Franchise Related Expenses.

(b) Average – means the sum of all data points in a set, divided by the number of data points in that set.

(c) Calendar Year – means, as to each respective year, the 12 month period commencing on January 1 and ending on December 31.

(d) Company Owned Outlet – means an Outlet owned either directly or indirectly by us, our affiliate or any person identified in Item 2 of this Disclosure Document. A Company Owned Outlet also includes any Outlet that is operated as a joint venture owned in part by us, our affiliate or any person identified in Item 2 of this Disclosure Document, or that is managed by us our affiliate or any person identified in Item 2.

(e) Direct Cost of Goods Sold – means the cost of acquiring merchandise sold to customers. Also included in Direct Cost of Goods Sold is any amount of shrink arising from merchandise loss, expired product, damages, and adjustments to the carrying value of inventory resulting from physical inventory counts. Direct Cost of Goods Sold does not include Direct Labor Cost, managerial labor and expenses, administrative labor and expenses, marketing expenses, insurance expenses, operating expenses, or general expenses including, but not limited to interest, taxes, depreciation, amortization, and Franchise Related Expenses.

(f) Direct Gross Profit – means Gross Sales less Direct Cost of Goods Sold and Direct Labor Cost. Direct Gross Profit is not net profit or income and, except as to Direct Cost of Goods Sold and Direct Labor Cost, does not include the deduction of all other expenses incurred by a Facialworks Studio including, but not limited to, managerial labor and expenses, administrative labor and expenses, operating expenses, or general expenses including, but not limited to interest, taxes, depreciation, and amortization.

(g) Direct Labor Cost – means the direct salary paid to employees that provide and perform services comprising the Approved Products and Services and resulting in Gross Sales, comprised of wages, payroll taxes, and paid employee benefits, if any. Direct Labor Cost does not include compensation related to administrative labor or management labor. Direct Labor Cost does not include compensation paid to an owner operator of either a Franchise Outlet or Company Owned Outlet.

(h) Disclosed Expenses – means the following select expenses: rent, utilities, insurance, repairs and maintenance, software and technology, marketing, supplies, laundry expenses, and miscellaneous expenses.

(i) Facial Bar – means the open service area with individualized treatment chairs where Approved Services and Products are provided to customers in a shared space setting.

(j) Franchise Outlet – refers to a Facialworks Studio operated under a Franchise Agreement that is not a Company Owned Outlet.

(k) Franchise Related Expenses – means the following select fees currently required under the Franchise Agreements: Royalty Fees, Brand Development Fund Fees, Technology Fees, and local marketing. Franchise Related Expenses do not include all fee and payment obligations required under a Franchise Agreement.

(l) General – Gross Sales related to Approved Services and Products that relate to non-membership individual services, pre-paid service package sales, and gift card sales.

(m) Gross Sales – means the total revenue derived by each Facialworks Studio less sales tax, discounts, allowances, and returns.

(n) Member – refers to a customer of a Facialworks Studio that purchases participates in a Membership Program.

(o) Membership Program – refers to a subscription membership program sold to Facialworks Members that entitles the customer to a fixed price for the Approved Services and Products. Membership Programs are offered based on a month-to-month basis.

(p) New Company Owned Outlet – means, as to a particular Calendar Year, a Company Owned Outlet that for the first time opened and commenced operations during the Calendar Year. For example, if a Company Owned Outlet first opened for business in February 2022, as to the 2022 Calendar Year, the Company Owned Outlet would qualify as a New Company Owned Outlet and not as an Operational Company Owned Outlet, see definition below. If this Company Owned Outlet remained in operation throughout the 2023 Calendar Year, it would qualify as an Operational Company Owned Outlet during the 2023 Calendar Year.

(q) Operational Company Owned Outlet – means, as to a particular Calendar Year, a Company Owned Outlet that was open and in operation on or prior to the commencement of the Calendar Year. For example, if a Company Owned Outlet first opened for business in February 2022, as to the 2022 Calendar Year, the Company Owned Outlet would qualify as a New Company Owned Outlet, see definition above, and not as an Operational Company Owned Outlet. If this Company Owned Outlet remained in operation throughout the 2023 Calendar Year, it would qualify as an Operational Company Owned Outlet during the 2023 Calendar Year.

(r) Outlet – refers to a Facialworks Studio that is either a Company Owned Outlet or a Franchise Outlet, as the context requires.

(s) Treatment Room – means a private room where Approved Services and Products are provided to customers on an individual basis and in a private setting.

(t) Service Visit – refers to each unique and/or distinct service visit where services comprising the Approved Services and Products are provided on behalf of a customer and irrespective of whether or not the services were performed at the Facial Bar or Treatment Room.

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ANALYSIS OF RESULTS OF COMPANY OWNED OUTLETS

During the 2022 and 2023 Calendar Years we had a total of four Company Owned Outlets, and all four constitute Operational Company Owned Outlets. The table below provides a summary of our Operational Company Owned Outlets. Material financial and operational characteristics that are reasonably anticipated to differ from future operational franchise outlets include: (a) managerial skill and efficiency experienced by our Company Owned Outlets as a result of our extensively experienced management team; (b) brand recognition within the local markets in which our Company Owned Outlets operate; and (c) no obligation to pay ongoing monthly fees that a franchisee will pay to us, such as Royalty Fees and Brand Development Fund Fees.

Company Owned Outlet Summary	
Outlet	Outlet Description
Newport Beach	The Newport Beach Outlet is located at 1727 Westcliff Drive, Newport Beach, California 92660. This Outlet opened for business in November 2013. This Outlet is located in a shopping center and operates out of an 1,800 square foot Studio with five Facial Bar chairs and four single oxygen infusion Treatment Rooms and one double oxygen infusion treatment room.
Huntington Beach	The Huntington Beach Outlet is located at 21022 Pacific Coast Highway, Unit 210, Huntington Beach, California 92648. This Outlet opened for business in December 2017. This Outlet is located in a shopping center and operates out of a 1,400 square foot Studio with six Facial Bar chairs and two oxygen infusion Treatment Rooms.
Dana Point	The Dana Point Outlet is located at 32411 Golden Lantern, Suite Q, Laguna Niguel, California 92677. This Outlet opened for business in November 2017. This Outlet is located in a shopping center and operates out of a 1,280 square foot Studio with five Facial Bar chairs and two oxygen infusion Treatment Rooms.
Irvine Spectrum	The Irvine Spectrum Outlet is located at 717 Spectrum Center Drive, Irvine, California 92618. This Outlet opened for business in November 2019. This Outlet is located in a shopping center and operates out of an 1,870 square foot Studio with six Facial Bar chairs and three oxygen infusion Treatment Rooms.

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Table 1

Company Owned Outlet: Newport Beach Studio				
	2022 Calendar Year		2023 Calendar Year	
	Total	% ¹	Total	% ¹
Gross Sales by Category				
Gross Sales: Memberships	\$486,829	34.1%	\$626,885	37.6%
Gross Sales: Products	\$279,124	19.6%	\$274,891	16.5%
Gross Sales: General	\$660,859	46.3%	\$766,115	45.9%
Total Gross Sales	\$1,426,812	100.0%	\$1,667,891	100.0%
Less: Direct Cost of Goods Sold				
Retail and Service Product Sales	(\$144,799)	10.1%	(\$218,724)	13.1%
Merchant Service Fees	(\$42,873)	3.0%	(\$51,119)	3.1%
Total Direct Cost of Goods Sold	(\$187,672)	13.2%	(\$269,843)	16.2%
Less: Direct Labor Cost	(\$444,280)	31.1%	(\$546,809)	32.8%
Direct Gross Profit	\$794,861	55.7%	\$851,240	51.0%
Less: Disclosed Expenses				
Rent	(\$142,954)	10.0%	(\$169,876)	10.2%
Utilities	(\$5,211)	0.4%	(\$4,727)	0.3%
Insurance	(\$4,800)	0.3%	(\$4,800)	0.3%
Repairs and Maintenance	(\$5,896)	0.4%	(\$8,685)	0.5%
Software and Technology	(\$7,378)	0.5%	(\$7,586)	0.5%
Marketing	(\$4,250)	0.3%	(\$5,186)	0.3%
Supplies	(\$7,167)	0.5%	(\$9,673)	0.6%
Laundry Expenses	(\$9,786)	0.7%	(\$3,558)	0.2%
Miscellaneous	(\$3,381)	0.2%	(\$5,913)	0.4%
Less: Adjustments for Franchise Related Expenses				
Royalty Fee ²	(\$85,609)	6.0%	(\$100,073)	6.0%
Brand Development Fund Fee ³	(\$14,268)	1.0%	(\$16,679)	1.0%
Technology Fee ⁴	(\$3,000)	0.2%	(\$3,000)	0.2%
Local Marketing ⁵	(\$7,750)	0.5%	(\$6,814)	0.4%
Direct Gross Profit Less Disclosed Expenses and Adjustments for Franchise Related Expenses	\$493,410	34.6%	\$504,669	30.3%

Notes to Table:

¹ “%” represents the percentage of Gross Sales.

² The Royalty Fee is equal to the greater of: (a) 6% of Gross Sales, or (b) \$1,000 per month during months four to 18 following the opening of your Studio and \$1,500 per month during month 18 and each month thereafter.

³ The Brand Development Fund Fee is currently 1% of Gross Sales.

⁴ The Technology Fee is currently \$250 per month.

⁵ You must spend a minimum of \$1,000 per month on the local marketing of your Facialworks Studio. This adjustment reflects the difference between the local marketing requirement disclosed in Item 6 of this Disclosure Document and the marketing expenses of this Studio as disclosed in Disclosed Expenses.

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Table 2

Company Owned Outlet: Huntington Beach Studio				
	2022 Calendar Year		2023 Calendar Year	
	Total	% ¹	Total	% ¹
Gross Sales by Category				
Gross Sales: Memberships	\$219,859	35.4%	\$284,110	38.9%
Gross Sales: Products	\$101,946	16.4%	\$115,551	15.8%
Gross Sales: General	\$299,166	48.2%	\$330,822	45.3%
Total Gross Sales	\$620,971	100.0%	\$730,483	100.0%
Less: Direct Cost of Goods Sold				
Retail and Service Product Sales	(\$65,215)	10.5%	(\$96,892)	13.3%
Merchant Service Fees	(\$17,962)	2.9%	(\$21,248)	2.9%
Total Direct Cost of Goods Sold	(\$83,177)	13.4%	(\$118,140)	16.2%
Less: Direct Labor Cost	(\$248,564)	40.0%	(\$263,980)	36.1%
Direct Gross Profit	\$289,230	46.6%	\$348,363	47.7%
Less: Disclosed Expenses				
Rent	(\$141,283)	22.8%	(\$146,890)	20.1%
Utilities	(\$7,137)	1.1%	(\$7,114)	1.0%
Insurance	(\$4,800)	0.8%	(\$4,800)	0.7%
Repairs and Maintenance	(\$6,463)	1.0%	(\$5,348)	0.7%
Software and Technology	(\$6,964)	1.1%	(\$7,408)	1.0%
Marketing	(\$1,139)	0.2%	(\$1,249)	0.2%
Supplies	(\$8,225)	1.3%	(\$5,616)	0.8%
Laundry Expenses	(\$7,652)	1.2%	(\$11,408)	1.6%
Miscellaneous	(\$1,383)	0.2%	(\$636)	0.1%
Less: Adjustments for Franchise Related Expenses				
Royalty Fee ²	(\$37,258)	6.0%	(\$43,829)	6.0%
Brand Development Fund Fee ³	(\$6,210)	1.0%	(\$7,305)	1.0%
Technology Fee ⁴	(\$3,000)	0.5%	(\$3,000)	0.4%
Local Marketing ⁵	(\$10,861)	1.7%	(\$10,751)	1.5%
Direct Gross Profit Less Disclosed Expenses and Adjustments for Franchise Related Expenses	\$46,855	7.5%	\$93,009	12.7%

Notes to Table:

¹ “%” represents the percentage of Gross Sales.

² The Royalty Fee is equal to the greater of: (a) 6% of Gross Sales, or (b) \$1,000 per month during months four to 18 following the opening of your Studio and \$1,500 per month during month 18 and each month thereafter.

³ The Brand Development Fund Fee is currently 1% of Gross Sales.

⁴ The Technology Fee is currently \$250 per month.

⁵ You must spend a minimum of \$1,000 per month on the local marketing of your Facialworks Studio. This adjustment reflects the difference between the local marketing requirement disclosed in Item 6 of this Disclosure Document and the marketing expenses of this Studio as disclosed in Disclosed Expenses.

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Table 3

Company Owned Outlet: Dana Point Studio				
	2022 Calendar Year		2023 Calendar Year	
	Total	% ¹	Total	% ¹
Gross Sales by Category				
Gross Sales: Memberships	\$165,618	32.6%	\$209,745	38.2%
Gross Sales: Products	\$80,674	15.9%	\$73,087	13.3%
Gross Sales: General	\$261,719	51.5%	\$266,932	48.6%
Total Gross Sales	\$508,011	100.0%	\$549,764	100.0%
Less: Direct Cost of Goods Sold				
Retail and Service Product Sales	(\$48,938)	9.6%	(\$72,501)	13.2%
Merchant Service Fees	(\$15,397)	3.0%	(\$16,677)	3.0%
Total Direct Cost of Goods Sold	(\$64,335)	12.7%	(\$89,178)	16.2%
Less: Direct Labor Cost	(\$202,228)	39.8%	(\$224,231)	40.8%
Direct Gross Profit	\$241,448	47.5%	\$236,356	43.0%
Less: Disclosed Expenses				
Rent	(\$88,723)	17.5%	(\$86,312)	15.7%
Utilities	(\$5,861)	1.2%	(\$8,375)	1.5%
Insurance	(\$4,800)	0.9%	(\$4,800)	0.9%
Repairs and Maintenance	(\$3,195)	0.6%	(\$5,709)	1.0%
Software and Technology	(\$7,087)	1.4%	(\$7,622)	1.4%
Marketing	(\$1,355)	0.3%	(\$38)	0.0%
Supplies	(\$4,397)	0.9%	(\$3,838)	0.7%
Laundry Expenses	\$0	0.0%	\$0	0.0%
Miscellaneous	(\$468)	0.1%	(\$1,083)	0.2%
Less: Adjustments for Franchise Related Expenses				
Royalty Fee ²	(\$30,481)	6.0%	(\$32,986)	6.0%
Brand Development Fund Fee ³	(\$5,080)	1.0%	(\$5,498)	1.0%
Technology Fee ⁴	(\$3,000)	0.6%	(\$3,000)	0.5%
Local Marketing ⁵	(\$10,645)	2.1%	(\$11,962)	2.2%
Direct Gross Profit Less Disclosed Expenses and Adjustments for Franchise Related Expenses	\$76,356	15.0%	\$65,133	11.8%

Notes to Table:

¹ “%” represents the percentage of Gross Sales.

² The Royalty Fee is equal to the greater of: (a) 6% of Gross Sales, or (b) \$1,000 per month during months four to 18 following the opening of your Studio and \$1,500 per month during month 18 and each month thereafter.

³ The Brand Development Fund Fee is currently 1% of Gross Sales.

⁴ The Technology Fee is currently \$250 per month.

⁵ You must spend a minimum of \$1,000 per month on the local marketing of your Facialworks Studio. This adjustment reflects the difference between the local marketing requirement disclosed in Item 6 of this Disclosure Document and the marketing expenses of this Studio as disclosed in Disclosed Expenses.

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Table 4

Company Owned Outlet: Irvine Spectrum Studio				
	2022 Calendar Year		2023 Calendar Year	
	Total	% ¹	Total	% ¹
Gross Sales by Category				
Gross Sales: Memberships	\$204,744	27.1%	\$284,901	29.4%
Gross Sales: Products	\$115,626	15.3%	\$144,974	15.0%
Gross Sales: General	\$433,775	57.5%	\$539,433	55.7%
Total Gross Sales	\$754,145	100.0%	\$969,308	100.0%
Less: Direct Cost of Goods Sold				
Retail and Service Product Sales	(\$71,355)	9.5%	(\$130,259)	13.4%
Merchant Service Fees	(\$21,580)	2.9%	(\$28,420)	2.9%
Total Direct Cost of Goods Sold	(\$92,935)	12.3%	(\$158,679)	16.4%
Less: Direct Labor Cost	(\$294,633)	39.1%	(\$370,575)	38.2%
Direct Gross Profit	\$366,578	48.6%	\$440,054	45.4%
Less: Disclosed Expenses				
Rent	(\$186,530)	24.7%	(\$177,829)	18.3%
Utilities	(\$8,254)	1.1%	(\$8,460)	0.9%
Insurance	(\$4,800)	0.6%	(\$4,800)	0.6%
Repairs and Maintenance	(\$5,080)	0.7%	(\$4,186)	0.4%
Software and Technology	(\$7,022)	0.9%	(\$7,278)	0.8%
Marketing	(\$1,726)	0.2%	(\$1,164)	0.1%
Supplies	(\$18,669)	2.5%	(\$11,313)	1.2%
Laundry Expenses	\$0	0.0%	\$0	0.0%
Miscellaneous	(\$471)	0.1%	(\$1,771)	0.2%
Less: Adjustments for Franchise Related Expenses				
Royalty Fee ²	(\$45,249)	6.0%	(\$58,158)	6.0%
Brand Development Fund Fee ³	(\$7,541)	1.0%	(\$9,693)	1.0%
Technology Fee ⁴	(\$3,000)	0.4%	(\$3,000)	0.3%
Local Marketing ⁵	(\$10,274)	1.4%	(\$10,836)	1.1%
Direct Gross Profit Less Disclosed Expenses and Adjustments for Franchise Related Expenses	\$67,961	9.0%	\$141,565	14.6%

Notes to Table:

¹ “%” represents the percentage of Gross Sales.

² The Royalty Fee is equal to the greater of: (a) 6% of Gross Sales, or (b) \$1,000 per month during months four to 18 following the opening of your Studio and \$1,500 per month during month 18 and each month thereafter.

³ The Brand Development Fund Fee is currently 1% of Gross Sales.

⁴ The Technology Fee is currently \$250 per month.

⁵ You must spend a minimum of \$1,000 per month on the local marketing of your Facialworks Studio. This adjustment reflects the difference between the local marketing requirement disclosed in Item 6 of this Disclosure Document and the marketing expenses of this Studio as disclosed in Disclosed Expenses.

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Table 5

Facial Bar vs. Treatment Room Percentage of Overall Service Visits for 2023 Calendar Year		
Outlet	Facial Bar	Treatment Room
Newport Beach Studio	39.73%	60.27%
Huntington Beach Studio	31.79%	68.21%
Dana Point Studio	35.60%	64.40%
Irvine Spectrum	26.37%	73.63%

Table 6

Company Owned Outlet Summary Service Visit Data for 2023 Calendar Year		
Studio	Total Number of Service Visits	Average Number of Service Visits Per Month
Newport Beach	9,311	776 ¹
Huntington Beach	4,158	347 ²
Dana Point	3,358	280 ³
Irvine Spectrum	5,879	490 ⁴

Notes to Table:

¹ On a per month basis, the median number of Service Visits was 776, the high number of Service Visits was 883 and the low number of Service Visits was 713.

² On a per month basis, the median number of Service Visits was 343, the high number of Service Visits was 405, and the low number of Service Visits was 294.

³ On a per month basis, the median number of Service Visits was 278, the high number of Service Visits was 326, and the low number of Service Visits was 249.

⁴ On a per month basis, the median number of Service Visits was 484, the high number of Service Visits was 561, and the low number of Service Visits was 442.

Table 7

Company Owned Outlet Summary Average Gross Sales Per Treatment Room Service Visit for 2023 Calendar Year	
Studio	Average Gross Sales Per Treatment Room Service Visit
Newport Beach	\$226.87 ¹
Huntington Beach	\$227.51 ²
Dana Point	\$220.56 ³
Irvine Spectrum	\$214.84 ⁴

Notes to Table:

¹ The median was \$195, the high was \$403, and the low was \$75.

² The median was \$195, the high was 403, and the low was \$75.

³ The median was \$195, the high was \$460, and the low was \$88.

⁴ The median was \$195, the high was \$403, and the low was \$88.

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Table 8

Company Owned Outlet Summary Average Gross Sales Per Facial Bar Service Visit for 2023 Calendar Year	
Studio	Average Gross Sales Per Facial Bar Service Visit
Newport Beach	\$81.65 ¹
Huntington Beach	\$82.95 ²
Dana Point	\$80.16 ³
Irvine Spectrum	\$86.86 ⁴
<u>Notes to Table:</u> ¹ The median was \$65, the high was \$133, and the low was \$40. ² The median was \$70, the high was 97.50, and the low was \$40. ³ The median was \$65, the high was \$90, and the low was \$40. ⁴ The median was \$70, the high was \$90, and the low was \$40.	

Table 9

Company Owned Outlet Summary Total Members as of December 31, 2023	
Studio	Number of Members
Newport Beach	327
Huntington Beach	151
Dana Point	110
Irvine Spectrum	152
Total	740

Some Outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Facialworks Franchising LLC does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jason Gilboa, Facialworks Franchising LLC at 1727 Westcliff Drive, Newport Beach, California 92660 and (949) 877-1911, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company Owned	2021	4	4	0
	2022	4	4	0
	2023	4	4	0
Total Outlets	2021	4	4	0
	2022	4	4	0
	2023	4	4	0

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2021 to 2023

State	Year	Number of Transfers
None	2021	0
	2022	0
	2023	0

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