

	Provision	Section in Development Agreement	Summary
s.	Modification of the Franchise Agreement	Section 26	Your Development Agreement may not be modified, except by a writing signed by both parties.
t.	Integration/merger clause	Section 26	Only the terms of the Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and this Agreement may not be enforceable. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 13	You must first submit all disputes and controversies arising under the Development Agreement to us and make every effort to resolve the dispute internally.
		Section 14	After exhausting our internal dispute resolution procedure, except as otherwise provided, all claims or disputes between you and us must be submitted to binding arbitration with the American Arbitration Association (“AAA”) office closest to our then-current principal business address (currently, Huntersville, North Carolina) in accordance with the AAA’s Commercial Arbitration Rules then in effect (subject to state law).
v.	Choice of forum	Section 15	All claims not subject to arbitration must be brought before a court of general jurisdiction in Mecklenburg County, North Carolina, or the United States District Court for the Western District of North Carolina. You must consent to the personal jurisdiction and venue of any court of general jurisdiction in Huntersville, North Carolina, and the United States District Court for the Western District of North Carolina (subject to state law).
w.	Choice of law	Section 11	The Franchise Agreement is governed by the laws of the State of North Carolina (subject to state law).

**ITEM 18**  
**PUBLIC FIGURES**

We do not currently use any public figure to promote our franchise, but we reserve the right to do so in the future.

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATION**

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) a 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.

## **BACKGROUND**

There were 9 Studios operating in the United States as of the Issuance Date of this Disclosure Document. Of those, 5 Studios were operating as of December 31, 2023. Our affiliates, Sweat and Salty and SmartYou, operated 2 of them (the “Affiliate-Owned Studios”) and our franchisees operated the other 3 (the “2023 Franchised Studios”). We had 4 franchisees each open 1 Studio in 2024, before the Issuance Date of this Disclosure Document (the “2024 Franchised Studios” and, together with the 2023 Franchised Studios, the “Franchised Studios”). We include the 7 Franchised Studios only in the financial performance representations in Part III below. Except as we explain in each Part below, we did not exclude any Affiliate-Owned Studios or any Franchised Studios from the financial performance representations contained in this Item 19.

This Item 19 presents information about the financial performance of the Affiliate-Owned Studios and Franchised Studios. This information was reported to us by the Affiliate-Owned Studios and the Franchised Studios. We have not independently audited or otherwise verified this information. Written substantiation for the financial performance representations will be made available upon reasonable request.

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

### **PART I: AFFILIATE-OWNED STUDIOS: GROSS SALES, COGS, AND OTHER FIXED OPERATING COSTS AND EXPENSES, AND ESTIMATED FEES DURING FISCAL YEAR 2023**

Table 1 below discloses the actual historical Gross Sales generated, as well as COGS, operational expenses, and imputed fees for the 2 Affiliate-Owned Studios from January 1, 2023 through December 31, 2023 (“Fiscal Year 2023”). The 2 Affiliate-Owned Studios opened on October 1, 2021 and March 27, 2022, respectively.

**TABLE 1**  
**FISCAL YEAR 2023**

Category	Affiliate-Owned Studio in Huntersville, NC	Affiliate-Owned Studio in South End, NC
Actual Gross Sales <sup>1</sup>	<b>\$519,646.49</b>	<b>\$715,150.13</b>
COGS <sup>2</sup>	<b>\$26,177.02</b>	<b>\$8,761.40</b>
Gross Profit <sup>3</sup>	<b>\$493,469.47</b>	<b>\$706,388.73</b>
Total Local Marketing <sup>4</sup>	\$28,200.00	\$33,820.64
Operations Expenses <sup>5</sup>	\$63,873.49	\$106,340.25
Payroll <sup>6</sup>	\$103,456.66	\$187,972.29

Category	Affiliate-Owned Studio in Huntersville, NC	Affiliate-Owned Studio in South End, NC
Rent <sup>7</sup>	\$68,116.60	\$93,608.96
Imputed Royalty Fees <sup>8</sup>	\$36,375.25	\$50,060.51
Imputed Brand Fund Contribution <sup>9</sup>	\$5,196.46	\$7,151.50
<b>Net Profit<sup>10</sup></b>	<b>\$ 188,251.00</b>	<b>\$ 227,434.58</b>
<b>Margin<sup>11</sup></b>	<b>36.23%</b>	<b>31.80%</b>

Table 1 above excludes results from the 7 Franchised Studios because none of the 7 Franchised Studios were open and operating for the full Fiscal Year 2023.

**PART II: 2023 FRANCHISED STUDIO: GROSS SALES**

Table 2 below details the actual historical Gross Sales generated during Fiscal Year 2023 by the 1 Franchised Studio that opened on January 21, 2023, and that operated for nearly the entire Fiscal Year 2023. We did not include any of the other Franchised Studios in this Table 2 because none of those Franchised Studios operated for the entire, or nearly the entire, Fiscal Year 2023. The Gross Sales amount listed below is the actual amount generated (with no adjustments or extrapolation to account for the period January 1, 2023 to January 20, 2023).

**TABLE 2**  
**FISCAL YEAR 2023**

2023 Franchised Studio	Actual Gross Sales
1	\$785,540.66

**PART III: GROSS SALES FOR AFFILIATE-OWNED STUDIO AND FRANCHISED STUDIOS DURING THE PRE-LAUNCH PERIOD AND, AS APPLICABLE, THE FIRST 31 DAYS OF OPERATION AFTER PRE-LAUNCH PERIOD**

Table 3 below details actual historical Gross Sales generated during the Pre-Launch Period and, as applicable, the first 31 days of operation, for the Studios listed below. For each Studio listed below, the “Pre-Launch Period” means the period beginning on the date the Studio begins selling memberships for the Studio’s services (the “Start Date”) and ending on the date that is the day before the Studio opens to the public for business (the “Opening Date”). As disclosed below in Table 3, the Pre-Launch Period has lasted between 12 to 16 weeks before the Opening Date. All 7 Franchised Studios and 1 Affiliate-Owned Studio engaged in pre-opening membership sales activities during the Pre-Launch Period. Table 3 does not include 1 Affiliate-Owned Studio, located in Huntersville, North Carolina, because that Studio converted from a Sweat and Salty location in 2021 and did not have a Pre-Launch Period.

**TABLE 3**  
**PRE-LAUNCH + 31 DAYS OF OPERATION**

<b>Studio</b>	<b>Start Date</b>	<b>Opening Date</b>	<b>Prelaunch Gross Sales</b>	<b>First 31 Days of Gross Sales</b>	<b>Prelaunch + First 31 Days of Gross Sales</b>
1	8/17/2022	1/21/23	\$ 49,203.50	\$ 71,961.30	\$ 121,164.80
2	12/17/2023	4/15/24	\$ 45,900.00	N/A*	---
3	8/13/2023	3/26/24	\$ 28,387.00	N/A*	---
4	8/4/2023	1/23/24	\$ 31,804.00	\$ 43,243.42	\$ 75,047.42
5	2/10/2023	7/17/23	\$ 26,310.00	\$ 40,690.00	\$ 67,000.00
6 (Affiliate -Owned Studio in South End, NC)	1/17/2022	3/27/22	\$ 21,229.00	\$ 32,788.13	\$ 54,017.13
7	8/3/2023	11/17/23	\$ 14,019.00	\$ 30,108.30	\$ 44,127.30
8	12/17/2023	3/30/24	\$ 10,780.00	N/A*	---

\*As of the Issuance Date of this Disclosure Document, these 2024 Franchised Studios had not been in operation for a full 31 days.

**Explanatory Notes for all Financial Performance Representations:**

- Gross Sales.** “Gross Sales,” as defined in Item 6 of this Disclosure Document, means all revenue from the sale of all products and performance of services from the Studio, whether in the form of cash, credit, barter, or rebates, and regardless of collection in the case of credit, and income of every kind and nature related to the Studio, including any consideration that you receive from third-party vendors/suppliers. “Gross Sales” does not include monies that are collected and submitted by you for transmittal to appropriate taxing authorities (such as sales tax), discounts, allowances and returns (including cash refunds).
- COGS.** “COGS” or Cost of Goods Sold means the cost of retail items, water bottles, and other merchandise sold from a Studio. For the Affiliate-Owned Studio in Huntersville, NC, COGS includes any sales-based commissions the Studio pays its sales personnel. For the Affiliate-Owned Studio in South End, NC, COGS does not include any sales-based commissions the Studio pays its sales personnel.
- Gross Profit.** “Gross Profit” means Gross Sales, minus COGS.
- Total Local Marketing.** “Total Local Marketing” means the total amount Affiliate-Owned Studios expended during Fiscal Year 2023 on local marketing efforts, including local marketing and promotions activities and advertising agency management fees. Under our current form of Franchise Agreement, you are required to expend a minimum of \$1,500 per month (\$18,000 per year) on local marketing, however, we recommend that you spend more.

5. **Operations Expenses.** “Operations Expenses” means amounts other than Total Local Marketing, Payroll, Rent, Imputed Royalty Fee, and Imputed Brand Fund Contribution that Affiliate-Owned Studios expended during Fiscal Year 2023, including, utilities, repairs, office supplies, equipment, cleaning, licenses, dues and subscriptions, bookkeeping, and insurance. Operation Expenses also includes the (i) estimated POS Fee of \$268/month, (ii) the Annual Membership Contract Fee of \$250 per year, (iii) the Technology Fee of \$450 per month, and (iv) the cost of towels (the Affiliate-Owned Studio in South End, NC utilized a towel service at a cost of approximately \$3,750 per month. The Affiliate-Owned Studio in Huntersville, NC utilized in-house washer-dryers).
6. **Payroll.** “Payroll” means the total cost and compensation paid in connection with the engagement of staff to operate Affiliate-Owned Studios. The term “Payroll” does not include salary or other compensation paid to a Designated Manager, general manager, or owner, because our Affiliate-Owned Studios are owner operated and managed. If you hire a Designated Manager or other approved Studio manager to operate your Studio, your Payroll expense will be higher.
7. **Rent.** “Rent” means the total amount that Affiliate-Owned Studio incurred in connection with base rent during Fiscal Year 2023.
8. **Imputed Royalty Fee.** The term “Imputed Royalty Fees” means the total Royalty Fee that Affiliate-Owned Studios would have had to pay us if Affiliate-Owned Studios were owned by a System franchisee and governed by our current form of Franchise Agreement. We calculated the Imputed Royalty Fees by multiplying the Gross Sales generated by the Affiliate-Owned Studio by .07 to account for the Royalty Fee of 7% set forth and required under our current form of Franchise Agreement.
9. **Imputed Brand Fund Contribution.** The term “Imputed Brand Fund Contribution” means the total Brand Fund Contribution that Affiliate-Owned Studios would have to contribute if Affiliate-Owned Studios were owned by a System franchisee and governed by our current form of Franchise Agreement. We calculated the Imputed Brand Fund Contribution by multiplying the Gross Sales generated by Affiliate-Owned Studios by .01 to account for the Brand Fund Contribution requirement of the greater of (a) 1% of Gross Sales, or (b) \$250 per month required under our current form of Franchise Agreement.
10. **Net Profit.** Net Profit means Gross Profits, less Total Local Marketing, Operations Expenses, Payroll, Rent, Imputed Royalty Fees, Imputed Brand Fund Contribution, interest, income taxes, depreciation, and amortization.
11. **Margin.** Margin is calculated by taking the Gross Sales, less COGS, Operations Expenses, Payroll, Rent, Estimated Royalty Fees, Total Local Advertising, and Estimated Brand Fund Contribution, dividing that amount by the Gross Sales and multiplying the total by 100.
12. The Affiliate-Owned Studios and Franchised Studios generally reflect the mix of characteristics that we expect for new franchised Studios. For example, these Studios occupy between approximately 1,330 to 1,710 square feet; and fit approximately 6 to 8 saunas and showers.

The financial performance representation figures do not reflect all the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net operating income or net profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Studio. Franchisees or former franchisees, listed in this Disclosure Document, may be one source of this information.

Other than the financial performance representation contained in this Item, we do 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 Cynthia May Wagner at 13620 Reese Blvd. East, Suite 300, Huntersville, NC 28078 or by phone at (980) 223-0975, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

All year-end numbers appearing in the tables below are as of December 31 in each year. The “Company-Owned” outlets referenced in tables 1, 4 and 5 below are operated by our affiliate.

**Table No. 1**  
**System-wide Outlet Summary**  
**For Years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	0	0	0
	2022	0	1	+1
	2023	1	3	+2
Company-Owned	2021	1	1	0
	2022	1	2	+1
	2023	2	2	0
Total Outlets	2021	1	1	0
	2022	1	3	+2
	2023	3	5	+2

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
[All States] Total	2021	0
	2022	0
	2023	0