

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
p. Your death or disability	FA: 19.4	Within 180 days, interest must be assigned by estate to an assignee in compliance with conditions for other Transfers. We may designate manager to operate the Studio prior to Transfer.
	ADA: 7.4	Within 180 days, interest must be assigned by estate to an assignee in compliance with conditions for other Transfers.
q. Non-competition covenants during the term of the franchise	FA: 14.3	No involvement in a competing business.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
r. Non-competition covenants after the franchise is terminated or expires	FA: 14.3 & 21.1	No involvement for 2 years in a competing business conducted from your Studio or anywhere within a 10-mile radius from: (a) your Studio; or (b) any other Studio that is open or under development at the time your franchise terminates or expires.
	ADA: Not Applicable	The ADA does not impose any noncompetition covenants.
s. Modification of the agreement	FA: 24.3 & 24.8	Requires writing signed by both parties (except we may unilaterally change Manual or reduce scope of restrictive covenants). Other modifications to comply with state laws.
	ADA: 12.7	
t. Integration/merger clause	FA: 24.8	Only the terms of the Franchise Agreement and ADA (if applicable) and their attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document, Franchise Agreement and ADA may not be enforceable. Nothing in the Franchise Agreement, ADA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.
	ADA: 12.7	
u. Dispute resolution by arbitration or mediation	FA: 22	Subject to state law, all disputes must be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants or post-term obligations.
	ADA: 10	
v. Choice of forum	FA: 22	Subject to state law, mediation and litigation must take place in Montgomery County, Texas.
	ADA: 10	
w. Choice of law	FA: 24.1	Subject to state law, Texas law governs.
	ADA: 12.1	

## ITEM 18 PUBLIC FIGURES

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

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

## **Defined Terms**

For purposes of this FPR, the following terms have the meanings given to them below.

**“Company-Owned Studio”** means any Studio that is owned by: (a) us; (b) any affiliate of ours; or (c) any person listed in Item 2 of this Disclosure Document if that person, or any other person listed in Item 2 of this Disclosure Document, is involved with managing the Studio.

**“Excluded Expenses”** means all expenses that are excluded from Select Operating Expenses, including

- salary, draw or other compensation for the owner of each studio
- meals and expenses incurred by the owner relating while promoting the studio
- automobile/vehicle expenses
- certain taxes, including state-specific payroll and property taxes
- fees that might be charged by a third-party provider for payroll processing
- bank service fees
- fees for your water filtration lease, which we estimate to be \$720 per year based on the national rate we negotiated with our required vendor
- general supplies, such as cleaning supplies and office consumables
- professional fees
- costs for repairs and maintenance
- phone expenses
- miscellaneous costs such as travel expenses and/or uniform expenses
- royalty and credit card fees, both of which are based on gross revenue
- insurance premiums, which are estimated to be approximately \$3,800 per year if you purchase only our minimum required insurance policies
- software and technology fees (including those paid to us or Gymbot and those paid to third parties)

**“FPR”** means the financial performance representation set forth in Item 19 of this Disclosure Document.

**“Franchised Studio”** means any Studio that is owned by a franchisee.

**“Gross Sales”** means all gross sums collected or invoiced from goods and services sold by the Studio (including memberships) or that otherwise relate to the Studio (e.g., advertising revenue, sponsorship fees or business interruption insurance proceeds). Gross Sales excludes: (a) sales or use taxes; (b) revenue from the sale of furniture, fixtures and equipment in the ordinary course; and (c) client refunds. Gross Sales also excludes the retail value of: (a) comped sessions provided to Studio owners and employees (no monthly cap); and (b) up to 10 comped sessions per month (the **“Monthly Allowance”**) provided to friends or family of Studio owners or employees. Gross Sales includes the full retail value of any free or discounted goods or services provided to friends or family of Studio owners or employees in excess of the Monthly Allowance, unless the same pricing is available to the general public as part of an approved promotional program in effect at the time.

**“Marketing”** includes expenses for: social media and digital marketing; magazines, periodicals and TV advertisements; direct mail; networking events; and miscellaneous promotion.

**“Measuring Year”** means the period of time beginning January 1, 2024 and ending December 31, 2024.

**“Non-Retail Studio”** means a Reporting Studio located in a commercial property used for purposes other than selling goods or services directly to consumers (e.g., professional buildings, offices, industrial space).

**“Payroll”** includes employee payroll and payroll taxes and processing fees, but excludes owner’s wages.

**“Qualifying Studio”** means any Franchised Studio that was open and operating the entire Measuring Year.

“**Rent**” includes base rent plus any associated property taxes, property insurance premiums and maintenance costs (i.e., triple net expenses)

“**Reporting Studio**” means any Qualifying Studio that also responded to our annual expense survey from which we obtained the expense data used to prepare the Select Operating Expenses FPR in Table 2 below.

“**Retail Studio**” means any Reporting Studio located in a commercial property designed and used for retail businesses, where goods and services are sold directly to the public (e.g., shopping centers, malls, mixed-use buildings with one or more large anchor tenants that draw consumer foot traffic).

“**Select Operating Expenses**” means and includes Marketing, Payroll, Rent and Utilities, but does not include any Excluded Expenses.

“**Utilities**” includes expenses for electricity, water, gas and internet service.

## System Statistics

For purposes of this FPR, each Studio may be referred to as an “outlet.” As of December 31, 2024 (the last day of the Measuring Year) there were: (a) 211 Franchised Studios in operation, 182 of which are Qualifying Studios; and (b) 4 Company-Owned Studios in operation, none of which are Qualifying Studios. This FPR only includes data from Franchised Studios. The table below summarizes the outlet statistics and the number of Qualifying Studios:

System Statistics for FPR						
Studio Type	2024 Transactions and Statistics				Qualifying Studios	Reporting Studios
	Open Jan 1, 2024	Openings	Closures	Open Dec 31, 2024		
Franchised	191	28	8	211	182	105
Company-Owned	4	0	0	4	0	0
Total	195	28	8	215	182	105

We have excluded all 4 Company-Owned Studios from this FPR. We have excluded the following Franchised Studios from this FPR:

- 28 Franchised Studios that opened after January 1, 2024
- 8 Franchised Studios that permanently closed during the Measuring Year
- 1 Franchised Studio that temporarily closed during the Measuring Year

Historically, THE EXERCISE COACH® core service offering focused on strength and conditioning. Our company-owned Studios introduced stretching, balance and brain services in 2024 as part of a successful pilot program. Beginning in 2025, all Studios are required to offer these new services (in addition to strength and conditioning). None of the Qualifying Studios offered stretching, balance or brain services in 2024. There are no other material differences between the operations of the Qualifying Studios and the franchised business offered under this Disclosure Document.

## Subsets

This Gross Sales FPR in Table 1 presents Gross Sales data for all 182 Qualifying Studios. We have separately broken down the data by Quartiles based on performance. The table below lists these subsets:

FRANCHISED STUDIO SUBSETS FOR GROSS SALES FPR	
Subsets	Number of Qualifying Studios in Subset
Quartile 1 - top 25%	45
Quartile 2 - mid-top 25%	46
Quartile 3 - mid-bottom 25%	46
Quartile 4 - bottom 25%	45

This Select Operating Expenses FPR in Table 2 presents Select Operating Expenses for all 105 Reporting Studios. We have separately broken down this data between Retail Studios and Non-Retail Studios, since the location of the Studio may impact the Selection Operating Expenses associated with the Studio (the location of the Studio does not materially impact Gross Sales). The table below lists these subsets:

FRANCHISED STUDIO SUBSETS FOR SELECT OPERATING EXPENSES FPR	
Subsets	Number of Reporting Studios in Subset
Retail Studios	66
Non-Retail Studios	39

### **Gross Sales FPR – Table 1**

The following FPR presents historical Gross Sales data achieved by the 182 Qualifying Studios. The data is broken down into subsets. The data in each subset includes the highest, lowest, median and average Gross Sales figures as well as the number and percentage of Studios in the subset that attained or surpassed the stated average Gross Sales figure.

2024 Financial Performance Representation –Gross Sales					
Subsets for Qualifying Studios	Highest	Lowest	Median	Average	Number & Percentage At or Above Average
All (182 Studios)	\$559,986	\$68,998	\$279,023	\$291,424	83 of 182 (46%)
Quartile 1 (45 Studios)	\$559,986	\$354,436	\$418,950	\$430,479	22 of 45 (49%)
Quartile 2 (46 Studios)	\$349,954	\$281,196	\$313,688	\$313,567	23 of 46 (50%)
Quartile 3 (46 Studios)	\$276,852	\$219,256	\$236,176	\$244,350	21 of 46 (46%)
Quartile 4 (45 Studios)	\$216,295	\$68,998	\$183,966	\$176,066	25 of 45 (56%)

### **Select Operating Expenses FPR - Table 2**

The following FPR presents historical Select Operating Expenses achieved by the 105 Reporting Studios. The data is broken down into subsets. The data in each subset includes the highest, lowest, median and average Select Operating Expenses as well as the number and percentage of Studios in the subset that attained or surpassed the stated average expense figure.

2024 Financial Performance Representation – Select Operating Expenses						
Subsets for Reporting Studios	Expense Metric	Highest	Lowest	Median	Average	Number & Percentage At or Above Average
All (105 Studios)	Marketing	\$17,875	\$0	\$3,098	\$3,234	46 of 105 (44%)
	Payroll	\$23,000	\$0	\$9,725	\$9,990	57 of 105 (54%)
	Rent	\$7,158	\$1,350	\$2,952	\$3,153	44 of 105 (42%)
	Utilities	\$3,071	\$0	\$389	\$427	41 of 105 (39%)
Retail (66 Studios)	Marketing	\$17,875	\$0	\$3,000	\$3,013	32 of 66 (48%)
	Payroll	\$22,000	\$1,160	\$10,090	\$10,426	31 of 66 (47%)
	Rent	\$7,158	\$1,411	\$3,171	\$3,311	30 of 66 (45%)
	Utilities	\$973	\$120	\$400	\$443	28 of 66 (42%)

2024 Financial Performance Representation – Select Operating Expenses						
Subsets for Reporting Studios	Expense Metric	Highest	Lowest	Median	Average	Number & Percentage At or Above Average
Non-Retail (39 Studios)	Marketing	\$8,298	\$0	\$3,097	\$3,420	17 of 39 (44%)
	Payroll	\$23,000	\$0	\$10,300	\$10,746	17 of 39 (44%)
	Rent	\$5,520	\$1,448	\$2,790	\$2,998	16 of 39 (41%)
	Utilities	\$2,300	\$0	\$320	\$395	14 of 39 (36%)

Notes to All Tables:

1. Source of Data: We obtained Gross Sales data from our business intelligence software that integrates directly with our required POS system. We obtained Select Operating Expenses Sales data from our annual expense survey that was completed by the Reporting Studios and submitted to us.
2. Certain Expenses Excluded: This FPR does not reflect all the costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.
3. Historical Data: The FPR reflects the historical results achieved by the Qualifying Studios described above.

**Some Studios have earned this amount. Your individual results may differ. There is no assurance you will earn as much.**

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, 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 the franchisor's management by contacting Mr. Brian Cygan, President/CEO, Exercise Coach USA, LLC, 531 Telser Rd., Lake Zurich, Illinois 60084, phone: (847) 847-7563, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2022 TO 2024				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	128	166	+38
	2023	166	191	+25
	2024	191	211	+20
Company-Owned	2022	6	4	-2
	2023	4	4	0
	2024	4	4	0
Total Outlets	2022	134	170	+36
	2023	170	195	+25
	2024	195	215	+20